



GCE

Economics

H060/02: Macroeconomics

AS Level

Mark Scheme for June 2023

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It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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MARKING INSTRUCTIONS

PREPARATION FOR MARKING

RM ASSESSOR

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: *RM Assessor Online Training*; *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to RM Assessor and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 5 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.
5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed-out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed-out response where legible.

Rubric Error Responses – Optional Questions

Where candidates have a choice of question across a whole paper or a whole section and have provided more answers than required, then all responses are marked and the highest mark allowable within the rubric is given. Enter a mark for each question answered into RM assessor, which will select the highest mark from those awarded. *(The underlying assumption is that the candidate has penalised themselves by attempting more questions than necessary in the time allowed.)*

Multiple Choice Question Responses

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there, then add a tick to confirm that the work has been seen.
7. Award No Response (NR) if:
 - there is nothing written in the answer space.

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used by your team leader to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.
10. For answers marked by levels of response:
- To determine the level** – start at the highest level and work down until you reach the level that matches the answer
 - To determine the mark within the level**, consider the following:

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

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11. Annotations

Annotation	Meaning
	Blank Page – this annotation must be used on all blank pages within an answer booklet and on each page of an additional object where there is no candidate response.
	Correct – mark awarded
	Incorrect
	Benefit of doubt
	AO1 – Knowledge and understanding
	AO2 – Apply knowledge and understanding
	AO3 - Analyse
	AO4 - Evaluation
	Not answering question
	Noted but no credit given
	Too vague
	Own figure rule
	Confused
	Unclear

12. Subject Specific Marking Instructions

INTRODUCTION

Your first task as an Examiner is to become thoroughly familiar with the material on which the examination depends. This material includes:

- the specification, especially the assessment objectives
- the question paper and its rubrics
- the mark scheme.

You should ensure that you have copies of these materials.

You should ensure also that you are familiar with the administrative procedures related to the marking process. These are set out in the OCR booklet **Instructions for Examiners**. If you are examining for the first time, please read carefully **Appendix 5 Introduction to Script Marking: Notes for New Examiners**.

Please ask for help or guidance whenever you need it. Your first point of contact is your Team Leader.

Rubric Infringement

Candidates may infringe the rubric in the following way:

- answering two questions from Section C.

If a candidate has written two answers for Section C, mark both answers and award the highest mark achieved.

USING THE MARK SCHEME

Please study this Mark Scheme carefully. The Mark Scheme is an integral part of the process that begins with the setting of the question paper and ends with the awarding of grades. Question papers and Mark Schemes are developed in association with each other so that issues of differentiation and positive achievement can be addressed from the very start.

This Mark Scheme is a working document; it is not exhaustive; it does not provide 'correct' answers. The Mark Scheme can only provide 'best guesses' about how the question will work out, and it is subject to revision after we have looked at a wide range of scripts.

The Examiners' Standardisation Meeting will ensure that the Mark Scheme covers the range of candidates' responses to the questions, and that all Examiners understand and apply the Mark Scheme in the same way. The Mark Scheme will be discussed and amended at the meeting, and administrative procedures will be confirmed. Co-ordination scripts will be issued at the meeting to exemplify aspects of candidates' responses and achievements; the co-ordination scripts then become part of this Mark Scheme.

Before the Standardisation Meeting, you should read and mark a number of scripts, in order to gain an impression of the range of responses and achievement that may be expected.

In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited. You will encounter answers which fall outside the 'target range' of Bands for the paper which you are marking. Please mark these answers according to the marking criteria. Please read carefully all the scripts in your allocation and make every effort to look positively for achievement throughout the ability range. Always be prepared to use the full range of marks.

INSTRUCTIONS TO EXAMINERS:

A INDIVIDUAL ANSWERS

- 1 The indicative content indicates the expected parameters for candidates' answers, but be prepared to recognise and credit unexpected approaches where they show relevance.
- 2 Using 'best-fit', decide first which set of BAND DESCRIPTORS best describes the overall quality of the answer. Once the band is located, adjust the mark concentrating on features of the answer which make it stronger or weaker following the guidelines for refinement.
 - Highest mark: If clear evidence of all the qualities in the band descriptors is shown, the HIGHEST Mark should be awarded.
 - Lowest mark: If the answer shows the candidate to be borderline (i.e. they have achieved all the qualities of the bands below and show limited evidence of meeting the criteria of the band in question) the LOWEST mark should be awarded.
 - Middle mark: This mark should be used for candidates who are secure in the band. They are not 'borderline' but they have only achieved some of the qualities in the band descriptors.
- 3 Be prepared to use the full range of marks. Do not reserve (e.g.) high Band 6 marks 'in case' something turns up of a quality you have not yet seen. If an answer gives clear evidence of the qualities described in the band descriptors, reward appropriately.

B TOTAL MARKS

- 1 The maximum mark for the paper is 60.
- 2 The quality of the extended response is assessed on this part of the question paper which is identified with the use of an asterisk (*). The assessment of this skill is embedded within each of the levels of response and it must be considered when determining the mark to be awarded within the appropriate level.

Multiple Choice Questions	Answers
1	B
2	D
3	C
4	D
5	D
6	B
7	D
8	A
9	A
10	A
11	B
12	D
13	B
14	B
15	D

Question		Answer	AO	Quantitative skills
1	B	Rationale: A Fiscal policy B Correct: Monetary policy C Supply side policy D Fiscal policy or Supply side policy	1	
2	D	Rationale: A Structural B Seasonal C Cyclical D Correct: Frictional	2	
3	C	Rationale: A Tertiary B Primary C Correct : Secondary D Tertiary	1	
4	D	Rationale: A Exchange rate B Government spending C Interest rates D Correct: Competition policy	1	
5	D	Rationale: A Injection B Injection C Injection D Correct: Withdrawal	1	
6	B	Rationale: A Included in both B Correct: Excluded from CPI C Included in both D Included in both	1	
7	D	Rationale: A Shift right B Shift right C Shift right D Correct: Movement along AD curve	1	

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Question		Answer	AO	Quantitative skills
8	A	Rationale: A Correct: $(75-60)+25+10$ B $15+20+30+25+10$ C $(75-60)+15+20+30+25+10$ D $75+60+25+10$	2	Yes
9	A	Rationale: A Correct: Expenditure method B Balance of Payments C Output method not input D Measures unemployment	1	
10	A	Rationale: A Correct: $(3000/30000)-(2000/25000)$ B $2000/25000$ C $3000/30000$ D $(3000-2000)/(30000-25000)$	2	Yes
11	B	Rationale: A $(180-140)/140$ B Correct: $(180-140)/180$ C Confused Yen and Sterling D Confused Yen and Sterling	2	Yes
12	D	Rationale: A Impacts AS B Impacts AS C Would require a less flexible labour market D Correct: AS shifts right as supply of labour increases	2	
13	B	Rationale: A $200000*1.05/10.8$ B Correct: $(30000/1.05)/(10*1.08)$ C $300000/10.8$ – Ignores inflation D $300000/(10*1.05)$ – Ignores population increase	3	Yes
14	B	Rationale: A Increases imports B Correct: Reduces imports C Increases imports D Increases imports	2	

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Question		Answer	AO	Quantitative skills
15	D	Rationale: A D shifts left B S shifts left C D shifts tight D Correct: S shifts right	3	Yes

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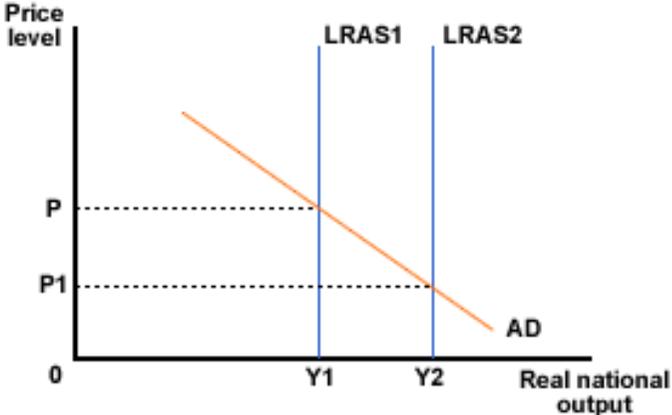
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Question	Answer	Mark	Guidance
16 (a)	<p>Using Fig. 1, explain the difference between the government budget deficit and the national debt.</p> <p>Budget deficit is when the amount spent by a government (in a year) is greater than the revenue received (1). National debt is the accumulation of borrowing that the government owes (1)</p> <p>The government budget deficit was falling from 2009 to 2019 but national debt was still increasing (1)</p>	<p>3</p> <p>(AO1x2) (AO2x1)</p>	<p>One mark for definition of budget deficit One mark for definition of national debt One mark for using Fig.1 correctly to exemplify how, even though the budget deficit was falling, the national debt was increasing</p> <p>Use of Fig.1 may be for one specific year or for a range of years – no specific numbers are required</p> <p>Quantitative skills rewarded in this question</p>
16 (b) (i)	<p>Using Fig. 2, explain at what stage of the economic cycle the UK economy was in Q2 2020.</p> <p>The economy was in recession (1)</p> <p>The GDP growth rate was negative for the first two quarters of 2020 (1) OR GDP growth rate was -2.0% in Q1 2020 and -20.0% in Q2 2020</p>	<p>2</p> <p>(AO2x2)</p>	<p>Allow range from -1.5% to -2.5% for Q1 and -20.0 to -21.0% for Q2</p> <p>Quantitative skills rewarded in this question</p> <p>Use of Fig.2 may be an awareness that growth is negative for the first 2 quarters - no specific numbers are required</p>
16 (b) (ii)	<p>Line 9-10 refer to increases in welfare payments for the unemployed.</p> <p>Explain one impact this may have on the supply of labour.</p> <p>There will be less incentive for workers to go to work (1) so supply of labour will fall (1)</p>	<p>2</p> <p>(AO1x2)</p>	<p>One mark for the impact on the supply of labour One mark to explain the reason for the impact</p>

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Question	Answer	Mark	Guidance
16 (c)	<p>The case study refers to a number of training initiatives announced by the UK government (lines 13-19).</p> <p>Using a diagram, explain what impact this is likely to have on long run economic growth in the UK.</p> <p>Up to 2 marks for a diagram:</p> <ul style="list-style-type: none"> • Accurate labelling of axes and curves (1) • A rightward shift in LRAS (1) <p>As workers undertake training and education this will improve their skills and productivity (1). This will mean the economy is able to produce more output (1)</p>	<p>4</p> <p>(AO1x2 AO2x2)</p>	<p>Accept real national output (or similar) on the X-axis instead of real GDP. Accept Keynesian diagram. Must show long run aggregate supply curve</p>  <p>NB: Accept diagrams which also show an increase in AD</p>
16 (d)	<p>Using information from the case study, explain the difference between government current expenditure and government capital expenditure.</p> <p>Government current expenditure is spending on goods and services for immediate use (1) like the furlough payments (1).</p> <p>Government capital expenditure is spending on investment for the future benefit of the economy (1) such as the infrastructure spending on transport (1)</p>	<p>4</p> <p>(AO1x2 AO2x2)</p>	<p>1 mark for definition of current expenditure 1 mark for example of current expenditure from case study</p> <p>1 mark for definition of capital expenditure 1 mark for example of capital expenditure from case study.</p> <p>Current expenditure includes training grants for young people, the Kickstart scheme, the Flexible Support Fund, furlough Capital expenditure includes infrastructure spending on schools, hospitals, transport(work coaches) and housing as well as energy efficiency spending</p> <p>Do NOT reward examples that are not from the case study</p>

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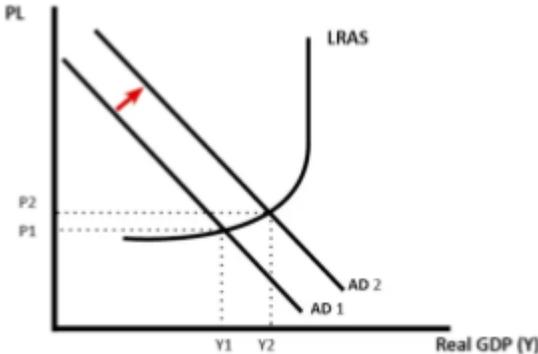
Question	Answer	Mark	Guidance
16 (e)	<p>Evaluate how the change in income for employees placed on furlough may have affected UK consumption.</p> <p>Level 3 (7-10 marks) Good – strong analysis of how the change in income for employees placed on furlough may have affected consumption. Good analysis will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. Strong analysis will have consistently well-developed links through a coherent chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis. Good - strong evaluation of the impact on UK consumption of employees placed on furlough. Strong evaluation should include a supported judgement.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 2 (4-6 marks) Reasonable analysis of how the change in income for employees placed on furlough may have affected consumption. There is correct analysis largely in the form of single links. These address the question but are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.</p> <p>Reasonable evaluation of the impact on UK consumption of employees placed on furlough.</p>	<p>10</p> <p>(AO2 x1 AO3 x4 AO4 x5)</p>	<p>Employees placed on furlough will experience a fall in their income, as they will receive 80% of their prior income only. This will mean as income falls these consumers are likely to reduce their consumption of goods and services.</p> <p>However, as this is only a small reduction in income and if this change in income is only expected to be for a short period of time, consumers are unlikely to change their consumption patterns.</p> <p>Those who receive incomes at the upper end of the scale up to £2,500 per month are already receiving high levels of income, therefore they may not change their level of consumption, but savings would be lower than when they were earning 100% of their usual income.</p> <p>Lower income households are more likely to reduce consumption, as all or most of usual income would be used for consumption of goods and services.</p> <p>However, current income is not the only factor affecting consumption. Consumption also depends on:</p> <ul style="list-style-type: none"> • Due to the pandemic, there were far fewer visits to shopping centres, restaurants, and other leisure facilities. Most consumers, even those earning their full income, reduced their consumption causing a fall in AD in the economy as consumers spent more time at home. • Changes to household rather than individual income had a greater impact. • Wealth – If consumers have a high level of savings, they can draw upon these savings, and they may continue to consume the same level of goods and services despite the fall in income. If house prices increase, homeowners may also feel wealthy and consume at higher levels. • Consumer expectations - households may decide they need to save more given the uncertainty in the future and potential job losses.

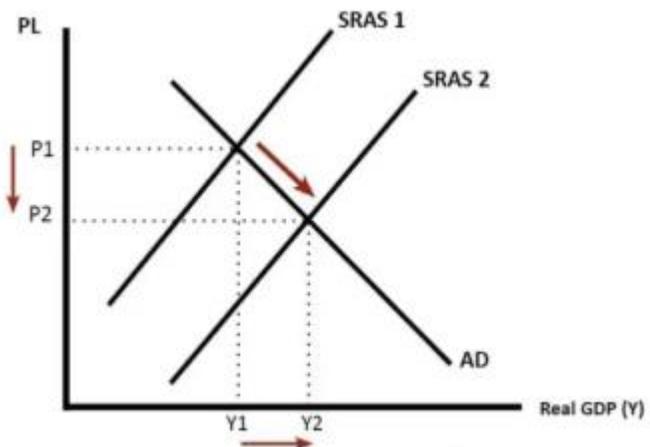
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Question	Answer	Mark	Guidance
	<p><i>There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.</i></p> <p>Level 1 (1-3 marks) Limited analysis based on application of knowledge and understanding of the effect on consumption of employees placed on furlough. There is little evidence of reasoning that addresses the question asked. There is a lack of a clear structure. Any relevant diagram(s) may not be present or are incorrectly labelled. Limited evaluation of the consequences of reduced income on consumption or no evaluation.</p> <p><i>Information is basic and communicated in an unstructured way. The information is supported by limited evidence. The relationship to the evidence may not be clear.</i></p> <p>0 marks no response worthy of credit</p>		
Descriptor	Award mark		
Consistently meets the criteria for this level	At top of level		
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)		
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)		
On the borderline of this level and the one below	At bottom of level		

Question	Answer	Mark	Guidance
17*	<p>Evaluate, using an appropriate diagram(s), the effects of a change in interest rates on the Australian government's ability to achieve macroeconomic objectives.</p> <p>Level 4 (16-20 marks) Good knowledge and understanding of how a fall in interest rates may affect ability to achieve macroeconomic objectives.</p> <p>Strong analysis will have consistently well-developed links through a coherent chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis.</p> <p>Strong evaluation of the extent of how a change in interest rates may affect other macroeconomic objectives, weighing up both sides/comparing alternatives and reaching a supported judgement.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (11-15 marks) Good knowledge and understanding of how a fall in interest rates may affect ability to achieve macroeconomic objectives.</p> <p>Good analysis of how a change in interest rates affects macroeconomic objectives. There is correct analysis in the form of developed links. These links are developed</p>	<p>20</p> <p>(AO1*3 AO2*4 AO3*6 AO4*7)</p>	<p>Consumers are less likely to save as interest rates fall, reducing withdrawals from the circular flow of income. Consumers are also able to borrow more cheaply. As consumers save less and borrow more and purchase more goods this will increase aggregate demand, shifting AD1 to AD2, leading to economic growth in Australia.</p>  <p>However, if consumers spend most of their savings or personal loans on imports, this is a withdrawal from the circular flow of income and economic growth will increase by a smaller amount than if the consumers purchased only Australian goods and services. This will also make it more difficult to meet the macroeconomic objective of a balance of payments equilibrium as more imports are consumed which will lead to a balance of payments deficit or make a balance of payments deficit larger.</p> <p>As interest rates fall and consumers spend more money and increase aggregate demand, this is also likely to increase inflation in Australia. The current inflation rate at 1.8% is just below the bottom range of the target. As aggregate demand increases inflation should increase to the Central Bank's target of between 2 and 3%. Depending on how much spare capacity there is, and by how much AD increases over the</p>

Question	Answer	Mark	Guidance
	<p>through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p>Good evaluation will weigh up both sides/comparing alternatives but without reaching a supported judgement.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.</i></p> <p>Level 2 (6-10 marks) Reasonable knowledge and understanding of how a fall in interest rates may affect ability to achieve macroeconomic objectives.</p> <p>Reasonable evaluation of the impact of a fall in interest on other macroeconomic objectives.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (1-5 marks) Limited knowledge and understanding of how a fall in interest rates may affect ability to achieve macroeconomic objectives.</p> <p>Limited or no analysis of the impact of how a fall in interest rates affects other macroeconomic objectives. There is little evidence of reasoning that addresses the question asked. There is a lack of a clear structure. The relevant diagram(s) may not be present or incorrectly labelled.</p>		<p>medium term, there is a chance this may increase inflation above its target level and therefore negatively impact a macroeconomic objective.</p> <p>At lower interest rates, firms are more likely to borrow money and invest which will increase aggregate supply (SRAS1 to SRAS2) and contribute positively to the objective of economic growth without increasing inflation, thereby also meeting the macroeconomic objective to maintain inflation at a low and stable rate.</p>  <p>Interest rates have halved in Australia (but is only a small nominal change). If the fall in interest rates is viewed as a small change, or if consumers and firms believe the fall in interest rates is only for a short period, there may not be a significant increase in demand for loans. Economic growth may therefore see little change.</p> <p>Firms with variable rate loans will see their monthly loan repayments fall as interest rates fall, which may encourage some firms to employ more workers. Those firms taking advantage of lower interest rates to take out new loans may also hire more workers which will also increase the employment rate. As more people are employed this may help the macroeconomic objective of a more equal distribution of income as more people are working and earning an income compared to the lower income received via government unemployment benefits.</p>

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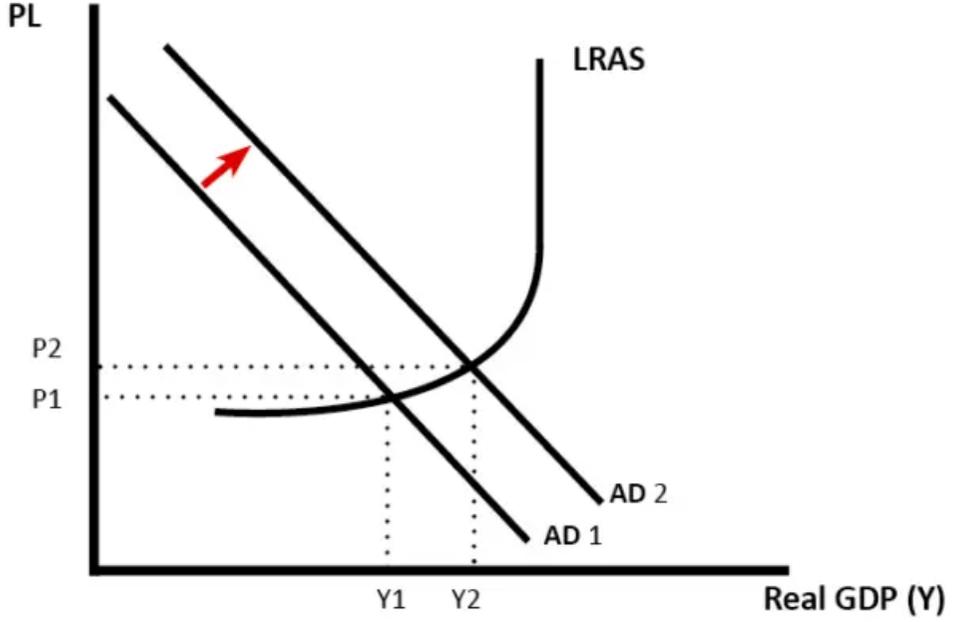
Question	Answer	Mark	Guidance
	<p>Limited evaluation of the impact of how a fall in interest rates affects ability to achieve macroeconomic objectives, in the form of an unsupported statement or no evaluation.</p> <p><i>Information is basic and communicated in an unstructured way. The information is supported by limited evidence. The relationship to the evidence may not be clear.</i></p> <p>0 marks no response worthy of credit</p>		<p>As demand increases in the economy and unemployment falls, the Australian government will spend less money on unemployment benefits and receive more income taxes as more people are working. In addition, the government will benefit from higher revenue from expenditure taxes and corporation taxes as consumers spend more money and firms make more profits. This combined effect may contribute towards the government's macroeconomic objective of a balanced budget (or reduce a budget deficit). However, if business confidence is low in the economy, firms are unlikely to increase borrowings or look to employ more workers.</p> <p>Some firms may also use borrowings to invest in capital equipment which would mean there would not be a fall in the unemployment rate and in fact the unemployment rate could increase if new machinery replaces existing workers. This would have an adverse effect on the macroeconomic objective of unemployment and increase income inequality and increase government spending on unemployment benefits which will increase a budget deficit.</p>

Descriptor	Award mark
Consistently meets the criteria for this level	At top of level
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Meets most of the criteria with some inconsistencies	Middle of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
On the borderline of this level and the one below	At bottom of level

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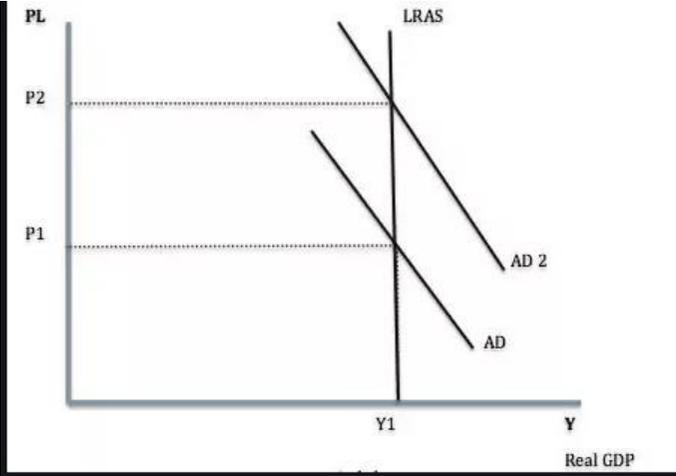
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Question	Answer	Mark	Guidance
18*	<p>Evaluate, using an appropriate diagram(s), the effects of an increase in aggregate demand on macroeconomic indicators.</p> <p>Level 4 (16-20 marks) Good knowledge and understanding of the effects of an increase in AD on macroeconomic indicators.</p> <p>Strong analysis will have consistently well-developed links through a coherent chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis.</p> <p>Strong evaluation of the effects of an increase in AD on macroeconomic indicators and reach a supported judgement.</p> <p><i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.</i></p> <p>Level 3 (11-15 marks) Good knowledge and understanding of the effects of an increase in AD on macroeconomic indicators.</p> <p>Good analysis of the effects of an increase in AD on macroeconomic indicators There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p>Good evaluation of the effects of an increase in AD on macroeconomic indicators but without reaching a supported judgement.</p>	<p>20</p> <p>(AO1*3 AO2*4 AO3*6 AO4*7)</p>	<p>The position of the AD/AS equilibrium determines whether the economy is at full employment. With a neoclassical vertical LRAS curve the economy always returns to full employment. With Keynesian economics, the economy may settle in equilibrium above or below the full employment level. If the economy is below full employment an increase in AD will move the economy towards full employment.</p> <p>If an economy is less than full employment such as Botswana which has a very high level of unemployment, an increase in AD will be beneficial and will help increase employment and move the economy closer to full unemployment and improve utilisation of productive resources and increase output from Y1 to Y2 with only a small increase in price.</p> 

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Question	Answer	Mark	Guidance
	<p><i>There is a line of reasoning presented with some structure. The information presented is in the most part relevant and supported by some evidence.</i></p> <p>Level 2 (6-10 marks) Reasonable knowledge and understanding of the effects of an increase in AD on macroeconomic indicators.</p> <p>Reasonable analysis of the effects of an increase in AD on macroeconomic indicators. There is correct analysis largely in the form of single links. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p>Reasonable evaluation of the effects of an increase in AD on macroeconomic indicators.</p> <p><i>The information has some relevance and is presented with limited structure. The information is supported by limited evidence.</i></p> <p>Level 1 (1-5 marks) Limited knowledge and understanding of the effects of an increase in AD on macroeconomic indicators.</p> <p>Limited or no analysis of the effects of an increase in AD on macroeconomic indicators, There is little evidence of reasoning that addresses the question asked. There is a lack of a clear structure. The relevant diagram(s) may not be present or incorrectly labelled.</p>		<p>However, if the economy is at full employment an increase in AD will only lead to a higher equilibrium price level from P1 to P2 as shown below and no change in the level of real output and therefore inflation. This may increase inflation above the target level depending on where inflation currently stands relative to target.</p>  <p>Neoclassical economists argue that any policies increasing AD only have an impact on raising prices, leaving real output unaffected as the economy always converges to equilibrium at the natural rate of output.</p> <p>An increase in AD may improve government finances as consumption increases which leads to higher indirect tax revenue for governments. As AD increases, firms may hire more labour which may increase income tax and reduce expenditure on welfare payments. Corporation tax may also increase as firms benefit from higher profits as AD increases. The impact on government finances depends on by how much AD has increased and tax rates. If there has only been a small increase in AD, government finances will only see a marginal change. This also depends on governance and ability to collect taxes.</p>

H060/02

Mark Scheme

June 2023

Question	Answer	Mark	Guidance
	<p>Limited evaluation of the effects of an increase in AD on macroeconomic indicators in the form of an unsupported statement or no evaluation.</p> <p><i>Information is basic and communicated in an unstructured way. The information is supported by limited evidence. The relationship to the evidence may not be clear.</i></p> <p>0 marks no response worthy of credit</p>		<p>It also depends on the time period - how long the increase in AD is sustained. The longer the period, the increase in AD the more beneficial it is to government finances.</p> <p>An increase in AD may lead to a fairer distribution of income in an economy as it may lead to more employment at all levels as consumption increases and therefore higher incomes and standard of living. However, if the increase in consumption is mainly on imported goods this would mean employment in the economy is less likely to increase. This would also mean government finances may benefit to a lesser extent. Developing countries, like Botswana, are more likely to face greater inequalities in income and wealth as increases in income do not trickle down to the very poor. Developing countries often struggle with this objective due to inadequate systems to collect taxation and lack or insignificant welfare payments.</p> <p>An increase in AD is likely to have a negative effect on the environment. As AD increases, production is likely to increase, negatively impacting the environment as air pollution and noise pollution increase. This will adversely affect the quality of life for citizens. Developed countries like the UK are more likely to be concerned with green objectives than developing countries who are more likely to be concerned with raising employment and economic growth rates.</p>
Descriptor		Award mark	
Consistently meets the criteria for this level		At top of level	
Meets the criteria but with some slight inconsistency		Above middle and either below top of level or at middle of level (depending on number of marks available)	
Meets most of the criteria with some inconsistencies		Middle of level	
Just enough achievement on balance for this level		Above bottom and either below middle or at middle of level (depending on number of marks available)	
On the borderline of this level and the one below		At bottom of level	

Assessment Objectives Grid

Question	AO1	AO2	AO3	AO4	Total
1 to 15	7	6	2		15 (5)
16(a)	2	1 (1)			3 (1)
(b)(i)		2(2)			2(2)
(b)(ii)	2				2
(c)	2	2 (2)			4 (2)
(d)	2	2			4
(e)		1	4	5	10
17 or 18	3	4 (2)	6 (3)	7 (3)	20 (8)
Total	18	18	12	12	60 (18)

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