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EDEXCEL A ECONOMICS: QUESTIONS BY TOPIC

National Income (2.4)

A Level Economics Theme 2

34 questions · 88 marks · Mark schemes included

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest mark tariff to the highest within each one.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme.

Diagrams, graphs, tables and data are printed exactly as they appeared in the original papers.

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4. Q1	AS Paper 2 June 2016	4	7
5. Q1	A Level Paper 2 June 2017	5	8
2.4.2 INJECTIONS AND WITHDRAWALS		8 Qs · 16 marks	10
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9. Q1(b)	A Level Paper 2 June 2022	1	14
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QUESTIONS

34 questions · 88 marks · 4 sub-topics

SUB-TOPIC 2.4.1

NATIONAL INCOME

Sub-topic 2.4.1 · 5 questions · 14 marks · lowest tariff first



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in the box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** (a) Define the term 'national income'.

(1)

(Total for Question 1(a) = 1 mark)



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in the box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

(c) Define the term 'circular flow of income'.

(2)

(Total for Question 1(c) = 2 marks)



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☐. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☐.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 After the Global Financial Crisis of 2008, the US President introduced expansionary fiscal policies of \$800 billion. The International Monetary Fund estimated that the multiplier at the time was approximately 1.5.

(Source adapted from: <https://www.economist.com/the-economist-explains/2016/09/07/what-is-the-keynesian-multiplier>)

- (c) Explain the impact of annual fiscal deficits on the US national debt.

(2)

(Total for Question 1(c) = 2 marks)



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in the box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 (a) Define the term 'national income'.

(1)

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(b) Which **one** of the following is an injection into the circular flow of income?

(1)

- ☐ A Taxation
- ☐ B Imports
- ☐ C Investment
- ☐ D Saving

(c) Define the term 'circular flow of income'.

(2)

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(Total for Question 1 = 4 marks)



SECTION A

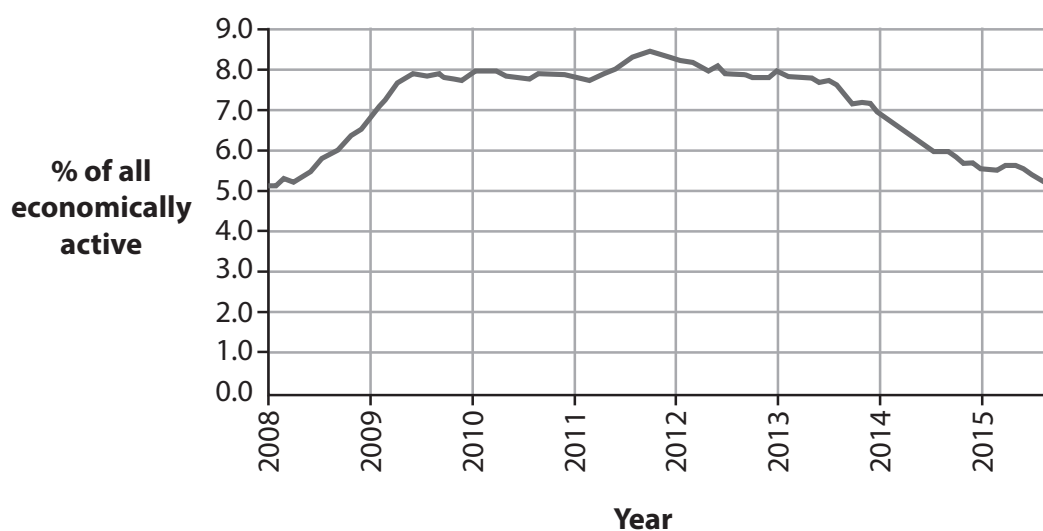
Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 The chart below shows the UK unemployment rate, seasonally adjusted, from 2008 to 2015



(Source: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/december-2015/statistical-bulletin.html#tab-8--Unemployment>)

- (a) Which **one** of the following types of unemployment best explains the change in the data between 2008 and 2010?

(1)

- ☐ A Cyclical
- ☐ B Frictional
- ☐ C Seasonal
- ☐ D Voluntary

SUB-TOPIC 2.4.2

INJECTIONS AND WITHDRAWALS

Sub-topic 2.4.2 · 8 questions · 16 marks · lowest tariff first



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in the box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

(b) Which **one** of the following is an injection into the circular flow of income?

(1)

- ☐ **A** Taxation
- ☐ **B** Imports
- ☐ **C** Investment
- ☐ **D** Saving

(Total for Question 1(b) = 1 mark)



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** It is estimated that building a second runway at Gatwick airport will require an investment of £9.3 billion.

The total increase in UK GDP as a result of this injection is expected to be around £44.1 billion.

(Source: adapted from www.gov.uk/government/uploads/system/uploads/attachment_data/file/452267/AC01_tagged_amend_25_11.pdf © Crown Copyright)

- (a) Define the term 'injection' in this context.

(1)

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(Total for Question 1(a) = 1 mark)



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** After the Global Financial Crisis of 2008, the US President introduced expansionary fiscal policies of \$800 billion. The International Monetary Fund estimated that the multiplier at the time was approximately 1.5.

(Source adapted from: <https://www.economist.com/the-economist-explains/2016/09/07/what-is-the-keynesian-multiplier>)

- (a) Which **one** of the following is a withdrawal from the circular flow of income?

(1)

- ☐ **A** Exports
- ☐ **B** Government spending
- ☐ **C** Investment
- ☐ **D** Taxation

(Total for Question 1(a) = 1 mark)



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** According to the Bank of England, the UK's marginal propensity to consume is estimated to be 0.64.

(Source: adapted from <https://www.bankofengland.co.uk/-/media/boe/files/working-paper/2017/the-consumption-response-to-positive-and-negative-income-changes.pdf?>)

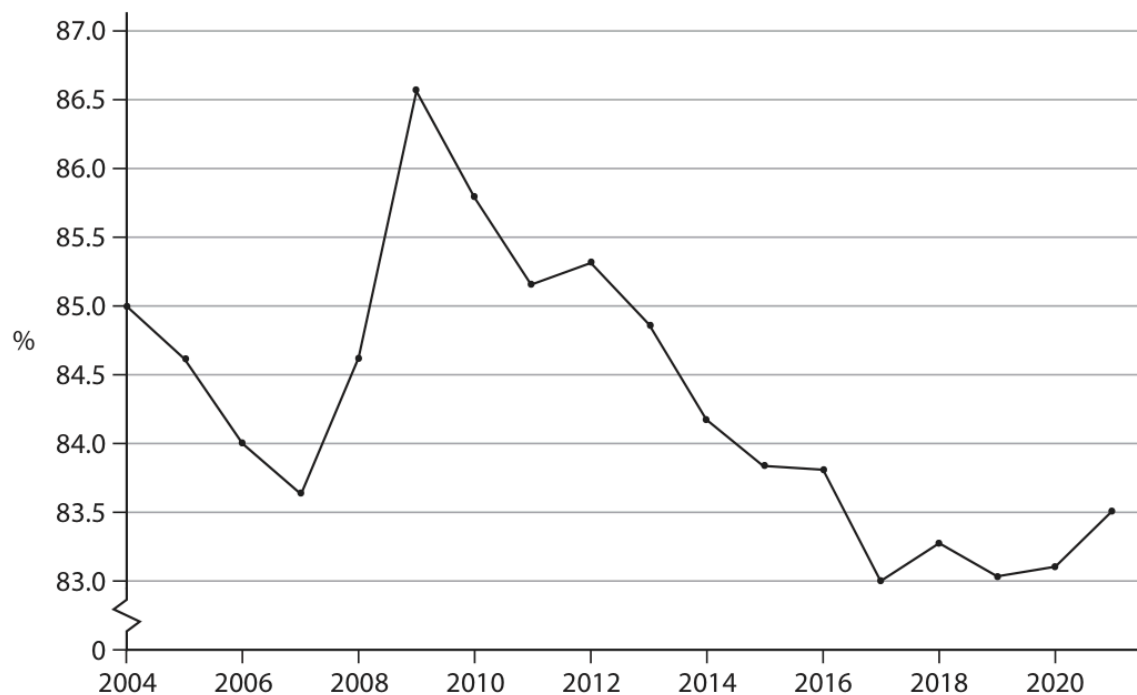
- (b) Which **one** of the following is an injection into the circular flow of income?

(1)

- ☐ **A** Imports
- ☐ **B** Investment
- ☐ **C** Savings
- ☐ **D** Taxation

(Total for Question 1(b) = 1 mark)



4 UK consumption, % of GDP, 2004–2021

(Source: adapted from <https://data.worldbank.org/indicator/NE.CON.TOTL.ZS?end=2021&locations=GB&start=2002>)

(a) Which **one** of the following is an example of consumption?

(1)

- ☐ **A** Construction of a new cycle lane
- ☐ **B** Expansion of Heathrow Airport
- ☐ **C** New school buildings
- ☐ **D** Purchase of new clothes

(Total for Question 4(a) = 1 mark)



2 In 2019 the marginal propensity to consume in the UK was estimated to be 0.8.

(b) Explain **one** likely factor that could increase the level of consumption of UK households.

(2)

(Total for Question 2(b) = 2 marks)

SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** It is estimated that building a second runway at Gatwick airport will require an investment of £9.3 billion.

The total increase in UK GDP as a result of this injection is expected to be around £44.1 billion.

(Source: adapted from www.gov.uk/government/uploads/system/uploads/attachment_data/file/452267/AC01_tagged_amend_25_11.pdf © Crown Copyright)

- (a) Define the term 'injection' in this context.

(1)

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- (b) Calculate the value of the multiplier based on the data given. You are advised to show your working.

(2)

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(c) Which **one** of the following is a likely cause of a decrease in the value of the UK's multiplier?

(1)

- ☐ **A** A decrease in the marginal propensity to save
- ☐ **B** A decrease in the marginal propensity to tax
- ☐ **C** An increase in the marginal propensity to consume
- ☐ **D** An increase in the marginal propensity to import

(Total for Question 1 = 4 marks)



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** After the Global Financial Crisis of 2008, the US President introduced expansionary fiscal policies of \$800 billion. The International Monetary Fund estimated that the multiplier at the time was approximately 1.5.

(Source adapted from: <https://www.economist.com/the-economist-explains/2016/09/07/what-is-the-keynesian-multiplier>)

- (a) Which **one** of the following is a withdrawal from the circular flow of income?

(1)

- ☐ **A** Exports
- ☐ **B** Government spending
- ☐ **C** Investment
- ☐ **D** Taxation

- (b) Calculate the total final increase in US aggregate demand as a result of the President's 'expansionary fiscal policies', assuming no other changes.

(2)

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(c) Explain the impact of annual fiscal deficits on the US national debt.

(2)

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(Total for Question 1 = 5 marks)

SUB-TOPIC 2.4.3

EQUILIBRIUM LEVELS OF REAL NATIONAL OUTPUT

Sub-topic 2.4.3 · 4 questions · 8 marks · lowest tariff first



- 5 In 2014 the Bank of England estimated the marginal propensity to consume of UK consumers to be 0.5.

In 2014 the Chancellor of the Exchequer announced a £15 billion investment programme into UK road infrastructure.

(Sources: <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q405.pdf> and <https://www.gov.uk/government/news/autumn-statement-2014-16-things-you-should-know>)

- (b) Which **one** of the following is most likely to cause a rightward shift in the aggregate supply curve?

(1)

- ☐ A A decrease in real output
- ☐ B A rise in price level
- ☐ C A fall in price level
- ☐ D An increase in productivity

(Total for Question 5(b) = 1 mark)



SECTION A

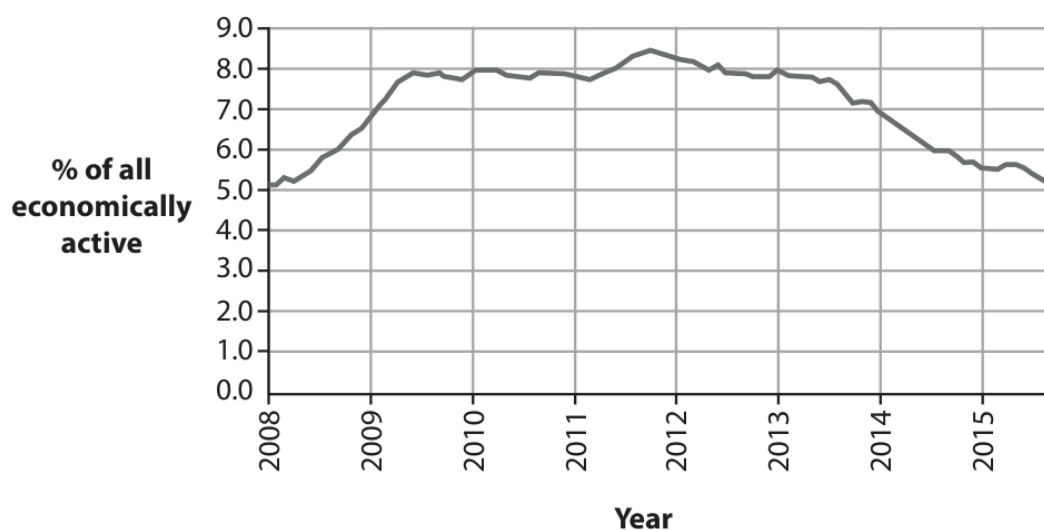
Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

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Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1 The chart below shows the UK unemployment rate, seasonally adjusted, from 2008 to 2015



(Source: <http://www.ons.gov.uk/ons/rel/lms/labour-market-statistics/deceember-2015/statistical-bulletin.html#tab-8--Unemployment>)

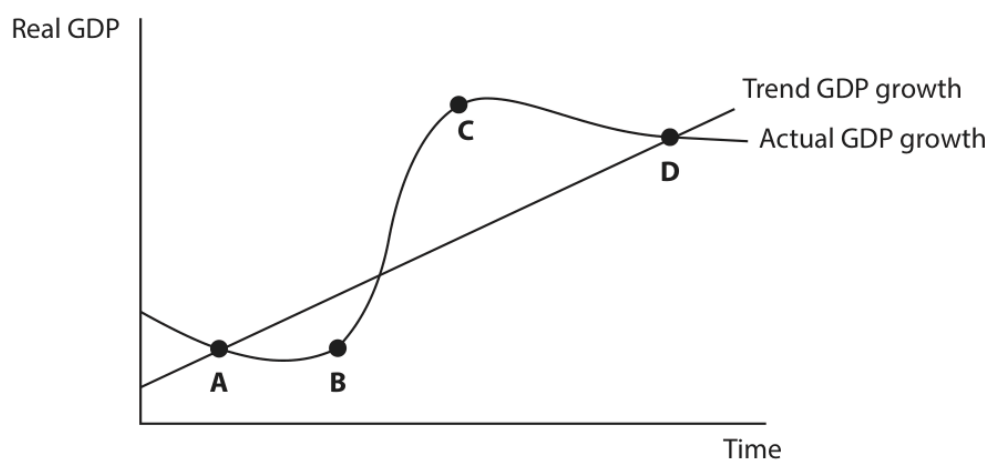
- (a) Which **one** of the following types of unemployment best explains the change in the data between 2008 and 2010?

(1)

- ☐ A Cyclical
- ☐ B Frictional
- ☐ C Seasonal
- ☐ D Voluntary

(Total for Question 1(a) = 1 mark)

4



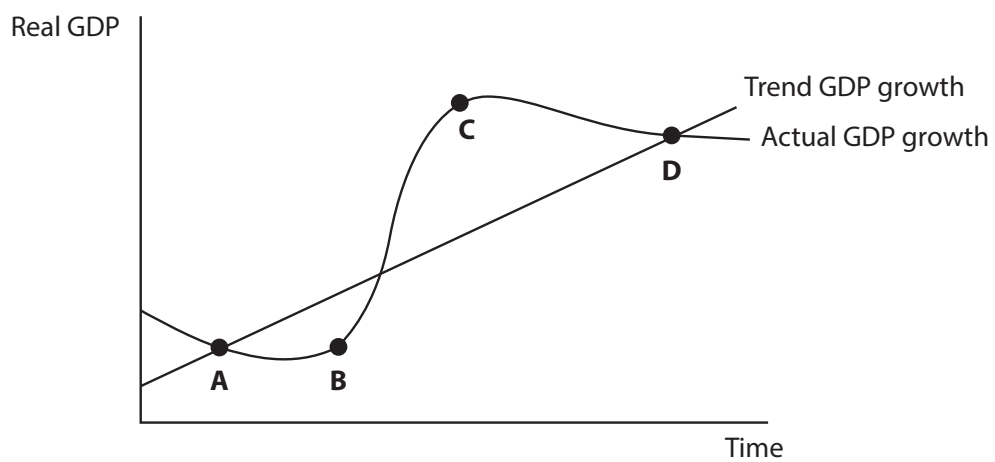
(a) Which **one** point on the trade cycle diagram above illustrates a boom?

(1)

- ☐ A
- ☐ B
- ☐ C
- ☐ D

(Total for Question 4(a) = 1 mark)

4



(a) Which **one** point on the trade cycle diagram above illustrates a boom?

(1)

- ☐ A
- ☐ B
- ☐ C
- ☐ D

(b) In July 2020 a survey estimated that the marginal propensity to consume in the UK was 0.1.

(Source: adapted from <https://ifs.org.uk/uploads/WP202035-MPCs-through-COVID-spending-saving-and-private-transfers.pdf>)

Calculate the total increase in aggregate demand from an increase in government spending of £60 million.

(4)

(Total for Question 4 = 5 marks)



SUB-TOPIC 2.4.4

THE MULTIPLIER

Sub-topic 2.4.4 · 17 questions · 50 marks · lowest tariff first



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☐. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☐.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** It is estimated that building a second runway at Gatwick airport will require an investment of £9.3 billion.

The total increase in UK GDP as a result of this injection is expected to be around £44.1 billion.

(Source: adapted from www.gov.uk/government/uploads/system/uploads/attachment_data/file/452267/AC01_tagged_amend_25_11.pdf © Crown Copyright)

- (c) Which **one** of the following is a likely cause of a decrease in the value of the UK's multiplier?

(1)

- ☐ **A** A decrease in the marginal propensity to save
- ☐ **B** A decrease in the marginal propensity to tax
- ☐ **C** An increase in the marginal propensity to consume
- ☐ **D** An increase in the marginal propensity to import

(Total for Question 1(c) = 1 mark)



2 In 2019 the marginal propensity to consume in the UK was estimated to be 0.8.

(a) Define the term 'marginal propensity to consume'.

(1)

(Total for Question 2(a) = 1 mark)



2 In 2019 the marginal propensity to consume in the UK was estimated to be 0.8.

(c) Using the above data, which **one** of the following represents the value of the multiplier?

(1)

- ☐ **A** 0.2
- ☐ **B** 0.8
- ☐ **C** 1.3
- ☐ **D** 5.0

(Total for Question 2(c) = 1 mark)



2 The table below shows marginal propensity to save data for an economy.

Year	Marginal propensity to save (mps)
2010	0.11
2011	0.09
2012	0.07
2013	0.05
2014	0.05
2015	0.04

An economy has marginal propensity to save of 0.1, marginal propensity to tax of 0.2 and marginal propensity to import of 0.1.

(c) Which **one** of the following is the correct size of the multiplier?

(1)

- ☐ A 0.4
- ☐ B 0.6
- ☐ C 1.7
- ☐ D 2.5

(Total for Question 2(c) = 1 mark)



- 2 The planned investment in the redevelopment of Dover Port will cost £115 million. The Chief Executive said it will lead to many 'new job opportunities for local people and a transformed waterfront experience' with new cafés, bars, and shops.

(Source adapted from: <https://www.kentonline.co.uk/dover/news/docklands-redevelopment-work-to-start-118581/>)

- (a) If the value of the multiplier is 1.8, which **one** of the following will be the total increase in GDP from the redevelopment, assuming other things are equal?

(1)

- ☐ A £64 million
- ☐ B £115 million
- ☐ C £207 million
- ☐ D £230 million

(Total for Question 2(a) = 1 mark)



SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** It is estimated that building a second runway at Gatwick airport will require an investment of £9.3 billion.

The total increase in UK GDP as a result of this injection is expected to be around £44.1 billion.

(Source: adapted from www.gov.uk/government/uploads/system/uploads/attachment_data/file/452267/AC01_tagged_amend_25_11.pdf © Crown Copyright)

- (b) Calculate the value of the multiplier based on the data given. You are advised to show your working.

(2)

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(Total for Question 1(b) = 2 marks)



2 The table below shows marginal propensity to save data for an economy.

Year	Marginal propensity to save (mps)
2010	0.11
2011	0.09
2012	0.07
2013	0.05
2014	0.05
2015	0.04

(a) Explain **one** possible reason for the changes in the marginal propensity to save as shown in the table.

(2)

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(Total for Question 2(a) = 2 marks)



2 The table below shows marginal propensity to save data for an economy.

Year	Marginal propensity to save (mps)
2010	0.11
2011	0.09
2012	0.07
2013	0.05
2014	0.05
2015	0.04

(b) Explain the likely effect of a fall in the marginal propensity to save on the value of the multiplier if other things remain equal.

(2)

(Total for Question 2(b) = 2 marks)

SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

- 1** After the Global Financial Crisis of 2008, the US President introduced expansionary fiscal policies of \$800 billion. The International Monetary Fund estimated that the multiplier at the time was approximately 1.5.

(Source adapted from: <https://www.economist.com/the-economist-explains/2016/09/07/what-is-the-keynesian-multiplier>)

- (b) Calculate the total final increase in US aggregate demand as a result of the President's 'expansionary fiscal policies', assuming no other changes.

(2)

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(Total for Question 1(b) = 2 marks)



- 5** In 2014 the Bank of England estimated the marginal propensity to consume of UK consumers to be 0.5.

In 2014 the Chancellor of the Exchequer announced a £15 billion investment programme into UK road infrastructure.

(Sources: <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q405.pdf> and <https://www.gov.uk/government/news/autumn-statement-2014-16-things-you-should-know>)

- (a) Using the information above, calculate the total increase in national income, resulting from the £15 billion investment.

(3)

(Total for Question 5(a) = 3 marks)



- 5 In 2014 the Bank of England estimated the marginal propensity to consume of UK consumers to be 0.5.

In 2014 the Chancellor of the Exchequer announced a £15 billion investment programme into UK road infrastructure.

(Sources: <http://www.bankofengland.co.uk/publications/Documents/quarterlybulletin/2014/qb14q405.pdf> and <https://www.gov.uk/government/news/autumn-statement-2014-16-things-you-should-know>)

- (a) Using the information above, calculate the total increase in national income, resulting from the £15 billion investment.

(3)

- (b) Which **one** of the following is most likely to cause a rightward shift in the aggregate supply curve?

(1)

- ☐ A A decrease in real output
- ☐ B A rise in price level
- ☐ C A fall in price level
- ☐ D An increase in productivity

(Total for Question 5 = 4 marks)

TOTAL FOR SECTION A = 20 MARKS



(1)

(2)

(1)

- (Total for Question 2 = 4 marks)**



- 2 The table below shows marginal propensity to save data for an economy.

Year	Marginal propensity to save (mps)
2010	0.11
2011	0.09
2012	0.07
2013	0.05
2014	0.05
2015	0.04

- (a) Explain **one** possible reason for the changes in the marginal propensity to save as shown in the table.

(2)

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- (b) Explain the likely effect of a fall in the marginal propensity to save on the value of the multiplier if other things remain equal.

(2)

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An economy has marginal propensity to save of 0.1, marginal propensity to tax of 0.2 and marginal propensity to import of 0.1.

(c) Which **one** of the following is the correct size of the multiplier?

(1)

- ☐ **A** 0.4
- ☐ **B** 0.6
- ☐ **C** 1.7
- ☐ **D** 2.5

(Total for Question 2 = 5 marks)



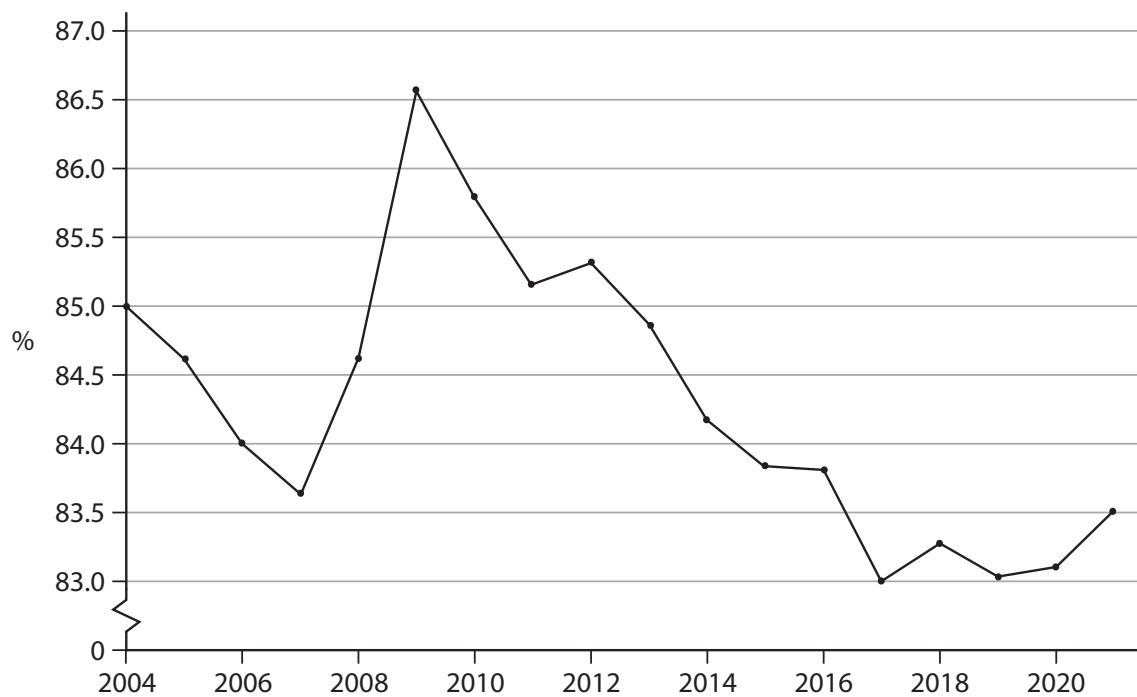
(b) Which **one** of the following is an injection into the circular flow of income?

(1)

- ☐ **A** Imports
- ☐ **B** Investment
- ☐ **C** Savings
- ☐ **D** Taxation

(Total for Question 1 = 5 marks)



4 UK consumption, % of GDP, 2004–2021

(Source: adapted from <https://data.worldbank.org/indicator/NE.CON.TOTL.ZS?end=2021&locations=GB&start=2002>)

(a) Which **one** of the following is an example of consumption?

(1)

- ☐ **A** Construction of a new cycle lane
- ☐ **B** Expansion of Heathrow Airport
- ☐ **C** New school buildings
- ☐ **D** Purchase of new clothes

(4)



SECTION B

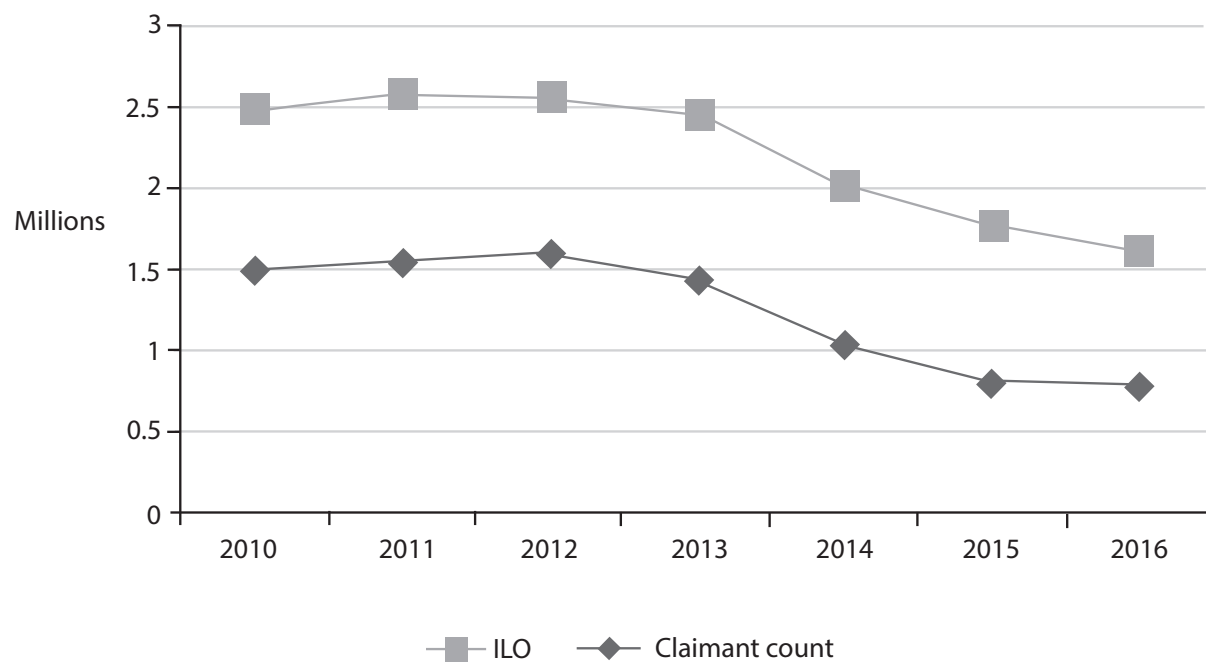
Read Figures 1 to 3 and the following extracts (A and B) before answering Question 6.

Answer ALL Questions 6(a) to 6(e), and EITHER Question 6(f) OR Question 6(g).

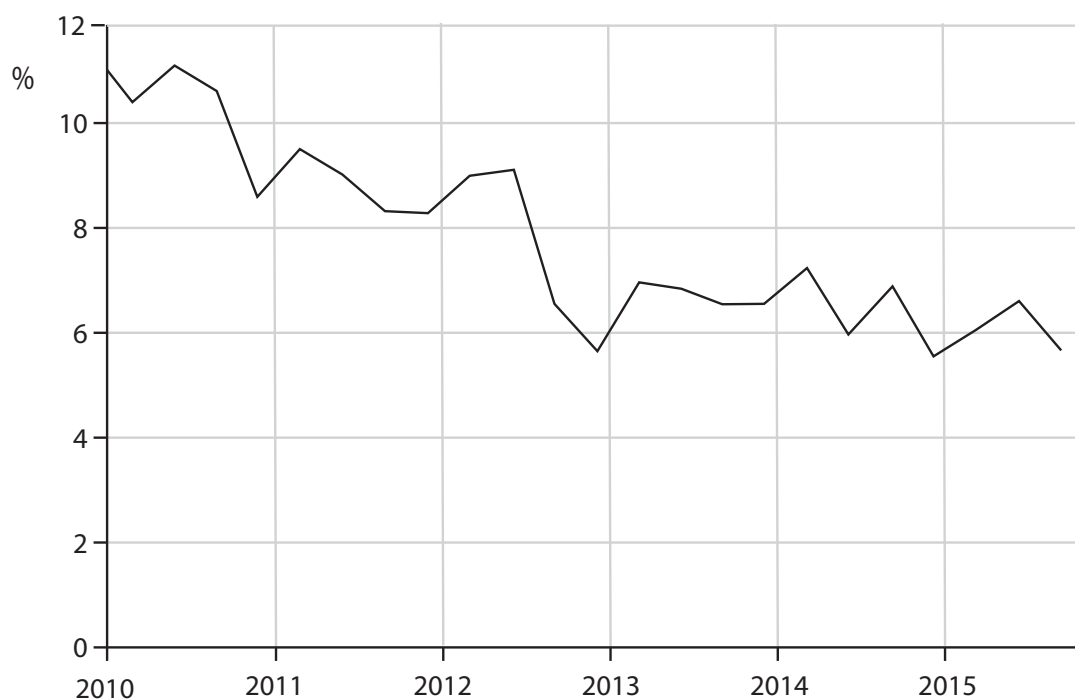
You are advised to spend 1 hour and 5 minutes on this section.

Question 6**The UK economy**

Figure 1: Unemployment – International Labour Organisation (ILO) and the claimant count, millions, 2010-2016

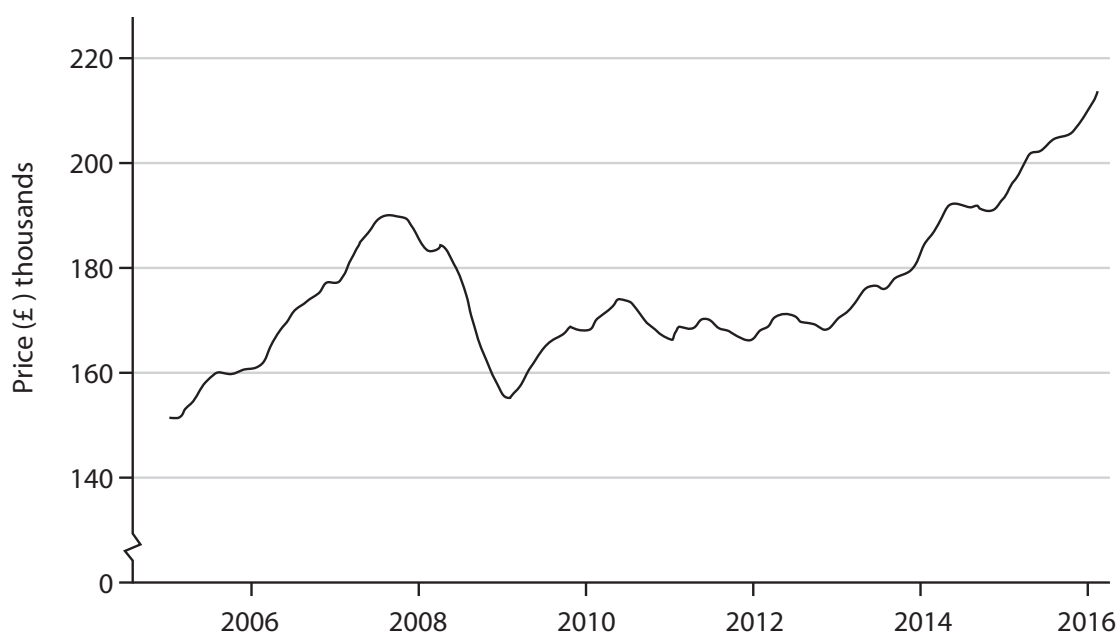


(Source: ONS Datasets, <https://www.ons.gov.uk/>)

Figure 2: Household savings*, 2010-2015

* Savings as a percentage of household disposable income

(Source: <http://www.tradingeconomics.com/united-kingdom/personal-savings>)

Figure 3: UK average house prices, 2005-2016

(Source: <http://www.telegraph.co.uk/property/house-prices/the-state-of-the-uk-housing-market-in-five-charts/>)

Extract A**Soaring house prices**

House prices are still rising rapidly. The average UK house price was £214 000 in June 2016, according to the Office for National Statistics (ONS). This is £24 000 more than it was at its peak in September 2007, just before the economic downturn. First-time buyers have experienced the largest rise in house prices.

5

Even the loss of consumer confidence over Britain's vote to leave the EU did not stop house prices from rising – annual growth increased from 5.2% in July 2016 to 5.6% in August 2016. House price growth was the strongest in London, with annual average prices rising by 9.6%. However, in Wales average house prices actually fell by 0.5% during the same period. In its first post-Brexit referendum forecast, estate agency Countrywide said that house prices will fall by 1% across the UK in 2017, before rising by 2% in 2018.

10

Real household income in the UK fell by 10.4% in the years following the financial crisis. This increased the difference between real income and house prices. In 1997, a house cost little more than twice the average income. By early 2015, the average price of a house was five times the average annual income.

15

The rate of home ownership for 25 to 34-year-olds has fallen to 35.8% over the last twenty-five years as houses became less affordable. First-time buyers have to wait longer to save up for a house deposit. Conversely, home ownership has risen to 78.6% among those aged 65 to 74.

(Source: adapted from 'The state of the UK housing market in five charts', The Telegraph, <http://www.telegraph.co.uk/property/house-prices/the-state-of-the-uk-housing-market-in-five-charts/>; 'UK house price growth slows as demand cools after Brexit vote', The Guardian, <https://www.theguardian.com/business/2016/sep/30/uk-house-price-growth-slows-demand-cools-brexit-vote-nationwide>)

Extract B**UK migration trends in the year ending June 2016**

Inward migration levels are among the highest ever recorded with an estimated 650 000 people moving to the UK. This is an increase of around 11 000 from the previous year.

Employment remains the most common reason for long-term migration (312 000) to the UK, with around 182 000 of these coming with a definite job and 130 000 looking for work.

5

Long-term migration to the UK for study was estimated to be 163 000. In addition, 80 000 long-term migrants arrived in the UK to accompany their families. There were 41 280 refugees applying for asylum, including dependants, of which 10 547 people were granted asylum. Asylum applicants cannot usually accept offers of employment while their case is being processed.

10

(Source: adapted from 'Migration Statistics Quarterly Report: December 2016', ONS, <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/internationalmigration/bulletins/migrationstatisticsquarterlyreport/dec2016>)



(6)



MARK SCHEMES

official mark schemes



Question Number	Answer	Mark
1 (a)	Knowledge 1 Knowledge/understanding 1 mark for definition, e.g. total spending on goods and services.	(1)

Question Number	Answer	Mark
1 (b)	C	(1)

Question Number	Answer	Mark
1 (c)	Knowledge 2 Knowledge/understanding 1 Mark for definition, e.g. • Money flows around the economy between consumers/households and firms (1). 1 Mark for identification of features, e.g. • There are also withdrawals from the circular flow • Injections also include government spending, exports • Withdrawals are taxation, savings, imports • Consumption and income flows as financial flows for factors of production and goods and services. Also award marks (1+1) if illustrated in diagram form.	(2)



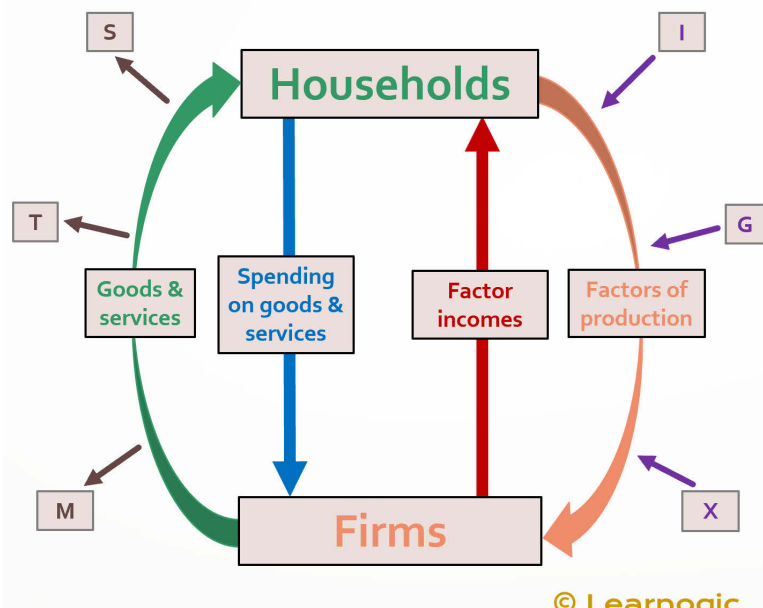
Question Number	Answer	Mark
1(a)	The only correct answer is D <i>A is not correct because exports is an injection into the circular flow of income</i> <i>B is not correct because government spending is an injection into the circular flow of income</i> <i>C is not correct because investment is an injection into the circular flow of income</i>	(1)

Question Number	Answer	Mark
1(b)	Application 2 1.5 X 800 billion (1) = 1 200 billion / \$1 200 billion Award two marks for correct answer Award 1 mark if candidate has put \$1 200	(2)

Question Number	Answer	Mark
1(c)	Knowledge 1, Analysis 1 Knowledge/understanding (1): - Identify increase in national debt - Definition of national debt Analysis: 1 mark for linked development: e.g. - Fiscal deficit means spending is greater than taxation - The government will need to borrow more money to fund this spending NB Analysis must be linked to national debt	(2)



Question Number	Answer	Mark
1(a)	A	(1)

Question Number	Answer	Mark
1(b)	Knowledge 2, Application 1, Analysis 1 Knowledge/understanding: 1 mark for identifying an effect on the circular flow of income. 1 mark for any specific reference to injections (I, G, X) and/or withdrawals (S, T, M). 1 mark for any specific reference to flows between households and firms. Candidates may achieve these marks using a diagram. Application: 1 mark for reference to the chart, e.g. unemployment has fallen. Analysis: 1 mark for linked development, explaining link between unemployment and circular flow. For example: Unemployment fell by three percentage points resulting in rising consumption and investment (1) and further rounds of increases in disposable income (1) however household may also spend more on imports (1).  The diagram illustrates the circular flow of income and products between Households and Firms. Households (top) and Firms (bottom) are the central entities. Flow of Money (Outer Loop): - Households spend on goods and services from Firms (blue arrow pointing down). - Firms provide goods and services to Households (green arrow pointing up). - Households provide factor incomes to Firms (red arrow pointing down). - Firms provide factors of production to Households (orange arrow pointing up). Injections and Withdrawals: Injections (I, G, X): Represented by purple arrows pointing into the circular flow from the top right. Withdrawals (S, T, M): Represented by brown arrows pointing out of the circular flow from the top left. © Learnogic	(4)



Question Number	Answer	Mark
1(a)	Knowledge 1 Knowledge/understanding: 1 mark for definition, e.g. • Injection is money flowing into the circular flow of income/economy (1) • Comprises of investment, government spending and exports (1) • Injection in this context is government spending / investment (1)	(1)

Question Number	Answer	Mark
1(b)	Application 2 Application: 1 mark for appropriate calculation, e.g. £44.1bn : £9.3bn (1) Answer = 4.7 or 4.74 Award 2 marks for correct answer Accept between 4.7 and 4.75	(2)

Question Number	Answer	Mark
1(c)	The only correct answer is D A is not correct because a decrease in the marginal propensity to save will increase value of the multiplier B is not correct because a decrease in the marginal propensity to tax will increase value of the multiplier C is not correct because an increase in the marginal propensity to consume will increase the value of the multiplier	(1)



Question Number	Answer	Mark
1(a)	Application 3, Analysis 1 Multiplier formula= $1 / (1 - MPC)$ (1) = $1 / (1 - 0.64)$ OR = $1 / 0.36$ (1) Value of the multiplier = 2.7 recurring OR 2.8 (1) 2.7 recurring X £20m (1) = £55.6m Award full marks for correct answer Award up to 3 marks if no correct answer NB Allow range (-)£55m to (-)£56m NB 3 marks if million missing	(4)

Question Number	Answer	Mark
1(b)	The only correct answer is B A is not correct because imports are a withdrawal from the circular flow C is not correct because savings are a withdrawal from the circular flow D is not correct because taxation is a withdrawal from the circular flow	(1)



Question Number	Answer	Mark
4 (a)	The only correct answer is D <i>A is not correct because this is an example of government spending</i> <i>B is not correct because this is an example of investment</i> <i>C is not correct because this is an example of government spending</i>	(1)

Question Number	Answer	Mark
4(b)	Application 3, Analysis 1 Application: Identification of relevant application for 3 marks e.g. • Level of real GDP is likely to fall (could show on a diagram) (1) AND • UK consumption, as a percentage of GDP, has fallen from 86.5% in 2009 (1) to 83% in 2017 (1) • Diagram/formula/explanation showing multiplier (1) Analysis: Linked development 1 mark for e.g. • Development of multiplier formula/explanation e.g. second round effects (1) • Reduction in the value of the multiplier (1) • An increase in withdrawals from the circular flow of income (1) • Other factors may change e.g. savings, government spending (1)	(4)



Question Number	Answer	Mark
2(a)	Knowledge 1 Knowledge: 1 mark for definition, e.g. • It is the proportion of extra income that is spent on consumption (1) • The additional consumer spending from an increase in national income (1) • Change in consumption/change in income ($\Delta C/\Delta Y$)	(1)

Question Number	Answer	Mark
2(b)	Knowledge 2 Knowledge/understanding: 2 marks for, e.g. • Increase in employment/disposable income (1) so increases purchasing power/greater affordability (1) • Lower interest rates (1) so reduces the cost of borrowing/reward for savings (1) • Increase in consumer confidence (1) due to greater job security and raises consumer spending (1) • Positive wealth effects (1) so increases confidence and raises consumer spending (1)	(2)

Question Number	Answer	Mark
2(c)	The only correct answer is D A is not correct because this figure is determined by (1-0.8) B is not correct because this figure is determined by (1×0.8) C is not correct because this figure is determined by (1/0.8)	(1)



Question Number	Answer	Mark
5 (a)	Knowledge 1, Application 2 Knowledge 1 mark for correct multiplier formula, e.g. - Multiplier = $1 / (1 - MPC)$ (1) Application 2 marks for use of data in calculation, e.g. - Multiplier = $1 / 0.5 = 2$ (1) £15 billion $\times 2 =$ £30 billion (1) If answer given is £30 billion, award 3 marks.	(3)

Question Number	Answer	Mark
5 (b)	D	(1)

Question Number	Answer	Mark
6 (a)	Knowledge 2, Application 2 Knowledge 2 marks for, e.g. - Income is money received as payment for work (1) - Real means adjusted for inflation/purchasing power of income (1) Application 2 marks for, e.g. - Real income has fallen (1) - From approximately £675 in 2008 to £615 in 2013 (1)	(4)



Question Number	Answer	Mark
4 (a)	The only correct answer is C <i>A is not correct because this is trend GDP growth</i> <i>B is not correct because this is a recession</i> <i>D is not correct because this is trend GDP growth</i>	(1)

Question Number	Answer	Mark
4(b)	Knowledge 2, Application 2 Multiplier formula= $1 / (1 - mpc)$ OR multiplier = $1/mpw$ OR $1/(mps+mpt+mpm)$ (1) = $1 / (1 - 0.1)$ (1) OR = $1 / 0.9$ (1) Value of the multiplier = 1.11 (1) 1.11 recurring X £60m (1) = 66.6m Award full marks for correct answer 66.6m NB Allow in the range 66m - 67m NB Max 3 marks if incorrect units or missing units, e.g. 3 marks for £66.6 NB 3 marks for the correct value of multiplier	(4)



Question Number	Answer	Mark
2(a)	Knowledge 2 Knowledge/understanding: 1 mark for identifying one reason; 1 mark for linked development, e.g. • The decrease in the mps reflects a rise in the marginal propensity to consume (1) due to rising consumer confidence (1) • Decrease in mps due to rise in marginal propensity to tax (1) to reduce the budget deficit. (1) • Low interest rates (1) reducing the incentive to save/lower rate of return (1)	(2)

Question Number	Answer	Mark
2(b)	Knowledge 2 Knowledge/understanding: 1 mark for identifying the effect on the value of the multiplier; 1 mark for the linked development on the size of the multiplier, e.g. • The value of the multiplier is likely to increase (1), due a decrease in withdrawals (1).	(2)

Question Number	Answer	Mark
2(c)	D	(1)

Question Number	Answer	Mark
3(a)	B	(1)



Question Number	Answer	Mark
2 (a)	The only correct answer is C <i>A is not correct because it is £115m divided by 1.8</i> <i>B is not correct because it is the value from the extract</i> <i>D is not correct because it is £115m doubled</i>	(1)

Question Number	Answer	Mark
2 (b)	Knowledge 2, Application 1, Analysis 1 Knowledge/Understanding: Up to 2 marks for e.g. - Multiplier effect is where an initial change in aggregate demand can have a greater final impact on equilibrium national income (1) - Injection of money from investment goes round the circular flow multiple times/knock-on effects/further effects (1) - Understanding of a multiplier formula (1) Application: Up to 1 mark for a relevant example e.g. - Construction workers will eat lunch in local cafes - Construction workers will stay in local hotels - New shops means more jobs for local people, they may then spend their money in a local bar £115m investment - Multiplier value of 1.8 - Final increase in AD of £207m Analysis: Up to 1 mark for e.g. - One person's spending is another person's income - Eventually all money is withdrawn/leaked out of the circular flow of income A correct AD/AS diagram showing two shifts in AD out to the right can be awarded 2 marks (1 K, 1App)	(4)



Question Number	Answer	Mark
6(d)	Knowledge 2, Application 2, Analysis 2 Knowledge/understanding 2 marks for, e.g. • Definition/understanding of the multiplier (1) • Identification of factors which can cause the multiplier to rise (1+1) Application 1 mark for each data reference from Figure 2 or linked application (1+1), e.g. • savings ratio decreased from 11.5% in Q1 of 2010 (1) • to approximately 5.7% in Q1 of 2016 (1) • Use of multiplier formula (2) • application by means of simple numerical example (up to 2 marks) Analysis 1 mark for linked development of each factor (1+1), e.g. • A fall in withdrawals from circular flow of income will lead to a rise in the value of the multiplier (1) • An increase in mpc will cause the value of the multiplier to rise (1)	(6)

