



GCE

Economics

H460/02: Macroeconomics

A Level

Mark Scheme for June 2023

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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 scoris and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 10 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% (traditional 40% Batch 1 and 100% Batch 2) 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).

When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

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.

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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

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 answered 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 B or C.

If a candidate has written two answers for Section B or 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 in pencil 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.

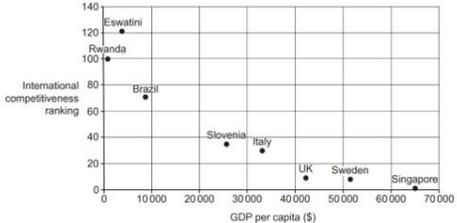
In your marking, you will encounter valid responses which are not covered by the Mark Scheme: these responses must be credited. You will encounter answers which fall outside the 'target range' of Bands for the paper which you are marking. Please mark these answers according to the marking criteria.

Levels of response / Level descriptors	Knowledge and understanding/ Application	Analysis	Evaluation
Strong	Precision in the use of the terms in the question and applied in a focused way to the context of the question.	An explanation of causes and consequences, fully developing the links in the chain of argument.	A conclusion is drawn weighing up both sides and reaches a supported judgement.
Good		An explanation of causes and consequences, developing most of the links in the chain of argument.	A conclusion is drawn weighing up both sides, but without reaching a supported judgement.
Reasonable	Awareness of the meaning of the terms in the question and applied to the context of the question.	An explanation of causes and consequences, which omit some key links in the chain of argument.	Some attempt to come to a conclusion, which shows some recognition of the influencing factors.
Limited	Awareness of the meaning of the terms in the question.	Simple statement(s) of cause and consequence.	An unsupported assertion.

Question		Answer	Marks	Guidance
1	a	<p>Using information from the stimulus material, calculate the balance on the UK's primary and secondary income in 2019.</p> <p>-£64.8bn (2) or £64.8bn deficit</p> <p>Correct working i.e. - £30.5bn + ? = - £95.3bn OR £95.3bn - £30.5bn (1).</p>	<p>2</p> <p>(AO1*1 AO2*2)</p>	<p>Annotate with </p> <p>One mark if missing</p> <ul style="list-style-type: none"> • – sign, • £ or • bn <p><small>In 2019, the UK had a trade in goods and services deficit of £30.5bn and a current account deficit of £95.3bn. A country's international competitiveness is influenced primarily by the relative price and quality of its products.</small></p>

Question		Answer	Marks	Guidance
1	b	<p>Using information from the stimulus material, identify two causes of an increase in the money supply.</p> <p>Quantitative easing (1).</p> <p>Loans / bank lending / credit creation (1).</p> <p>Maintaining price stability/ savings may enable loans (1).</p>	<p>2</p> <p>(AO2*2)</p>	<p>Annotate with </p> <p><small>The World Economic Forum considers 12 categories of influences on a country's international competitiveness. These include the country's financial system, the skills of its workers and its macroeconomic stability. The UK has a strong financial system and was placed 7th in this category. Its central bank has experience in, for instance, maintaining price stability and engaging in quantitative easing. The country's commercial banks provide savings facilities, loans and other services for their customers.</small></p>

Question		Answer	Marks	Guidance
1	c	<p>Explain how a change in working hours is likely to affect productivity.</p> <p>A fall in working hours is likely to increase productivity / a rise in working hours is likely to reduce productivity / inverse relationship (1).</p> <p>Fewer working hours is likely to mean workers are less tired / more working hours are likely to mean workers are more tired (1).</p>	<p>2</p> <p>(AO1*1 AO2*1)</p>	<p>Annotate with </p> <p>Award 1 mark for identifying the relationship.</p> <p>Award 1 mark for explaining the relationship.</p> <p>The UK was placed 11th in the skills category. A more skilled labour force is likely to have higher productivity. In turn, productivity can also be affected by working hours. Between 2018 and 2019, average working hours fell in Germany, the UK and the USA and labour productivity rose. In contrast, both average working hours and labour productivity rose in Poland and both fell in Mexico over this period.</p>

Question		Answer	Marks	Guidance
1	d	<p>Using Fig.1, explain the relationship between international competitiveness and GDP per capita.</p> <p>Generally, a direct relationship / the higher the ranking the higher the GDP per capita (1).</p> <p>Evidence: the five countries with the highest ranking have the five highest GDP per capita, in order (1).</p> <p>Exception: Eswatini and Rwanda are in a different order/ an anomaly (1).</p> <p>Reason: a country which is internationally competitive is likely to have a high output / income (1) demand for its products may be high at home and abroad (1).</p> <p>High GDP per capita may increase international competitiveness as productivity may be high due to good education / good health care / high investment (1).</p>	<p>4</p> <p>(AO1*2 AO2*2)</p>	<p>Annotate with </p> <p>Award 1 mark for identifying the relationship.</p> <p>Award up to 2 marks for Evidence:</p> <p>a country in correct rank order (1) naming the exception (1)</p> <p>Award up to 2 marks for the reason/explanation</p> <div style="text-align: center;"> <p>Fig. 1 International competitiveness ranking and GDP per capita of selected countries</p>  <p>The country which experienced the largest increase in international competitiveness ranking between 2018 and 2019 was Rwanda. The main destination of Rwanda's exports is the UAE and its main source of imports is China. Rwanda's imports to GDP rose from 28% in 2010 to 35% in 2019 and GDP per capita increased from \$610 to \$802. Fig. 2 shows the savings ratio (average propensity to save) and the changes in GDP per capita in Rwanda over the period.</p> </div>

Question		Answer	Marks	Guidance													
1	e	<p>Using information from the stimulus material, evaluate whether the size of Rwanda’s multiplier is likely to have increased between 2010 and 2019.</p> <p>Level 2 (5 - 8 marks)</p> <p>Good knowledge and understanding of the multiplier.</p> <p>Good - strong analysis of how leakages may have changed between 2010 and 2019. 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.</p> <p>Reasonable – strong evaluation of how the size of the multiplier may have changed, underpinned by appropriate theoretical analysis. Good evaluation will weigh up why the multiplier may have increased or decreased, but without reaching a strong judgement. Strong evaluation should include a supported judgement.</p> <p>Level 1 (1 – 4 marks)</p> <p>Limited – reasonable knowledge and understanding of the multiplier.</p> <p>Limited – reasonable analysis of how leakages may have changed between 2010 and 2019. Limited analysis will have little evidence</p>	<p>8</p> <p>(AO1*1 AO2*1 AO3*3 AO4*3)</p>	<p>Annotation</p> <table border="1"> <tr> <td>Knowledge and Understanding</td> <td>KU</td> <td>Grouped at end of response</td> </tr> <tr> <td rowspan="2">Application</td> <td>APP ✓</td> <td rowspan="2">End of response</td> </tr> <tr> <td>APP ✗</td> </tr> <tr> <td>Analysis</td> <td>AN</td> <td>Grouped beside the body of the analysis</td> </tr> <tr> <td>Evaluation</td> <td>EVAL</td> <td>Grouped beside the body of the evaluation</td> </tr> </table> <p>Knowledge and understanding:</p> <ul style="list-style-type: none"> • The multiplier effect is when an initial injection (such as an increase in government spending) into the circular flow results in the actual change in national income being greater than the initial injection. • The size of the multiplier effect depends upon the rate at which money leaks out of the circular flow. • The size of a country’s multiplier can be found by dividing 1 by the marginal propensity to save (mps), marginal rate of taxation (mrt) and the marginal propensity to import (mpm). Or $\frac{1}{1 - MPC}$ 	Knowledge and Understanding	KU	Grouped at end of response	Application	APP ✓	End of response	APP ✗	Analysis	AN	Grouped beside the body of the analysis	Evaluation	EVAL	Grouped beside the body of the evaluation
Knowledge and Understanding	KU	Grouped at end of response															
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	APP ✗																
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Evaluation	EVAL	Grouped beside the body of the evaluation															

		<p>of reasoning that addresses the question asked. There is a lack of clear structure. Reasonable analysis will have 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>Limited evaluation of how the size of the multiplier may have changed, in the form of an unsupported statement or no evaluation.</p> <p>0 marks for no response or no response worthy of credit.</p>	<p>Context:</p> <ul style="list-style-type: none"> • Rwanda, use of figure 2. • Rwandan government tried to increase the savings ratio over time. • Tax rates were not changed. • International competitiveness went up <p>Analysis</p> <ul style="list-style-type: none"> • The Rwandan government did not increase tax rates over the period. Which means they may have had a higher disposable income, enabling them to spend more, hence increasing the size of the multiplier. • Fig.2 shows that the average propensity to save varied over the period. When the average propensity to save was low, this would indicate that people were spending more, and the value of the multiplier would increase. The savings ratio increased over 2013 to 2016 and GDP per capita fell, indicating that there is a close relationship between the savings ratio and the level of GDP per capita. • the stimulus material mentions that Rwanda's relative international competitiveness has increased. This could suggest that mpm may fall in the future and the multiplier will increase. • the increase of GDP per capita from \$610 to \$802 in 2019 indicates an injection of new spending, which will lead to further spending and hence the multiplier could increase.
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					<p>Evaluation</p> <ul style="list-style-type: none">• as income rose over the whole period, people may have moved into higher tax brackets. This would mean they would be paying a higher marginal rate of taxation which would cause a fall in the size of the multiplier.• however, the average propensity to save in Fig. 2 was higher in the second half of the period and ended higher than it started. The average propensity to save is increased by a rise in the marginal propensity to save.• There are two other reasons for thinking that the mps will have decreased. One is that the government was encouraging people to save more.• The second is that income rose. As income increases, mps often rises as people can afford to save more.• The imports to GDP ratio rose which suggests a rise in the marginal propensity to import. The rise in income may have increased mpm as people often spend a higher proportion of their income on imports as they get richer. <p>Judgement</p> <ul style="list-style-type: none">• it seems likely that the size of Rwanda's multiplier will have fallen rather than have risen between 2010 and 2019. This is because mps is likely to have increased and mpt and mpm may have increased.
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Question		Answer	Marks	Guidance													
1	f	<p>Using information from the stimulus material, evaluate whether the changes in Rwanda's price level between 2010 and 2019 is likely to have harmed Rwandan households and firms.</p> <p>Level 3 (9 – 12 marks)</p> <p>Good knowledge and understanding of how the price level changed between 2010 and 2019 in Rwanda.</p> <p>Good – strong analysis of how the changes in the price level may harm Rwandan households and firms in terms of real wages, savings, quantity of products consumed, international competitiveness and confidence. 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.</p> <p>Good – strong evaluation of how the change in the price level may have affected households and firms, weighing both why it might be beneficial to Rwandan households and firms. 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 (5 – 8 marks)</p>	<p>12</p> <p>(AO1*1 AO2*1 AO3*5 AO4*5)</p>	<p>Annotation</p> <table border="1"> <tr> <td>Knowledge and Understanding</td> <td>KU</td> <td>Grouped at end of response</td> </tr> <tr> <td rowspan="2">Application</td> <td>APP </td> <td rowspan="2">End of response</td> </tr> <tr> <td>APP </td> </tr> <tr> <td>Analysis</td> <td>AN</td> <td>Grouped beside the body of the analysis</td> </tr> <tr> <td>Evaluation</td> <td>EVAL</td> <td>Grouped beside the body of the evaluation</td> </tr> </table> <p>Knowledge and understanding</p> <ul style="list-style-type: none"> Inflation is a sustained increase in the general price level. <p>Context</p> <ul style="list-style-type: none"> Table 1.1 shows that the price level fluctuated over the period. There were two years, 2010 and 2018, when Rwanda experienced deflation. Rwanda = 4.2%, China = 2.6%, UAE = 1.5% and Rest of the World = 2.7%. Rwandan inflation fluctuated more than global, Chinese and UAE inflation. 	Knowledge and Understanding	KU	Grouped at end of response	Application	APP 	End of response	APP 	Analysis	AN	Grouped beside the body of the analysis	Evaluation	EVAL	Grouped beside the body of the evaluation
Knowledge and Understanding	KU	Grouped at end of response															
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Evaluation	EVAL	Grouped beside the body of the evaluation															

	<p>Good knowledge and understanding of how the price level changed between 2010 and 2019 in Rwanda.</p> <p>Reasonable analysis of how the changes in the price level may affect Rwandan households and firms in a harmful way, in terms of e.g. real wages, savings, quantity of products consumed, international competitiveness and confidence. 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 how the change in the price level may have affected Rwandan households and firms, considering why it might be beneficial to Rwandan households and firms. <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 – 4 marks) Limited – reasonable knowledge and understanding of how the price level changed between 2010 and 2019 in Rwanda.</p> <p>Limited analysis of how the changes in the price level may harm Rwandan households and firms in terms of e.g. real wages, savings, quantity of products consumed, international competitiveness and confidence. Note: although a diagram is not required, it may enhance the quality of the answer and should be rewarded at the appropriate level.</p> <p>Limited evaluation of whether the change in the price level may have benefited Rwandan households and firms, in the form of an unsupported statement or no evaluation.</p>	<p>Analysis</p> <ul style="list-style-type: none"> • Table 1.1 shows that the price level fluctuated over the period. There were two years, 2010 and 2018, when Rwanda experienced deflation. If it was due to a fall in aggregate demand, Rwandan firms may have experienced losses and some workers may have become unemployed. • Rwandan inflation fluctuated more than global, Chinese and UAE inflation. This may have created inflationary noise with consumers, workers and firms finding it difficult to plan ahead. This may have discouraged investment, leading to a fall in AD and LRAS • Rwanda's inflation rate tended to be higher than global inflation, Chinese and UAE inflation rates. The average inflation rate over the period was 4.2%, with three years' inflation rates being over 7%. This may have resulted in more imports from China and fewer exports to the UAE. The country's current account balance on the balance of payments may have worsened. • Unskilled workers may have experienced a decline in their real wages and purchasing power. In this case, inflation would have caused a random redistribution in income. <p>Evaluation</p> <ul style="list-style-type: none"> • However, if Rwanda's international competitiveness increased over the whole period, increases in productivity may have increased the quality of Rwanda's products. • Skilled workers' wages may have increased by more than the inflation rate. In this case, their real wages and purchasing power would have risen.
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		<p><i>The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.</i></p> <p>0 marks for no response or no response worthy of credit.</p>		<ul style="list-style-type: none"> • if the fluctuations and deflation was due to advances in technology, Rwandan households and firms may have benefited. • Unemployment fell which may suggest that the inflation experienced was caused by an increase in aggregate demand. Demand-pull inflation is less harmful for an economy than cost-push inflation. It is likely to be associated with a rise in output. Firms may experience a rise in profits. <p>Judgement</p> <ul style="list-style-type: none"> • The fluctuations in the inflation rate may have harmed Rwandan people and firms by creating greater uncertainty. It is also likely to have been more of a disadvantage for unskilled workers who have lower wages. • However, at the end of the period, at least, the country was becoming more internationally competitive. • The reduction in unemployment suggests that firms may have experienced higher demand for their products and higher profits. It may also have increased employment opportunities. • Government increased saving ratio in Rwanda and this according to Harrod-Domar Model could plug the savings gap, thereby increasing productivity, hence reducing inflationary gap or perhaps not allow inflation to harm the Rwandan economy.
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Question	Answer	Marks	Guidance													
2	<p>Consumer expenditure rose in the USA in 2019. In that year, US unemployment fell to a 50-year low of 3.5%.</p> <p>Evaluate, with the use of an appropriate diagram(s), whether an increase in consumer expenditure will always reduce a country's unemployment rate.</p> <p>Level 5 (21 – 25 marks) Good – Strong knowledge and understanding of how consumer expenditure and the unemployment rate.</p> <p>Strong analysis of how a rise in consumer expenditure can affect aggregate demand and the unemployment rate. Strong analysis will have consistently well-developed links through a coherent chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. The diagram(s) must be integral to the analysis.</p> <p>Strong evaluation of whether a rise in consumer expenditure will reduce the unemployment rate, weighing up both the reasons why it may and may not always reduce the unemployment rate, coming to a supported judgement. <i>There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p>Level 4 (16 - 20 marks)</p>	<p>25</p> <p>(AO1*6 AO2*6 AO3*6 AO4*7)</p>	<p>Annotation</p> <table border="1" data-bbox="1386 512 2063 1007"> <tr> <td data-bbox="1386 512 1615 624">Knowledge and Understanding</td> <td data-bbox="1615 512 1809 624">KU</td> <td data-bbox="1809 512 2063 624">Grouped at end of response</td> </tr> <tr> <td data-bbox="1386 624 1615 786" rowspan="2">Application</td> <td data-bbox="1615 624 1809 703">APP ✓</td> <td data-bbox="1809 624 2063 786" rowspan="2">End of response</td> </tr> <tr> <td data-bbox="1615 703 1809 786">APP ✗</td> </tr> <tr> <td data-bbox="1386 786 1615 898">Analysis</td> <td data-bbox="1615 786 1809 898">AN</td> <td data-bbox="1809 786 2063 898">Grouped beside the body of the analysis</td> </tr> <tr> <td data-bbox="1386 898 1615 1007">Evaluation</td> <td data-bbox="1615 898 1809 1007">EVAL</td> <td data-bbox="1809 898 2063 1007">Grouped beside the body of the evaluation</td> </tr> </table> <p>Knowledge and understanding</p> <ul style="list-style-type: none"> • consumer expenditure (consumption) is a component of aggregate demand. • unemployment is those who are willing and able to work but are unable to find work. • the unemployment rate is the number/percentage of the labour force who are unemployed. 	Knowledge and Understanding	KU	Grouped at end of response	Application	APP ✓	End of response	APP ✗	Analysis	AN	Grouped beside the body of the analysis	Evaluation	EVAL	Grouped beside the body of the evaluation
Knowledge and Understanding	KU	Grouped at end of response														
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	APP ✗															
Analysis	AN	Grouped beside the body of the analysis														
Evaluation	EVAL	Grouped beside the body of the evaluation														

Good knowledge and understanding of consumer expenditure and the unemployment rate.

Strong analysis of how a rise in consumer expenditure can affect aggregate demand and the unemployment rate. Strong analysis will have consistently well-developed links through a coherent chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. The diagram(s) must be integral to the analysis.

Good evaluation of whether a rise in consumer expenditure will reduce the unemployment rate, weighing up both the reasons why it may and may not always reduce the unemployment rate but without reaching a supported judgement.

There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and in the most part substantiated.

Level 3 (11 – 15 marks)

Good knowledge and understanding of consumer expenditure and the unemployment rate.

Good analysis of how a rise in consumer expenditure can affect aggregate demand and the unemployment rate. These links are developed through a chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct and linked to the analysis.

Reasonable evaluation of whether a rise in consumer expenditure will reduce the unemployment rate, considering both the reasons why it may and may not always reduce the unemployment rate.

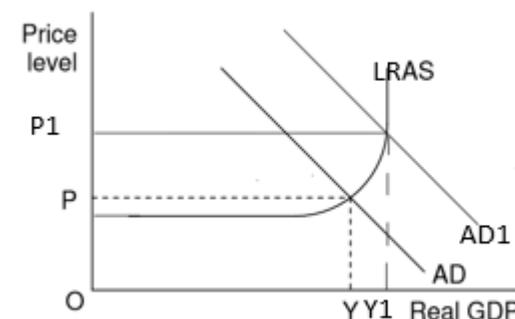
There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.

Context

- consumer expenditure rose in the USA in 2019.
- in that year, US unemployment fell to a 50-year low of 3.5%
- Any other reference to a country's unemployment

Analysis

- if the other components of aggregate demand do not change, a rise in consumer expenditure (consumption) will cause aggregate demand to increase.
- this is because consumption is a component of AD. ($AD = C + I + G = (X - M)$)
- an increase in aggregate demand will shift the demand curve from AD to AD1 this will lead to a rise in real GDP from Y to Y1.



- firms will see a fall in inventories and an opportunity to increase production to meet the increased output.

		<p>Level 2 (6 – 10marks)</p> <p>Good knowledge and understanding of consumer expenditure and the unemployment rate.</p> <p>Reasonable analysis of how a rise in consumer expenditure can affect aggregate demand and the unemployment rate. 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 whether a rise in consumer expenditure will reduce the unemployment rate, considering both the reasons why it may and may not always reduce the unemployment rate. <i>The information has some relevance but is communicated in an unstructured way. The information is supported by limited evidence, the relationship to the evidence may not be clear.</i></p> <p>Level 1 (1 – 5 marks)</p> <p>Reasonable knowledge and understanding of consumer expenditure and / or the unemployment rate.</p> <p>Limited or no analysis of how a rise in consumer expenditure can affect aggregate demand and the unemployment rate. There is little evidence of reasoning that address the question asked. There is a lack of a clear structure. The relevant diagram(s) must be integral to the analysis.</p> <p>Limited evaluation of whether a rise in consumer expenditure will reduce the unemployment rate, in the form of an unsupported statement or no evaluation. <i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p>		<ul style="list-style-type: none"> to produce this higher output, they will increase demand for labour, because demand for labour is derived demand. firms may take on more workers. This may result in a smaller percentage of the labour force being unemployed and reduce demand deficient unemployment. <p>Evaluation</p> <ul style="list-style-type: none"> higher consumer expenditure, however, may go on imports. This may reduce the unemployment rate in other economies but not the domestic economy. there is the possibility that firms may be able to produce a higher output by offering existing workers the opportunity to work overtime or by employing more advanced technology. every year, productivity tends to increase as a result of improvements in education and technology. If aggregate demand does not increase in line with higher aggregate supply, higher aggregate demand may be accompanied by a higher unemployment rate. it may also be the case that the economy is initially operating at full capacity. In this case, the higher consumer expenditure will result in inflation rather than a fall in unemployment an increase from P to P1 (in the previous diagram) firms may have spare capacity but may decide not to increase their output if they think the rise in consumer expenditure will not last.
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		<p>0 marks for no response or no response worthy of credit.</p>		<ul style="list-style-type: none">• even if firms take on more workers, it does not necessarily mean the unemployment rate will fall. The extra workers may have just entered the labour force. If the size of the labour force increases by more than the number of people employed, the unemployment rate will rise.• A rise in consumer expenditure may not help to reduce structural unemployment.• According to the neoclassical's economist, an increase in consumer expenditure may not reduce country's unemployment because the economy is always operating at full employment hence no matter the increase in consumer expenditure, unemployment remains the same. <p>Judgement</p> <ul style="list-style-type: none">• in practice, a rise in consumer expenditure often leads to a reduction in unemployment, but it depends upon the multiplier.• is highly unlikely that all the extra spending will go on imports and economies do not often operate at full capacity, so it depends upon the MPM• higher consumer expenditure also tends to increase business confidence which may encourage firms to employ more workers.• the outcome will be heavily influenced by whether firms think the rise in consumer expenditure will last.• It depends upon the level of structural unemployment in the USA as to whether the overall unemployment level will fall.
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H460/02

Mark Scheme

June 2023

			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	Marks	Guidance													
3	<p>Between July 2018 and August 2020, the value of the Turkish lira fell from 4.73 lira to 1 US dollar to 7.32 lira to 1 US dollar. The Turkish central bank spent much of its foreign currency reserves in attempt to stop the decline in the country's exchange rate.</p> <p>Evaluate, with the use of an appropriate diagram(s), whether a central bank should try to stop a decline in a country's exchange rate.</p> <p>Level 5 (21 – 25 marks) Good – Strong knowledge and understanding of a central bank and the exchange rate.</p> <p>Strong analysis of how a central bank can influence the exchange rate and how a decline in the exchange rate can affect the macroeconomy. Strong analysis will have consistently well-developed links through a coherent chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. The diagram(s) must be integral to the analysis.</p> <p>Strong evaluation of whether a central bank should resist a fall in the exchange rate, weighing up both the advantages and disadvantages of a fall in the exchange rate, coming to a supported judgement. <i>There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p>Level 4 (16 - 20 marks) Good knowledge and understanding of a central bank and the exchange rate.</p>	<p>25</p> <p>(AO1*6 AO2*6 AO3*6 AO4*7)</p>	<p>Annotation</p> <table border="1" data-bbox="1391 240 2063 735"> <tbody> <tr> <td data-bbox="1391 240 1615 352">Knowledge and Understanding</td> <td data-bbox="1615 240 1809 352">KU</td> <td data-bbox="1809 240 2063 352">Grouped at end of response</td> </tr> <tr> <td data-bbox="1391 352 1615 512" rowspan="2">Application</td> <td data-bbox="1615 352 1809 432">APP ✓</td> <td data-bbox="1809 352 2063 512" rowspan="2">End of response</td> </tr> <tr> <td data-bbox="1615 432 1809 512">APP ✗</td> </tr> <tr> <td data-bbox="1391 512 1615 624">Analysis</td> <td data-bbox="1615 512 1809 624">AN</td> <td data-bbox="1809 512 2063 624">Grouped beside the body of the analysis</td> </tr> <tr> <td data-bbox="1391 624 1615 735">Evaluation</td> <td data-bbox="1615 624 1809 735">EVAL</td> <td data-bbox="1809 624 2063 735">Grouped beside the body of the evaluation</td> </tr> </tbody> </table> <p>Knowledge and understanding</p> <ul style="list-style-type: none"> • An exchange rate is the value of one currency in terms of another. • All developed and most developing economies have a central bank. That bank fulfils a range of roles including issuing currency. • A decline in the exchange is a fall in its value against another currency. <p>Context</p> <ul style="list-style-type: none"> • Turkish Lira • Selling foreign currency reserves • Fall in Lira against the US Dollar • Fall from 4.73 to 7.32 	Knowledge and Understanding	KU	Grouped at end of response	Application	APP ✓	End of response	APP ✗	Analysis	AN	Grouped beside the body of the analysis	Evaluation	EVAL	Grouped beside the body of the evaluation
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Strong analysis of how a central bank can influence the exchange rate and how a decline in the exchange rate can affect the macroeconomy. Strong analysis will have consistently well-developed links through a coherent chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. The diagram(s) must be integral to the analysis.

Good evaluation of whether a central bank should resist a fall in the exchange rate, weighing up both the advantages and disadvantages of a fall in the exchange rate but without reaching a supported judgement.

There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and in the most part substantiated.

Level 3 (11 – 15 marks)

Good knowledge and understanding of a central bank and the exchange rate.

Good analysis of how a central bank can influence the exchange rate and how a decline in the exchange rate can affect the macroeconomy. These links are developed through a chain of reasoning which addresses the question. The relevant diagram(s) are predominantly correct and linked to the analysis.

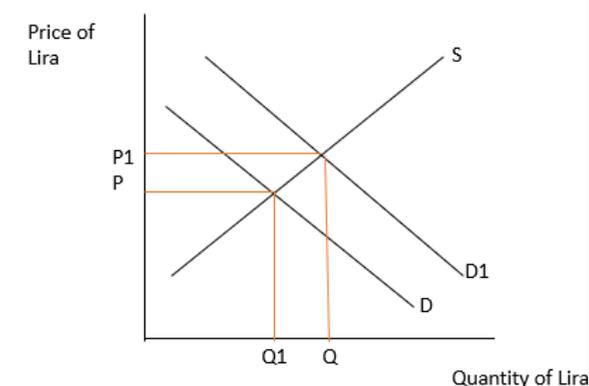
Reasonable evaluation of whether a central bank should resist a fall in the exchange rate, considering both the advantages and disadvantages of a fall in the exchange rate.

There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.

Level 2 (6 – 10marks)

Analysis

- **The focus should be on whether the central bank should intervene.**
- A central bank may try to stop a decline in the country's exchange rate by buying its currency using foreign currency reserves. Causing the demand to increase from D to D1 causing the value increase from P to P1



- A central bank might think that the price of the currency is falling due to speculation, with dealers selling the currency thinking it will decline in value. This could lead to a downward spiral in the exchange rate.
- Preventing a depreciation of the exchange rate can help to avoid inflation. This is because a lower exchange rate will lower relative export prices and increase relative import prices. The change in the price of exports and imports may result in a rise in net exports. A rise in net exports can increase aggregate demand and cause demand-pull inflation.
- A higher price of imports may also cause cost-push inflation as the price of imported

	<p>Good knowledge and understanding of a central bank and the exchange rate.</p> <p>Reasonable analysis of how a central bank can influence the exchange rate and how a decline in the exchange rate can affect the macroeconomy. 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 whether a central bank should resist a fall in the exchange rate, considering both the advantages and disadvantages of a fall in the exchange rate. <i>The information has some relevance but is communicated in an unstructured way. The information is supported by limited evidence, the relationship to the evidence may not be clear.</i></p> <p>Level 1 (1 – 5 marks)</p> <p>Reasonable knowledge and understanding of a central bank and / or the exchange rate.</p> <p>Limited or no analysis of how a central bank can influence the exchange rate and / or how a decline in the exchange rate can affect the macroeconomy. There is little evidence of reasoning that address the question asked. There is a lack of a clear structure. The relevant diagram(s) must be integral to the analysis.</p> <p>Limited evaluation of whether a central bank should resist a fall in the exchange rate with reference to the advantages and / or the disadvantages of a fall in the exchange rate, in the form of an unsupported statement or no evaluation. <i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p>	<p>raw materials and capital goods will increase and there will be less pressure on domestic producers to avoid price rises.</p> <ul style="list-style-type: none"> • A fall in the exchange rate may reduce confidence in the economy. This could reduce investment which is likely to have an adverse effect on productivity and economic growth. • In addition, a lower exchange rate will worsen the terms of trade. This will mean that more exports have to be exchanged for a given quantity of imports. <p>Evaluation</p> <ul style="list-style-type: none"> • There are, however, a number of reasons why a central bank should not intervene to prevent a fall in the exchange rate. • One is that the central bank may lack the foreign currency to purchase the domestic currency. • It may also be reluctant to raise the interest rate to attract an increase in demand for the currency. This is particularly likely to be the case if the economy is experiencing low economic growth and high unemployment. • In addition, a central bank may consider that the currency is overvalued and a fall in value could move it towards its long run equilibrium price. • A central bank may assess that a fall in the exchange rate could benefit the economy. An increase in exports will lead to an increase in (X-M) a component of AD. This will lead to an increase in Ad from AD to AD1. Higher aggregate demand may lead to a rise in real GDP and a reduction in unemployment. The diagram shows real GDP increasing from Y to Y1.
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		<p>0 marks for no response or no response worthy of credit.</p>	<div data-bbox="1406 159 1948 622" data-label="Figure"> </div> <p>Judgment</p> <ul style="list-style-type: none"> • Whether or not a central bank should try to stop a fall in the exchange rate will be influenced by the state of the economy and the cause of the fall in the exchange rate. • There is a stronger case for avoiding a depreciation during an economic boom and when the currency is being pushed below its long run equilibrium level by speculation.
		<p>Descriptor</p>	<p>Award mark</p>
		<p>Consistently meets the criteria for this level</p>	<p>At top of level</p>
		<p>Meets the criteria but with some slight inconsistency</p>	<p>Above middle and either below top of level or at middle of level (depending on number of marks available)</p>
		<p>Just enough achievement on balance for this level</p>	<p>Above bottom and either below middle or at middle of level (depending on number of marks available)</p>
		<p>On the borderline of this level and the one below</p>	<p>At bottom of level</p>

Question	Answer	Marks	Guidance													
4	<p>Since 1978, more than 800 million people have been lifted out of poverty in China. In this period, the Chinese government has made increasing use of supply side policy measures.</p> <p>Evaluate the effectiveness of using supply side policy measures to reduce poverty.</p> <p>Level 5 (21 – 25 marks) Good – Strong knowledge and understanding of supply side policy and poverty.</p> <p>Strong analysis of how supply side policy measures may affect poverty. 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. The diagram(s) must be integral to the analysis.</p> <p>Strong evaluation of whether supply side policy measures can reduce poverty, weighing up both why they might and why they might not, coming to a supported judgement. <i>There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p>Level 4 (16 - 20 marks) Good knowledge and understanding of supply side policy and poverty.</p> <p>Strong analysis of how supply side policy measures may affect poverty. 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. The diagram(s) must be integral to the analysis.</p>	<p>25</p> <p>(AO1*6 AO2*6 AO3*6 AO4*7)</p>	<p>Annotation</p> <table border="1" data-bbox="1384 242 2065 737"> <tbody> <tr> <td data-bbox="1384 242 1612 354">Knowledge and Understanding</td> <td data-bbox="1612 242 1809 354">KU</td> <td data-bbox="1809 242 2065 354">Grouped at end of response</td> </tr> <tr> <td data-bbox="1384 354 1612 517" rowspan="2">Application</td> <td data-bbox="1612 354 1809 434">APP ✓</td> <td data-bbox="1809 354 2065 517" rowspan="2">End of response</td> </tr> <tr> <td data-bbox="1612 434 1809 517">APP ✗</td> </tr> <tr> <td data-bbox="1384 517 1612 628">Analysis</td> <td data-bbox="1612 517 1809 628">AN</td> <td data-bbox="1809 517 2065 628">Grouped beside the body of the analysis</td> </tr> <tr> <td data-bbox="1384 628 1612 737">Evaluation</td> <td data-bbox="1612 628 1809 737">EVAL</td> <td data-bbox="1809 628 2065 737">Grouped beside the body of the evaluation</td> </tr> </tbody> </table> <p>Knowledge and Understanding</p> <ul style="list-style-type: none"> Supply side policy measures are designed to increase aggregate supply. They include cuts in income and corporation tax, cuts in unemployment benefit, trade union reform, privatisation and increased government spending on education, training, subsidies, and infrastructure. Absolute poverty is a situation when a household has insufficient income to afford the basic necessities. Relative poverty is a situation in which households earn less than 60% of the median household income in an economy. <p>Context</p> <ul style="list-style-type: none"> 800 million been lifted out of poverty since 1978 China China has invested heavily in Africa 	Knowledge and Understanding	KU	Grouped at end of response	Application	APP ✓	End of response	APP ✗	Analysis	AN	Grouped beside the body of the analysis	Evaluation	EVAL	Grouped beside the body of the evaluation
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	<p>Good evaluation of whether supply side policy measures can reduce poverty, weighing up both why they might and why they might not but without reaching a supported judgement. <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and in the most part substantiated.</i></p> <p>Level 3 (11 – 15 marks)</p> <p>Good knowledge and understanding of supply side policy and poverty.</p> <p>Good analysis of how supply side policy measures may affect poverty. 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>Reasonable evaluation of whether supply side policy measures can reduce poverty, considering both why they might and why they might not. <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 – 10marks)</p> <p>Good knowledge and understanding of supply side policy and poverty.</p> <p>Reasonable analysis of how supply side policy measures may affect poverty. 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>Analysis</p> <ul style="list-style-type: none"> • Cutting income tax may, stimulate a rise in consumer expenditure, aggregate demand and real GDP. This may result in a fall in unemployment with some of the people gaining jobs moving out of unemployment. • Similarly, a cut in corporation tax may lower poverty by encouraging firms to expand and take on more workers. • Cuts in unemployment benefits may encourage some of the unemployed to seek work more actively. If they succeed, their incomes may rise. • It is possible that trade union reform may persuade firms to employ more workers as labour costs may fall and it may be easier to hire and fire workers. • privatisation may reduce poverty if it results in the privatised firms becoming more efficient and charging lower prices and employing more workers. • Increased government spending on education is likely to reduce poverty for a number of reasons. It can create jobs for school staff and, more significantly, can increase the skills and employability of students. Higher government spending on training is also likely to increase skills and employability. It may also enable workers to be promoted out of low-paid jobs.
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		<p>Reasonable evaluation of whether supply side policy measures can reduce poverty, considering both why they might and why they might not.</p> <p><i>The information has some relevance but is communicated in an unstructured way. The information is supported by limited evidence, the relationship to the evidence may not be clear.</i></p> <p>Level 1 (1 – 5 marks)</p> <p>Reasonable knowledge and understanding of supply side policy and / or poverty.</p> <p>Limited or no analysis of how supply side policy measures may affect poverty. There is little evidence of reasoning that address the question asked. There is a lack of a clear structure. The relevant diagram(s) must be integral to the analysis.</p> <p>Limited evaluation of whether supply side policy measures can reduce poverty with reference to the reasons why they might / or the reasons why they might not, in the form of an unsupported statement or no evaluation.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p>0 marks for no response or no response worthy of credit.</p>		<ul style="list-style-type: none"> • Government subsidies are likely to reduce poverty as they will encourage firms to increase their output and employ more workers. They are also likely to reduce prices. • A rise in government spending on infrastructure is also likely to reduce poverty as it will reduce firms' costs of production, encouraging them to increase output and employment. It may also increase the geographical mobility of labour and so may reduce structural unemployment. <p>Evaluation</p> <ul style="list-style-type: none"> • Cutting income tax is unlikely to raise the income of the poor directly as they will probably not be paying any income tax, so will be ineffective for absolute poverty. • if jobs are not available, cuts in unemployment benefits will just cause the unemployed to experience a fall in their incomes. • There is the possibility that trade union reform may increase poverty by weakening the power of trade unions to raise the wages of low-paid workers and to resist job losses. • Privatisation may increase poverty if it results in a decrease employment as private sector firms seek to reduce costs. The privatised firms may also gain monopoly power and may use this to raise the price of, for instance, gas and electricity which may result in more people experiencing fuel poverty. • Supply side policies take a long time to be effective, so some more immediate policies, may be more effective.
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					<p>Judgement</p> <ul style="list-style-type: none"> • It depends upon the type of poverty that has been reduced. Supply side policies may be more effective at reducing relative poverty. • A combination of supply side policies will be more effective than one on its own. • Supply side policy measures can influence poverty by affecting employment, wages and prices. Interventionist supply side policy measures, such as government spending on education, training, subsidies and infrastructure are likely to have a more certain effect on poverty reduction. • It depends upon the other objectives of the government and whether they have sufficient finances.
			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)	
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			On the borderline of this level and the one below	At bottom of level	

Question	Answer	Marks	Guidance													
5	<p>In 2020, the Saudi Arabian government tripled Value Added Tax from 5% to 15%. It did not change the country's corporate tax rate. Evaluate whether a government should rely more on indirect than on direct taxation as a source of revenue.</p> <p>Level 5 (21 – 25 marks) Good – Strong knowledge and understanding of indirect and direct taxation.</p> <p>Strong analysis of the effects of indirect taxation and direct taxation. 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. The diagram(s) must be integral to the analysis.</p> <p>Strong evaluation of whether a government should rely more on indirect or direct taxation, weighing up both the advantages and disadvantages of the two types of taxation, coming to a supported judgement. <i>There is a well-developed and sustained line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p>Level 4 (16 - 20 marks) Good knowledge and understanding of indirect and direct taxation.</p>	<p>25</p> <p>(AO1*6 AO2*6 AO3*6 AO4*7)</p>	<p>Annotation</p> <table border="1" data-bbox="1391 480 2060 970"> <tr> <td data-bbox="1391 480 1615 587">Knowledge and Understanding</td> <td data-bbox="1615 480 1809 587">KU</td> <td data-bbox="1809 480 2060 587">Grouped at end of response</td> </tr> <tr> <td data-bbox="1391 587 1615 751" rowspan="2">Application</td> <td data-bbox="1615 587 1809 671">APP ✓</td> <td data-bbox="1809 587 2060 751" rowspan="2">End of response</td> </tr> <tr> <td data-bbox="1615 671 1809 751">APP ✗</td> </tr> <tr> <td data-bbox="1391 751 1615 863">Analysis</td> <td data-bbox="1615 751 1809 863">AN</td> <td data-bbox="1809 751 2060 863">Grouped beside the body of the analysis</td> </tr> <tr> <td data-bbox="1391 863 1615 970">Evaluation</td> <td data-bbox="1615 863 1809 970">EVAL</td> <td data-bbox="1809 863 2060 970">Grouped beside the body of the evaluation</td> </tr> </table> <p>Knowledge and understanding</p> <ul style="list-style-type: none"> • Indirect tax is a tax on spending. • Direct tax is a tax on income. <p>Context</p> <ul style="list-style-type: none"> • Saudi Arabia • VAT • Tripled the VAT from 5% to 15% • Corporation tax remaining the same. <p>Analysis</p>	Knowledge and Understanding	KU	Grouped at end of response	Application	APP ✓	End of response	APP ✗	Analysis	AN	Grouped beside the body of the analysis	Evaluation	EVAL	Grouped beside the body of the evaluation
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		<p>Strong analysis of the effects of indirect taxation and direct taxation. 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. The diagram(s) must be integral to the analysis.</p> <p>Good evaluation of whether a government should rely more on indirect or direct taxation, weighing up both the advantages and disadvantages of the two types of taxation, but without reaching a supported judgement. <i>There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and in the most part substantiated.</i></p> <p>Level 3 (11 – 15 marks)</p> <p>Good knowledge and understanding of indirect and direct taxation.</p> <p>Good analysis of the effects of indirect taxation and direct taxation. 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>Reasonable evaluation of whether a government should rely more on indirect or direct taxation, considering up both the advantages and disadvantages of the two types of taxation. <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 – 10marks)</p> <p>Good knowledge and understanding of indirect and direct taxation.</p>		<ul style="list-style-type: none"> • a number of governments are increasing their reliance on indirect taxation. This is largely because indirect taxes are thought to have less of a disincentive effect on effort, saving and enterprise. • relying more on indirect taxes, may enable income tax and corporation tax rates to be cut. • lower income tax rates may encourage the unemployed to seek work more actively, encourage more people to enter the labour force and encourage existing workers to work more hours and be more willing to accept promotion. • the Laffer curve suggests that a reduction in income tax rates from above the optimum rate towards the optimum rate can increase tax revenue. • a cut in income tax rates may also encourage people to save more. This can provide more finance for investment. • Indirect taxation is often cheaper to collect than direct taxation and harder to evade. Sellers are responsible for collecting the tax and passing it on to HM Revenue and Customs. • Indirect taxes imposed on inelastic goods, such as cigarettes and alcohol will raise more revenue. • both indirect taxes and direct taxes can act as automatic stabilisers. During an economic boom, both spending and income rise. As a result, for example, VAT revenue and income tax revenue will rise. This will reduce the growth in aggregate demand.
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		<p>Reasonable analysis of the effects of indirect taxation and direct taxation. 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 whether a government should rely more on indirect or direct taxation, considering both the advantages and disadvantages of the two types of taxation. <i>The information has some relevance but is communicated in an unstructured way. The information is supported by limited evidence, the relationship to the evidence may not be clear.</i></p> <p>Level 1 (1 – 5 marks)</p> <p>Reasonable knowledge and understanding of indirect and / or direct taxation.</p> <p>Limited or no analysis of the effects of indirect taxation and direct taxation. There is little evidence of reasoning that addresses the question asked. There is a lack of a clear structure. The relevant diagram(s) must be integral to the analysis.</p> <p>Limited evaluation of whether a government should rely more on indirect or direct taxation, with reference to the advantages and disadvantages of indirect taxation and / or indirect taxation, in the form of an unsupported statement or no evaluation. <i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p>0 marks for no response or no response worthy of credit.</p>		<p>Evaluation</p> <ul style="list-style-type: none"> the main argument against relying more on indirect taxation is its regressive nature. the indirect taxes that people pay take up a larger proportion of the income of the poor than of the rich. Leading to greater inequality. this is particularly the case in countries where indirect taxation is imposed on food. in contrast, direct taxation is often progressive, taking into account people's ability to pay. in the short run, increasing reliance on indirect taxation may be inflationary. While increasing direct taxes tends to reduce inflation, higher indirect taxes push up the price of a range of products people buy. relying more on indirect taxes may increase income inequality. The effect of lower direct taxes is uncertain. lower income tax may cause some workers to work fewer hours as they could earn the same net income and more leisure time. lower corporation tax is not guaranteed to increase investment. Firms may lack the confidence to invest or may decide to increase dividends to shareholders. <p>Judgement</p> <ul style="list-style-type: none"> whether a government should rely more on indirect tax depends upon the circumstances in the economy. if there is already inequality in Saudi Arabia, then a greater reliance on indirect taxes will make the situation worse, especially as the increase from 5% to 15% is significant. It depends upon the motives of the government.
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H460/02

Mark Scheme

June 2023

	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

H460/02

Mark Scheme

June 2023

Question	AO1	AO2	AO3	AO4	TOTAL	(Quantitative Skills)
1(a)	1(1)	1(1)			2	(2)
1(b)		2			2	
1(c)	1	1			2	
1(d)	2(2)	2(2)			4	(4)
1(e)	1	1	3	3	8	
1(f)	1	1	5(2)	5	12	(2)
2/3	6 (2)	6 (2)	6 (2)	7 (2)	25	(8)
4/5	6	6	6	7	25	
TOTAL	18 (4)	20 (8)	20 (2)	22 (2)	80	(16)

Assessment Objectives Grid

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