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OCR A-LEVEL ECONOMICS: QUESTIONS BY TOPIC

Implementing Policy

OCR A-level Economics H460 — Topic MACRO 3

24 questions · 168 marks · Mark schemes included

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HOW TO USE THIS BOOKLET

Questions run from the lowest mark tariff to the highest, so similar questions sit together.

Click any row below to jump straight to that question.

On every question page, click the header (top right) to jump to its mark scheme, and click again to jump back.

Mark schemes are collected together at the end of this booklet, cropped from the genuine OCR mark-scheme grid.

24 questions · 168 marks · lowest tariff first

QUESTION	SOURCE	MARKS	PAGE
1. Section A (MCQ), Q10	H460/03 Themes in Economics · June 2019	1 mark	5
2. Section A (MCQ), Q23	H460/03 Themes in Economics · June 2019	1 mark	6
3. Section A (MCQ), Q13	H460/03 Themes in Economics · June 2022	1 mark	7
4. Section A (MCQ), Q8	H460/03 Themes in Economics · June 2022	1 mark	8
5. Section A (MCQ), Q9	H460/03 Themes in Economics · June 2023	1 mark	9
6. Section A (MCQ), Q14	H460/03 Themes in Economics · May 2024	1 mark	10
7. Section A (MCQ), Q4	H460/03 Themes in Economics · May 2024	1 mark	11
8. Section A (MCQ), Q11	H460/03 Themes in Economics · October 2020	1 mark	12
9. Section A (MCQ), Q30	H460/03 Themes in Economics · October 2020	1 mark	13
10. Section A (MCQ), Q10	H460/03 Themes in Economics · October 2021	1 mark	14
11. Section A, Q1(b)	H460/02 Macroeconomics · June 2023	2 marks	16
12. Section A, Q1(d)	H460/02 Macroeconomics · October 2020	2 marks	20
13. Section B, Q31	H460/03 Themes in Economics · October 2020	2 marks	24
14. Section A, Q1(b)	H460/02 Macroeconomics · October 2021	2 marks	26
15. Section A, Q1(c)	H460/02 Macroeconomics · October 2021	2 marks	29
16. Section B, Q34	H460/03 Themes in Economics · October 2020	3 marks	33
17. Section A, Q1(d)	H460/02 Macroeconomics · October 2021	4 marks	36
18. Section B, Q36	H460/03 Themes in Economics · June 2022	8 marks	41
19. Section A, Q1(e)	H460/02 Macroeconomics · May 2024	8 marks	43
20. Section C (Essay), Q4*	H460/02 Macroeconomics · June 2023	25 marks	48
21. Section B (Essay), Q3*	H460/02 Macroeconomics · May 2019	25 marks	53
22. Section C (Essay), Q4*	H460/02 Macroeconomics · May 2024	25 marks	58
23. Section C (Essay), Q5*	H460/02 Macroeconomics · May 2024	25 marks	63
24. Section B (Essay), Q3*	H460/02 Macroeconomics · October 2021	25 marks	68

QUESTIONS

24 questions · 168 marks · lowest tariff first

1-MARK QUESTION

10 questions in this booklet

6

10 Which of the following assumptions is made in the quantity theory of money?

- A Interest rate is fixed
- B Money supply is fixed
- C Price level is fixed
- D Velocity of money is fixed

Your answer

[1]

11 In which of the following cases are firms most likely to be productively and allocatively efficient?

- A Monopolistically competitive market in the long run with firms making normal profit
- B Natural monopoly
- C Perfectly competitive market in the short run with firms making supernormal profit
- D Perfectly contestable market

Your answer

[1]

11

20 When will remittances make a significantly positive contribution to a country's GDP?

- A The financial account of the balance of payments is in surplus
- B The level of emigration is high
- C The level of immigration is high
- D The rate of unemployment is low

Your answer

[1]

21 In 2016 Argentina experienced negative economic growth, with output falling by 2.3% to \$571.3bn. Population growth was 1% over the same period. Calculate the change in GDP per capita in Argentina between 2015 and 2016 if in 2015 Argentina had a population of 43.42 million people.

- A -\$444
- B -\$440
- C -\$178
- D \$172

Your answer

[1]

22 Which condition will a sales volume maximising firm use to determine its level of output?

- A $AC = AR$
- B $AR = AVC$
- C $MC = MR$
- D $MR = 0$

Your answer

[1]

23 What can the government do to finance a budget deficit?

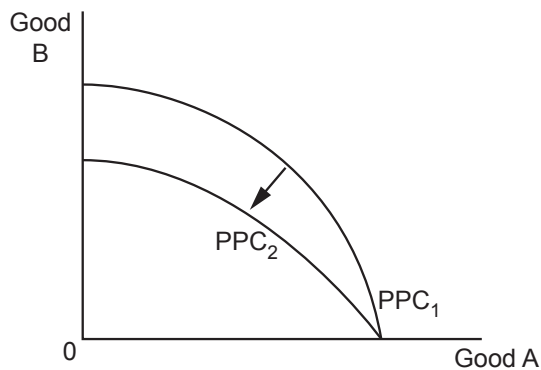
- A Devalue the exchange rate
- B Increase export subsidies
- C Issue government bonds
- D Reduce the money supply

Your answer

[1]

7

- 12 What does the shift of the PPC from PPC_1 to PPC_2 in the diagram below show?



- A A fall in the production of good A
- B A fall in the production of goods A and B
- C An increase in the opportunity cost of producing good A
- D An increase in the opportunity cost of producing good B

Your answer

[1]

- 13 What is one of the stages in the process of calculating the rate of inflation in the UK?

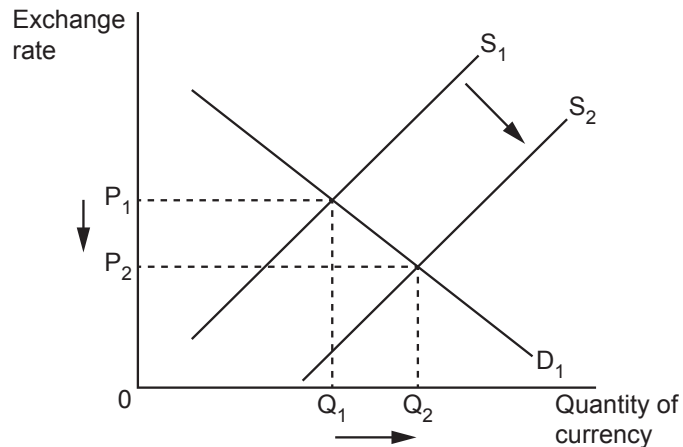
- A Goods and services are weighted according to the level of utility they bring society
- B Prices of goods and services are compared to prices in other countries
- C Survey data is used to establish the most commonly consumed goods and services
- D The amount of quantitative easing introduced by the Bank of England is recorded

Your answer

[1]

5

- 8 The diagram below shows the value of a country's currency. What is most likely to have caused the change illustrated here?



- A A decrease in the marginal propensity to import
- B Contractionary monetary policy
- C Expansionary monetary policy
- D Supply side policy designed to increase labour productivity

Your answer

[1]

- 9 What type of good is described as being excludable and rival?

- A Free good
- B Private good
- C Public good
- D Quasi-public good

Your answer

[1]

5

7 What is **one** of the roles of a firm?

- A To produce goods and/or services
- B To regulate markets
- C To supply labour
- D To tax households

Your answer

[1]

8 What does a country's terms of trade show?

- A The ability to produce a good at a lower opportunity cost than another country
- B The ability to produce a good using fewer resources than another country
- C The ratio of export prices to import prices
- D The value of exports minus the value of imports

Your answer

[1]

9 Which of these types of government spending is an example of current expenditure?

- A Construction of a new railway line
- B Flood defence schemes
- C New hospital equipment
- D Universal credit

Your answer

[1]

8

- 14 The Fisher equation of exchange shows the relationship between: Money supply (M), Price level (P), Velocity of circulation (V) and National income (Y).

Which of these is the correct equation?

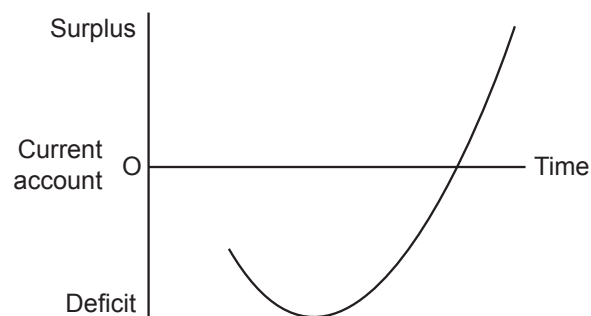
- A $MV = PY$
- B $MY = PV$
- C $PM = YV$
- D $PV = MY$

Your answer

☐

[1]

- 15 What does the diagram suggest?



- A A depreciation in the exchange rate will decrease the government's budget deficit
- B A depreciation in the exchange rate will increase the government's budget deficit
- C Demand for exports and imports is price elastic in the short run
- D Demand for exports and imports is price inelastic in the short run

Your answer

☐

[1]

3

4 Which of these describes the process of crowding out?

- A An increase in government spending leads to a fall in private sector investment
- B The process by which government spending and tax revenue vary with the economic cycle
- C The transfer of an organisation from public sector ownership and control to private sector ownership and control
- D When monetary policy becomes ineffective as households prefer to save even though interest rates are very low

Your answer

[1]

5 As a result of a 12% reduction in the price of Good A, the quantity demanded of Good B increased by 3%.

What is the relationship between the two goods?

- A Strong complements
- B Strong substitutes
- C Weak complements
- D Weak substitutes

Your answer

[1]

6

9 What is most likely to cause a decrease in wealth inequality?

- A A decrease in capital gains tax
- B A decrease in income inequality
- C An increase in house prices
- D An increase in the tax-free inheritance allowance

Your answer

[1]

10 What is most likely to lead to allocative efficiency being achieved in an industry that is a natural monopoly?

- A Collusion
- B Competition policy
- C Information provision
- D Regulation

Your answer

[1]

11 What is an example of a supply side policy measure?

- A Imposing a tariff
- B Increasing interest rates
- C Privatisation
- D Quantitative easing

Your answer

[1]

12 What is the impact of the Marshall-Lerner condition holding?

- A An exchange rate appreciation will only reduce a current account deficit in the long run
- B An exchange rate appreciation will reduce a current account deficit
- C An exchange rate depreciation will only reduce a current account deficit in the long run
- D An exchange rate depreciation will reduce a current account deficit

Your answer

[1]

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14

30 In 2008, Northern Rock was taken into state ownership, following a crisis in which customers queued outside branches in large numbers to withdraw their savings concerned they may not get their money back. What type of financial regulation would have reduced the risk of this?

- A** Competition policy
- B** Quantitative easing
- C** Requiring banks to hold a higher proportion of deposits as liquid assets
- D** Reducing the central bank rate of interest

Your answer

[1]

7

10 What indicates a structural budget deficit?

- A Government expenditure exceeds tax revenue in the downturn of a business cycle
- B Government expenditure exceeds tax revenue when the economy is at full employment
- C Tax revenue exceeds government expenditure in the downturn of a business cycle
- D Tax revenue exceeds government expenditure when the economy is at full employment

Your answer

[1]

11 In 2019 the price level in Nigeria increased by 11.4%, compared to a 12.1% increase in prices in 2018. What does this represent?

- A Deflation and disinflation
- B Disinflation and hyperinflation
- C Hyperinflation and inflation
- D Inflation and disinflation

Your answer

[1]

12 What is marginal external cost equal to?

- A Marginal private cost – marginal social cost
- B Marginal social cost
- C Marginal social cost + marginal private cost
- D Marginal social cost – marginal private cost

Your answer

[1]

2-MARK QUESTIONS

5 questions in this booklet

2

SECTION A

Read the stimulus material and answer **all** parts of Question 1.

International competitiveness

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.

In the 2019 global competitiveness index, published by the World Economic Forum, the UK was ranked 9th out of 141 countries. This position was down one on 2018. Singapore was placed 1st in 2019 and 2nd in 2018. 5

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. 10

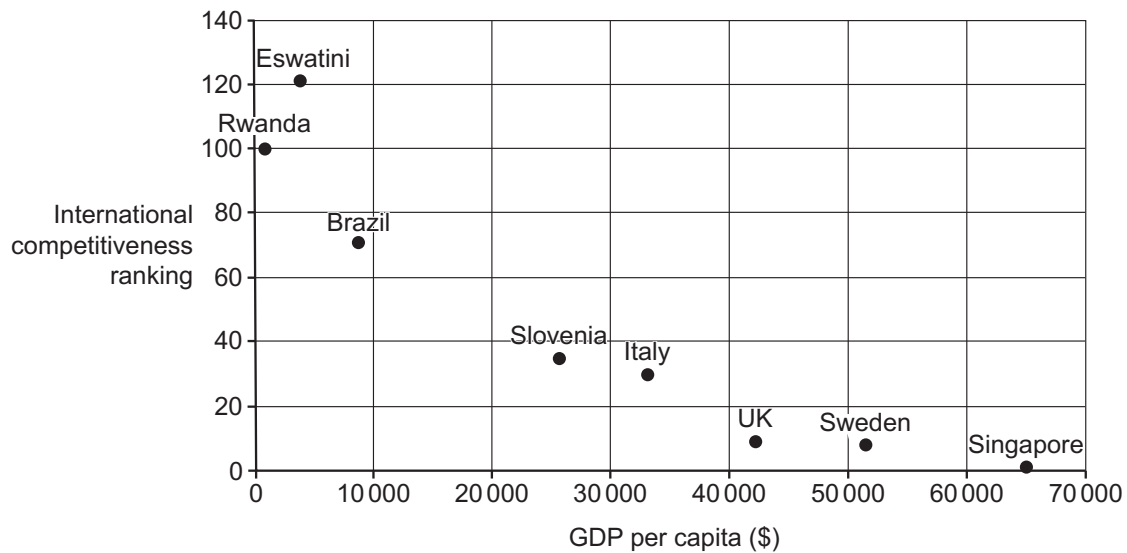
The UK was placed 11th in the skills category. A more skilled labour force is likely to have higher productivity. In turn, productivity can also be affected by working hours. Between 2018 and 2019, average working hours fell in Germany, the UK and the USA and labour productivity rose. In contrast, both average working hours and labour productivity rose in Poland and both fell in Mexico over this period. 15

The category in the global competitiveness index which the UK performed best in was macroeconomic stability. It came 1st achieving a maximum score of 100. Macroeconomic stability can increase business confidence. This can increase investment, international competitiveness and GDP per capita. Fig. 1 shows the international competitiveness ranking of eight countries and their GDP per capita. 20

3

Fig. 1

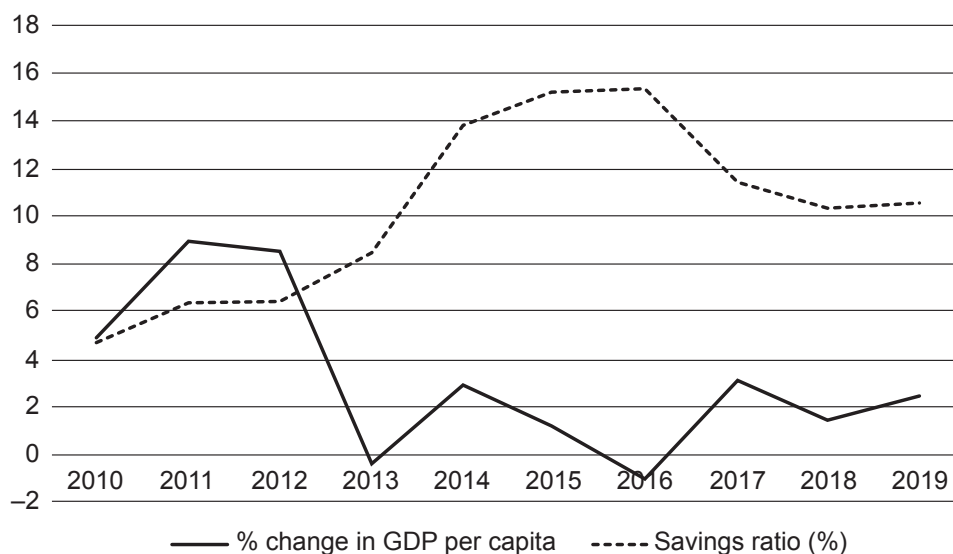
International competitiveness ranking and GDP per capita of selected countries



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.

Fig. 2

Rwanda's savings ratio and change in GDP per capita 2010–2019



4

The Rwandan government tried to increase the savings ratio over the period. The government wanted to increase the domestic supply of finance for investment. It encouraged adults to open savings accounts at banks and students to join savings clubs. It did not, however, change tax rates over this period.

30

Higher investment would be likely to increase Rwanda's international competitiveness. The country's inflation rate also affects international competitiveness. Table 1 shows Rwanda's, China's and the UAE's inflation rates and the global average inflation rate over the period 2010 and 2019.

35

Table 1

Inflation rates for Rwanda, China and the UAE and the global average inflation rate 2010 to 2019

Year	Rwanda's inflation rate (%)	China's inflation rate (%)	UAE's inflation rate (%)	Global average inflation rate (%)
2010	−0.3	3.2	0.9	3.3
2011	3.1	5.5	0.9	4.8
2012	10.3	2.6	0.7	3.7
2013	5.9	2.6	1.1	2.6
2014	2.3	1.9	2.3	2.3
2015	2.5	1.4	4.1	1.4
2016	7.2	2.0	1.6	1.5
2017	8.3	1.6	2.0	2.2
2018	−0.3	2.1	3.1	2.5
2019	3.4	2.9	−1.9	2.3

Wages rose in Rwanda between 2010 and 2019 at a higher rate for skilled than unskilled workers. Unemployment fell and foreign direct investment increased slightly, although it was still low.

5

- 1 (a) Using information from the stimulus material, calculate the balance on the UK's primary and secondary income in 2019.

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..... [2]

- (b) Using information from the stimulus material, identify **two** causes of an increase in the money supply.

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2

..... [2]

- (c) Explain how a change in working hours is likely to affect productivity.

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- (d) Using **Fig. 1**, explain the relationship between international competitiveness and GDP per capita.

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..... [4]

2

SECTION A

Read the following stimulus material and answer **all** parts of question 1 which follow in this section.

Are low-income countries playing catch up?

The global economy is changing. It is becoming more integrated and China is moving towards becoming the world's largest economy. Lower costs of transport continue to increase the volume of international trade. Producing in different countries and buying products from anywhere in the world are being made easier by advances in communications.

- 5 World trade grew by 4.4% in 2017 and is predicted to grow by 4.7% in 2018. China is accounting for a higher proportion of this global trade and a higher proportion of global output. The country has experienced a significant rise in its GDP per head in recent years. This has had an impact on its citizens' life expectancy. Fig. 1 shows the average income and life expectancy in a number of countries.

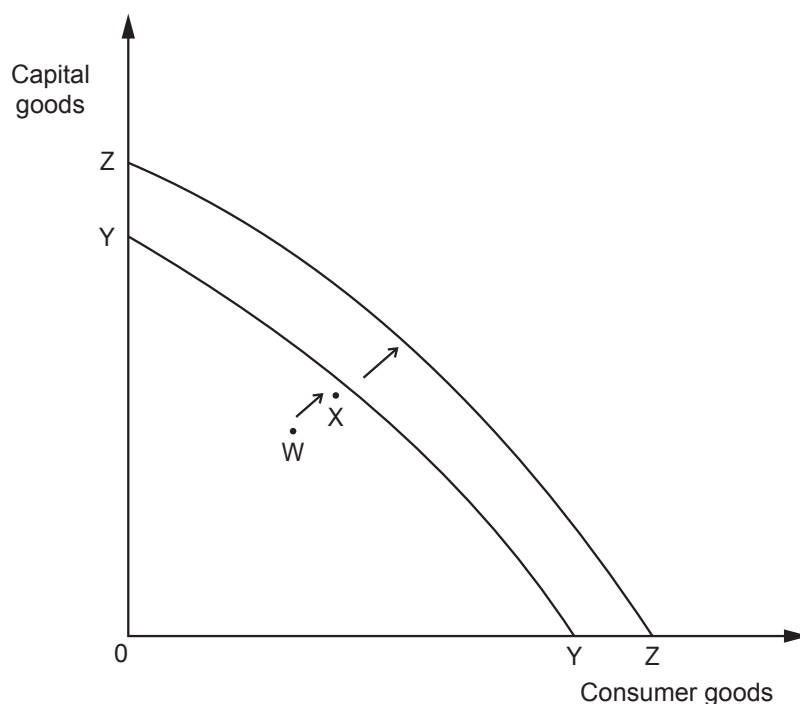
Fig. 1 GDP per head and life expectancy in selected countries 2017

Country	GDP per head (\$)	Life expectancy (years)
Bangladesh	4200	73.7
China	16 700	75.8
Egypt	12 700	73.2
Germany	50 800	80.9
Guinea	2200	62.1
Japan	42 900	85.5
UK	44 300	80.9
USA	59 800	80.1

- 10 Developments in the Chinese economy can be illustrated by both movements in the country's production possibility points and in the position of the production possibility curve as shown in Fig. 2.

3

Fig. 2 A country's production possibility curve and points



- The Bangladeshi economy has also grown in recent years, but its growth has been more erratic. In 2017, the country's main export destinations were the USA, Germany, UK and France. Its main sources of imports were China, India, Singapore and Japan. In 2017, the value of its exports to the UK was £2251 m while the value of its imports from the UK were £190 m. Bangladesh is also a recipient of UK overseas aid. In 2016, the UK government spent £13.4 bn on overseas aid, in line with its target of 0.7% of GDP. Bangladesh was the 11th largest recipient, receiving £170 m. Fig. 3 provides some more information on the Bangladeshi economy.

Fig. 3 Details on the Bangladeshi economy 2017

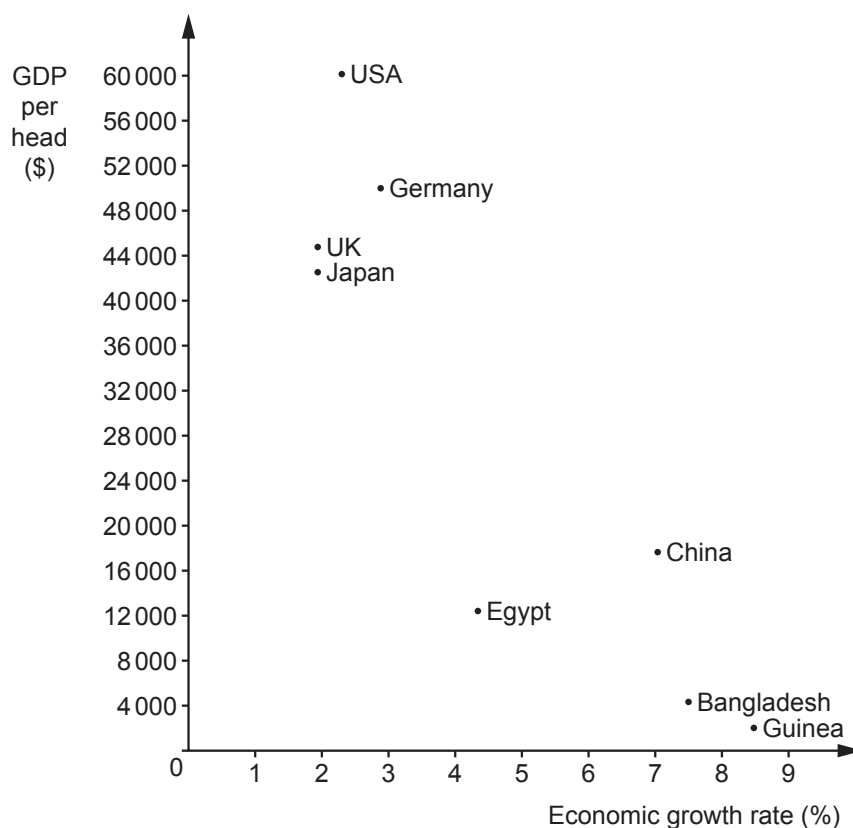
	\$ billion
Consumer expenditure	191
Exports	50
Government spending	13
Investment	76
Imports	68
Tax revenue	25

- Bangladesh's finance minister suggested in 2017 that he would cut the country's corporate tax rates as they are much higher than most other countries. He argued that such a move would increase the country's rate of economic growth.

4

Some economists suggest that low-income countries are likely to grow more rapidly than high-income countries. Fig. 4 shows GDP per head and economic growth rates of a number of countries.

Fig. 4 GDP per head and economic growth rate of selected countries 2017



- 25 People in low-income countries may have a greater incentive to work hard to improve their living standards. Perhaps more significantly, the countries may be able to take advantage of technology transfer from high-income countries and their relatively low wages may attract foreign direct investment. The countries may also have greater potential to reallocate resources from low to high value activities.
- 30 To date, Asian countries have been more successful in narrowing the income gap than African countries. A number of African countries have poor infrastructure, low labour productivity, rapidly growing populations and a lack of economic and political stability.

6

- (d) Using information from Fig. 3, explain whether Bangladesh had a budget deficit or a budget surplus in 2017.

[2]

- (e)** Using information from the stimulus material, evaluate whether a cut in corporate tax rates in Bangladesh would benefit the UK economy. **[8]**

This image shows a full page of white paper designed for handwriting practice. It features 18 evenly spaced horizontal dashed lines running from left to right across the entire width of the page. There are no margins, text, or other markings present.

15

SECTION B

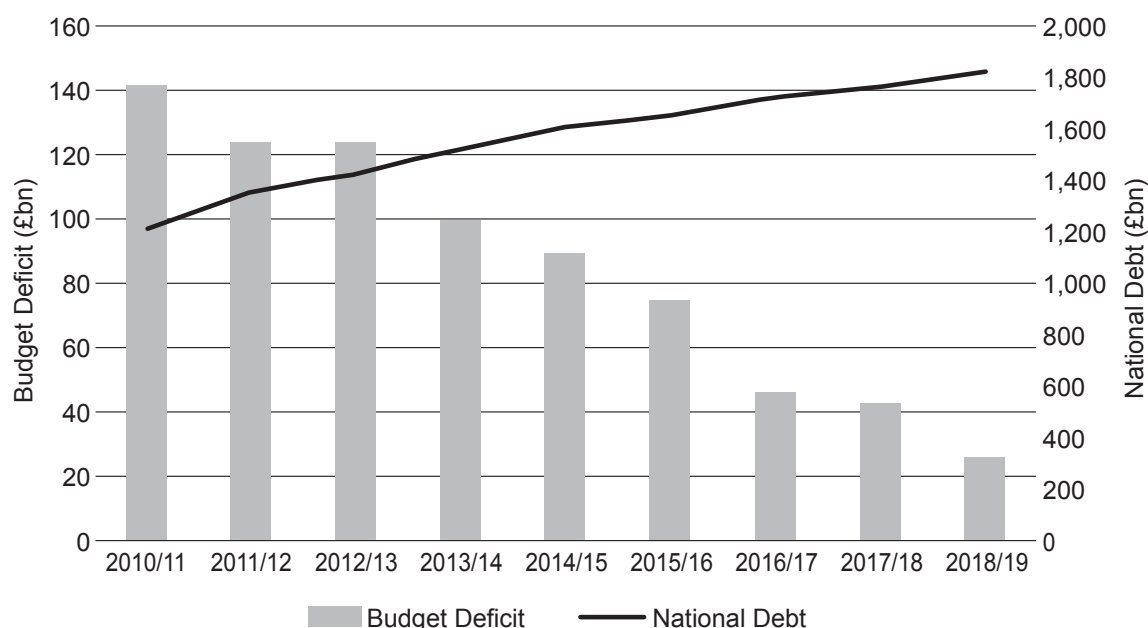
Read the following extracts and answer **all** questions which follow.

Extract 1 – An end to austerity?

The commitments made by the UK's main political parties in the 2019 General Election campaign marked an end to the austerity economics that had dominated macroeconomic policy for the previous decade.

Following the global financial crisis in 2008, many of the world's advanced economies introduced a range of stimulus measures designed to promote economic recovery and end a period of recession. However, as the Greek economy began to collapse at the end of 2009, in part as a result of a national debt/GDP ratio of more than 120%, policy makers around the world began to fear their own economies were at risk because of unsustainably high levels of borrowing. With the UK's national debt/GDP ratio standing at 69% and forecast to increase to over 100% in the coming years, the Conservative-Liberal coalition came to power in 2010 to eliminate the budget deficit by implementing austerity – a deficit reduction programme focused on significant reductions in public spending and increases in tax revenue. The policy was seen to be crucial in promoting future economic growth and stability. Fig. 1.1 illustrates the impact austerity had on the size of the budget deficit and national debt.

Fig. 1.1 – UK Government's Budget Deficit & National Debt 2010–2019



However, in the 2019 General Election campaign both the Conservative government and its main challenger, the Labour Party, made significant public spending commitments that represented a significant shift away from austerity. The Conservatives promised an £11bn increase in public expenditure by 2024, including pledges to increase expenditure on the NHS, police and schools, whilst also committing to tax cuts for low paid workers. These plans were modest in comparison to the spending commitments by Labour, who pledged to increase public expenditure by £153bn. Individual policies included a 5% pay rise for public sector workers, a green transformation fund to spend on projects such as insulating 27 million homes, compensating the 'WASPI' (Women

20

- 31 Using Fig. 1.1, explain the relationship between the budget deficit and national debt between 2010 and 2019.

..... [2]

- 32** Explain, using an example from Extract 1, what is meant by capital expenditure.

[2]

- 33*** Evaluate, with the use of an appropriate diagram(s), whether ending austerity is likely to result in the government achieving higher levels of economic growth. **[15]**

[illegible]

2

SECTION A

Read the following stimulus material and answer **all** parts of question 1 which follow in this section.

Are we moving towards a cashless society?

- Recent years have seen a change in both the amount consumers spend and how they make their payments. How much consumers spend is influenced by a variety of factors. These include changes in income and changes in confidence. During an economic boom, consumer expenditure is likely to be high. Indeed, an economic boom is often consumer-led. In contrast, consumer expenditure can fall to a low level during a recession. Fig. 1 shows how consumer expenditure can vary as income changes.

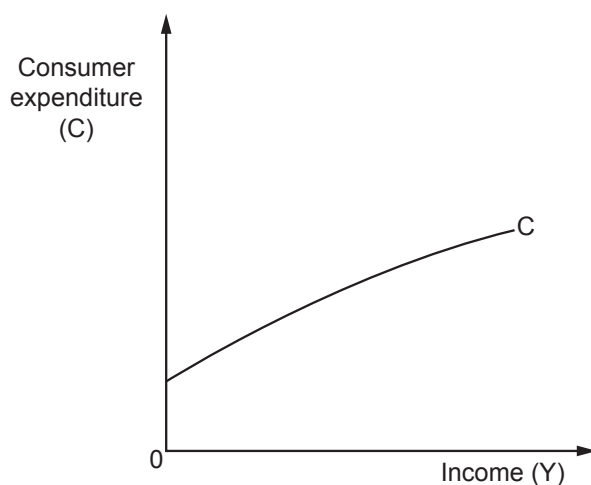


Fig. 1 The relationship between changes in income and changes in consumer expenditure

Changes in injections and leakages can alter a country's income. It has been estimated, for instance, that an injection of \$200m of government spending in the Swiss economy would cause a rise in GDP of \$300m.

- 10 The proportion of payments made in cash in Switzerland is declining. It is also falling in the UK. In 2005, 70% of payments in the UK were made in cash. By 2015, this had fallen to 50% and is forecast to decline to 30% by 2025. The extent to which cash is used influences the number of banknotes printed and in circulation. Fig. 2 shows the value of banknotes in circulation in the UK over a five year period.

3

Year	£5	£10	£20	£50	Total
2014	1 540	7 182	36 483	11 025	56 230
2015	1 601	7 371	38 912	11 788	59 672
2016	1 645	7 767	41 037	13 157	63 606
2017	1 912	8 006	43 357	15 601	68 876
2018	1 910	7 789	42 692	16 508	68 899

Fig. 2 The value of banknotes in circulation (£million) 2014–2018

- 15 Some central banks favour ending the use of cash. One reason is because of the role that cash plays in a number of criminal activities including money laundering and drug dealing. A more significant motive is probably to enable central banks to charge negative interest rates when needed to stimulate economic activity. If people and banks can take money out of their deposits and hold them as cash, negative interest rates are likely to have less power to encourage an increase in spending.

25 Negative interest rates involve commercial banks having to pay to hold deposits at the central bank. As commercial banks often have excess funds held at the central bank, a negative interest rate may encourage them to lend the funds instead. If commercial banks pass on the negative rates to their customers, people will have to pay to save. Negative interest rates would have an impact on borrowing, the cost of servicing government debt and probably on the exchange rate.

A number of central banks, including the Bank of Japan, the Swiss National Bank, Denmark's National Bank and the European Central Bank (ECB) have used negative interest rates in a bid to avoid deflation. These banks received some criticism for the effect that the negative interest rates had on confidence, saving and bank profitability.

- 30 The Bank of England has yet to introduce a negative interest rate. Fig. 3 shows how the UK interest rate has changed in recent years.

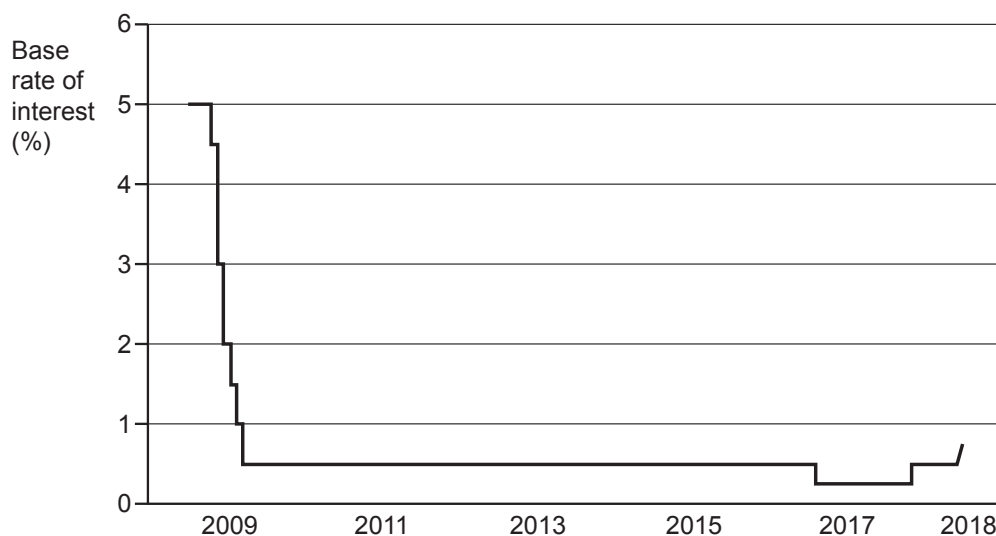


Fig. 3 UK interest rates 2009–2018

4

- 35 While the ECB has stopped producing its €500 note, the Bank of England has not yet scrapped any notes. Getting rid of cash is likely to affect the poor most. Nearly 1.5 million UK adults do not have a bank account and most of these are poor. Some of them are unemployed. The number of people unemployed may increase during a recession. The impact on unemployment will depend on a number of factors. These include firms' stock levels, the length of the recession, how easily firms can adjust working hours and the number of people they employ and whether the numbers in the labour force stay the same.

- 1 (a) Using information from the stimulus material, identify **two** stages of the economic cycle.

1

2 [2]

- (b) Using **Fig. 1**, explain the relationship between changes in consumer expenditure and changes in income.

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- (c) Calculate Switzerland's marginal propensity to withdraw.

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..... [2]

2

SECTION A

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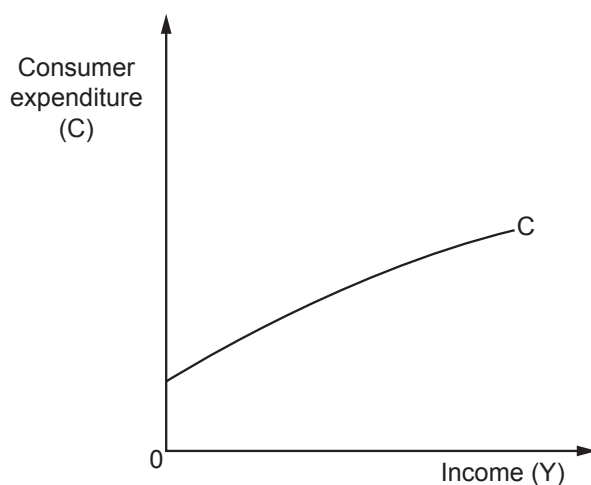


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20 Negative interest rates involve commercial banks having to pay to hold deposits at the central bank. As commercial banks often have excess funds held at the central bank, a negative interest rate may encourage them to lend the funds instead. If commercial banks pass on the negative rates to their customers, people will have to pay to save. Negative interest rates would have an impact on borrowing, the cost of servicing government debt and probably on the exchange rate.

25 A number of central banks, including the Bank of Japan, the Swiss National Bank, Denmark's National Bank and the European Central Bank (ECB) have used negative interest rates in a bid to avoid deflation. These banks received some criticism for the effect that the negative interest rates had on confidence, saving and bank profitability.

- 30 The Bank of England has yet to introduce a negative interest rate. Fig. 3 shows how the UK interest rate has changed in recent years.

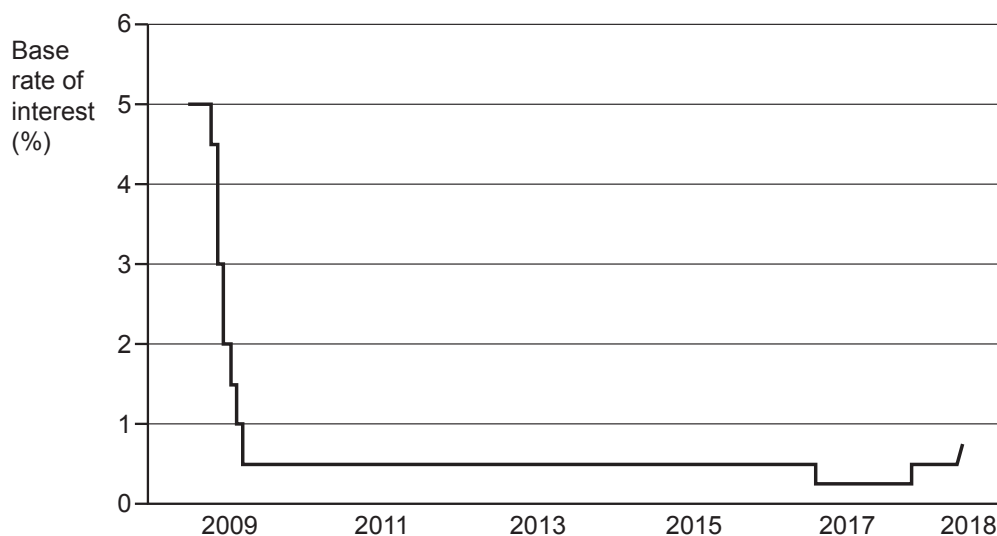


Fig. 3 UK interest rates 2009–2018

4

- 35 While the ECB has stopped producing its €500 note, the Bank of England has not yet scrapped any notes. Getting rid of cash is likely to affect the poor most. Nearly 1.5 million UK adults do not have a bank account and most of these are poor. Some of them are unemployed. The number of people unemployed may increase during a recession. The impact on unemployment will depend on a number of factors. These include firms' stock levels, the length of the recession, how easily firms can adjust working hours and the number of people they employ and whether the numbers in the labour force stay the same.

- 1 (a) Using information from the stimulus material, identify **two** stages of the economic cycle.

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2 [2]

- (b) Using **Fig. 1**, explain the relationship between changes in consumer expenditure and changes in income.

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- (c) Calculate Switzerland's marginal propensity to withdraw.

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3-MARK QUESTIONS

1 question in this booklet

17

Extract 2 – Ownership of public utilities

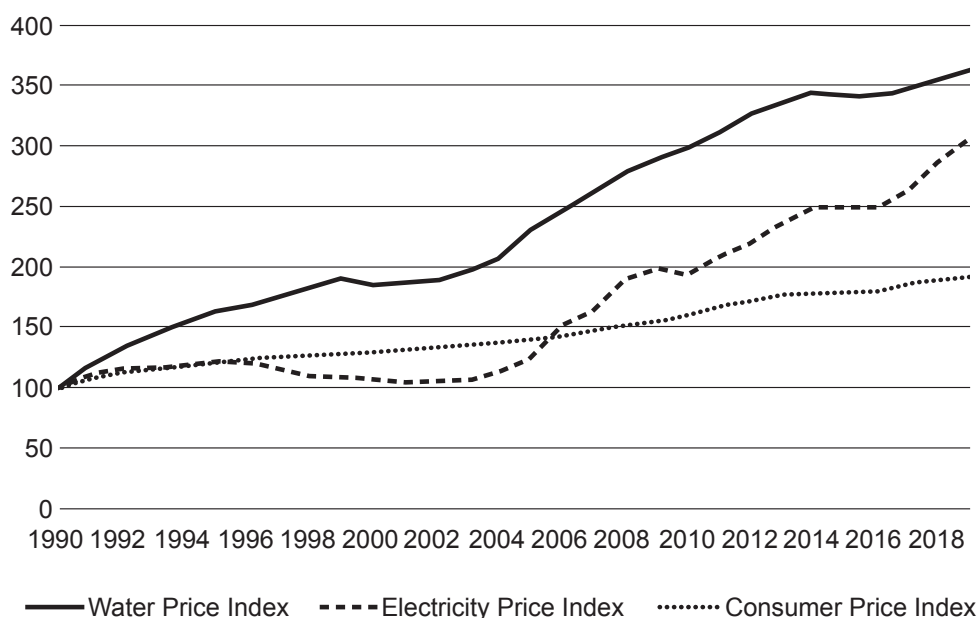
Amongst the most eye-catching proposals in the Labour Party's manifesto was its commitment to bringing a range of public utilities under government control. The proposal was to nationalise a range of key industries that had been privatised under the Conservative government in the 1980s and early 1990s, which sparked fierce debate over whether the interests of consumers would be best served by these companies operating in the private or public sector.

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Two such industries are the water and electricity industry, which were privatised in 1989 and 1990 respectively. The government at the time saw privatisation as essential to boost the performance of the UK economy, arguing the discipline of the marketplace would create competition that would drive efficiency, raise revenue for the government and ultimately bring prices down for consumers. However, thirty years on, some argue privatisation has failed to achieve its stated aims. Fig. 2.1 illustrates what has happened to the price of water and electricity since privatisation.

10

Fig. 2.1 – Electricity, Water and Consumer Price Index 1990–2018
(Base Year 1990 = 100)



The Labour Party also argued that bringing these utilities into the public sector would enable the significant investment to occur that private firms had not been incentivised to undertake, pointing to the slow renewal of London's water mains by Thames Water and the patchy investment in universal national high-speed broadband coverage by BT as evidence of this. They suggested that the different incentives and objectives that exist between public sector and private sector firms provided a strong case for nationalisation of these private sector monopolies.

15

The Conservative government however argued the £170bn bill that would be incurred from nationalising the public utilities could not be justified, and that both efficiency and consumer welfare would be better served from these industries remaining in the private sector but with tighter regulation, such as the energy price caps introduced at the start of 2019.

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- 34 Using Fig. 2.1, explain what happened to the price of water and electricity between 1990 and 2018.

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- 35 Explain the likely objective of a water or electricity firm if it operated in the public sector.

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4-MARK QUESTIONS

1 question in this booklet

2

SECTION A

Read the following stimulus material and answer **all** parts of question 1 which follow in this section.

Are we moving towards a cashless society?

- Recent years have seen a change in both the amount consumers spend and how they make their payments. How much consumers spend is influenced by a variety of factors. These include changes in income and changes in confidence. During an economic boom, consumer expenditure is likely to be high. Indeed, an economic boom is often consumer-led. In contrast, consumer expenditure can fall to a low level during a recession. Fig. 1 shows how consumer expenditure can vary as income changes.

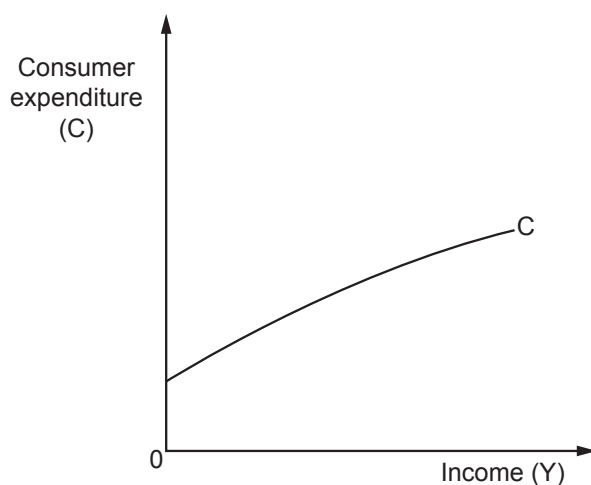


Fig. 1 The relationship between changes in income and changes in consumer expenditure

Changes in injections and leakages can alter a country's income. It has been estimated, for instance, that an injection of \$200m of government spending in the Swiss economy would cause a rise in GDP of \$300m.

- 10 The proportion of payments made in cash in Switzerland is declining. It is also falling in the UK. In 2005, 70% of payments in the UK were made in cash. By 2015, this had fallen to 50% and is forecast to decline to 30% by 2025. The extent to which cash is used influences the number of banknotes printed and in circulation. Fig. 2 shows the value of banknotes in circulation in the UK over a five year period.

3

Year	£5	£10	£20	£50	Total
2014	1 540	7 182	36 483	11 025	56 230
2015	1 601	7 371	38 912	11 788	59 672
2016	1 645	7 767	41 037	13 157	63 606
2017	1 912	8 006	43 357	15 601	68 876
2018	1 910	7 789	42 692	16 508	68 899

Fig. 2 The value of banknotes in circulation (£million) 2014–2018

- 15 Some central banks favour ending the use of cash. One reason is because of the role that cash plays in a number of criminal activities including money laundering and drug dealing. A more significant motive is probably to enable central banks to charge negative interest rates when needed to stimulate economic activity. If people and banks can take money out of their deposits and hold them as cash, negative interest rates are likely to have less power to encourage an increase in spending.

25 Negative interest rates involve commercial banks having to pay to hold deposits at the central bank. As commercial banks often have excess funds held at the central bank, a negative interest rate may encourage them to lend the funds instead. If commercial banks pass on the negative rates to their customers, people will have to pay to save. Negative interest rates would have an impact on borrowing, the cost of servicing government debt and probably on the exchange rate.

A number of central banks, including the Bank of Japan, the Swiss National Bank, Denmark's National Bank and the European Central Bank (ECB) have used negative interest rates in a bid to avoid deflation. These banks received some criticism for the effect that the negative interest rates had on confidence, saving and bank profitability.

- 30 The Bank of England has yet to introduce a negative interest rate. Fig. 3 shows how the UK interest rate has changed in recent years.

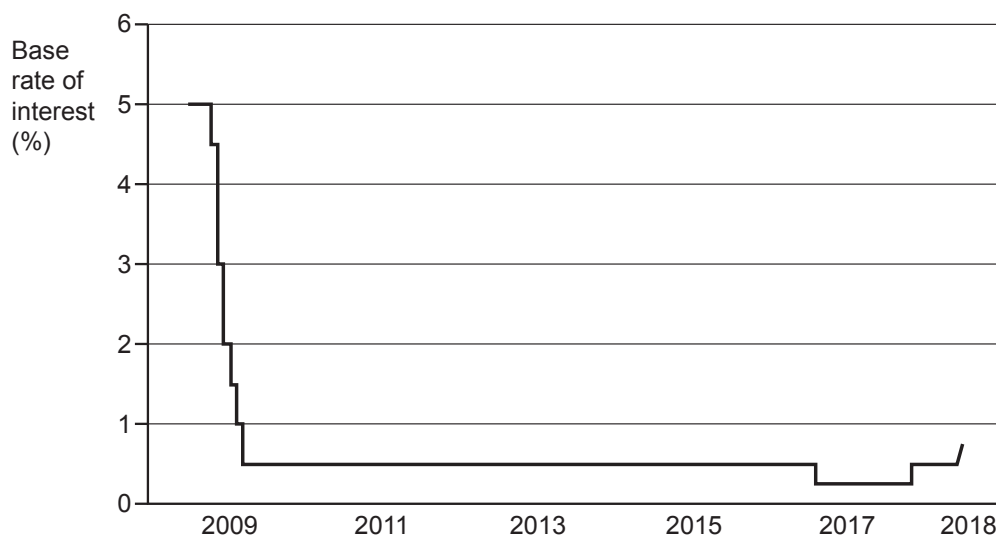


Fig. 3 UK interest rates 2009–2018

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- 35 While the ECB has stopped producing its €500 note, the Bank of England has not yet scrapped any notes. Getting rid of cash is likely to affect the poor most. Nearly 1.5 million UK adults do not have a bank account and most of these are poor. Some of them are unemployed. The number of people unemployed may increase during a recession. The impact on unemployment will depend on a number of factors. These include firms' stock levels, the length of the recession, how easily firms can adjust working hours and the number of people they employ and whether the numbers in the labour force stay the same.

- 1 (a) Using information from the stimulus material, identify **two** stages of the economic cycle.

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- (c) Calculate Switzerland's marginal propensity to withdraw.

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- (d) Using **Fig. 3**, explain what is likely to have happened to UK share prices at the start and the end of the period shown.

[4]

- (e) Using information from the stimulus material, evaluate whether a recession will increase the number of people unemployed. [8]

[illegible]

8-MARK QUESTIONS

2 questions in this booklet

24

- 36** Evaluate, using the information in **Extract 2**, whether subsidising research and development in 'left behind regions' would be the most effective macroeconomic policy option for the government to achieve its objective of a more even distribution of income.

[8]

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2

Section A

Read the stimulus material and answer **all** the parts of Question 1.

Changing economic conditions in Kenya

At the start of the 2010s, Kenya experienced high and unstable inflation. The inflation rate peaked at 14.2% in 2011. This rapid rise in the price level reduced the amount of goods and services that Kenyans' households disposable income could buy. It also reduced the international competitiveness of the country's products, decreasing net exports.

At the end of the 2010s, Kenya's inflation rate was lower and more stable. It was 5.2% in 2019 and 5.4% in 2020. The country's relative export prices had also fallen. In 2019, Kenya's export price index was 146.2 and its import price index was 215.0.

5

Kenya's economic growth rate and its government's attempts to raise the living standards of its citizens have been restricted by poor infrastructure. The country has received financial assistance from the International Development Association (IDA). This part of the World Bank is the world's largest multilateral source of concessionary financing for low- and lower middle-income countries. It provides development loans, grants and guarantees to these countries to help them increase their economic growth and development. In 2020, the IDA lent \$306 billion to 76 countries Fig. 1 shows the IDA assistance per capita received by six of those countries and their GDP per capita expressed in terms of index figures.

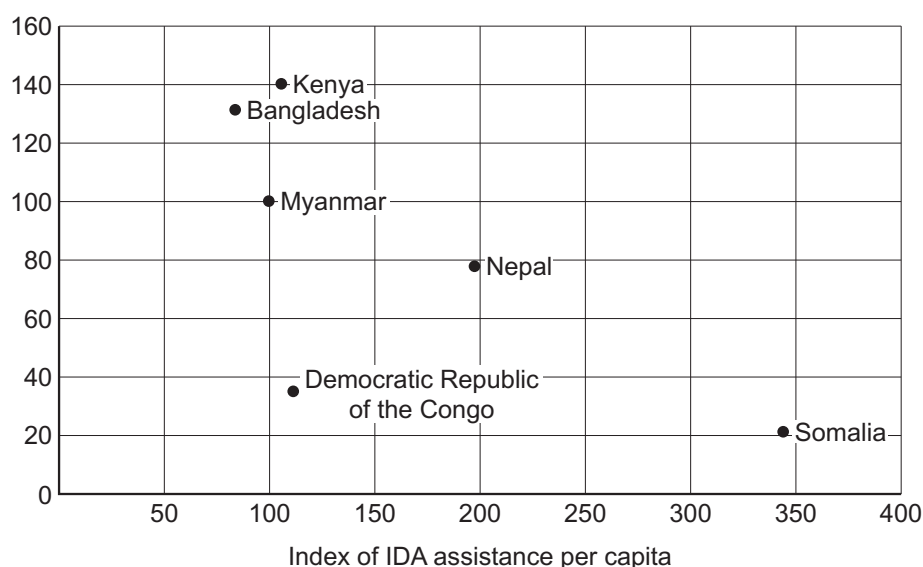
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Fig. 1

Index figures for the IDA assistance per capita and GDP per capita 2020

Index of GDP
per capita



3

The Kenyan government has raised its spending on education in recent years. Education can have an impact on life expectancy. Table 1 shows mean years of schooling and life expectancy in the six countries shown in Fig. 1.

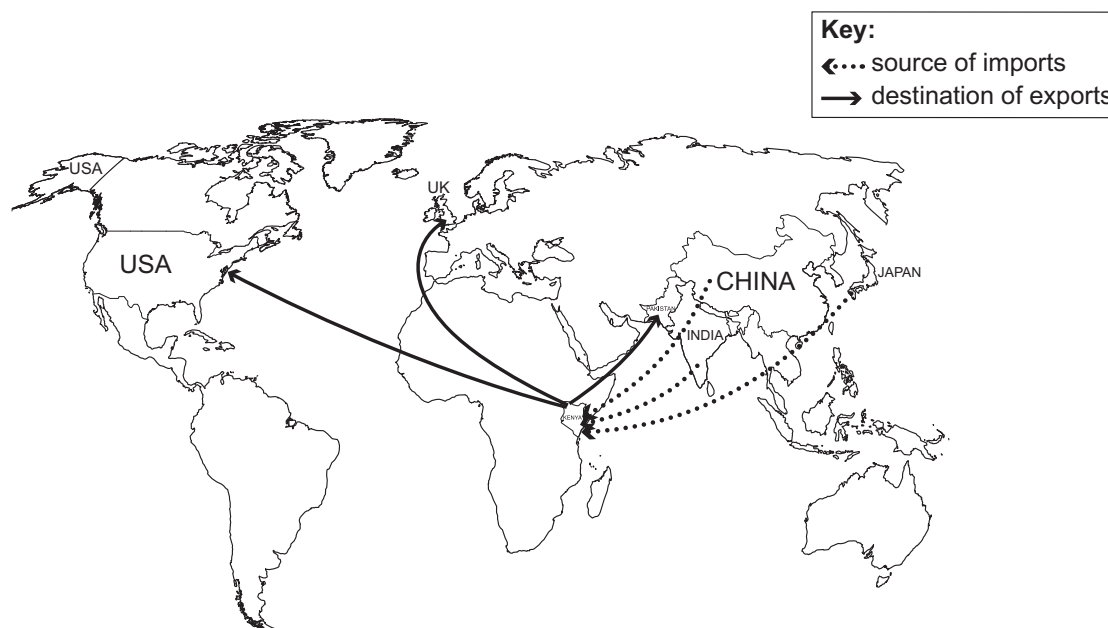
Table 1
Mean years of schooling and life expectancy 2019

Table 1 is a table showing mean years of schooling and life expectancy for 2019 across six countries. The table content is obscured by a black box.

As well as increases in spending on education, the Kenyan government has spent more on health care, infrastructure projects and subsidies given to farmers and tourist firms. It is expected that this increase in government spending will affect Kenya's international trade position. However, it is uncertain whether it will reduce or increase Kenya's government budget deficit.

Kenya's main exports include tea and cut flowers. Fig. 2 shows Kenya's main trading partners.

Fig. 2
Kenya's main trading partners 2020



Kenyans are affected by opportunities and challenges created by globalisation. In recent years, the prices of some products bought by Kenyans have fallen and their quality has increased. The gap between the pay of skilled and unskilled workers in the country has widened. Unemployment is high in the country although some Kenyans have gained employment in foreign multinational companies operating in Kenya.

6

- (e) Using information from the stimulus material, evaluate whether the increase in Kenya's government spending is likely to increase the government's budget deficit.

[8]

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25-MARK QUESTIONS

5 questions in this booklet

SECTION C

EITHER

- Evaluate the effectiveness of using supply side policy measures to reduce poverty. **[25]**

Evaluate whether a government should rely more on indirect or direct taxation as a source of revenue. [25]

This image shows a full page of a handwriting practice worksheet. It consists of ten sets of horizontal dashed lines spaced evenly down the page, providing a guide for letter height and placement. The background is plain white, and there are no other markings or text present.

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8
SECTION B

Answer EITHER question 2 OR question 3.

EITHER

- 2* In 2018 the Australian government, concerned about the possibility of an economic downturn, used a number of policy measures intended to increase private sector investment.
- Evaluate, with the use of an appropriate diagram(s), whether an increase in private sector investment will help a government achieve its macroeconomic objectives. [25]

OR

- 3* Cuts to welfare benefits of £2.5bn affected eleven million families in the UK in 2018.
- Evaluate, with the use of an appropriate diagram(s), whether a cut in government spending on welfare benefits will increase income inequality. [25]

SECTION B

Question No

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13
Section C

Answer Question 4 or Question 5.

4* Nearly half of South Africa’s population was considered to be living in poverty in 2021. The South African government uses fiscal policy measures to reduce poverty.

Evaluate whether fiscal policy can reduce poverty. [25]

OR

5* In 2021, the Economic Affairs Committee of the House of Lords in the UK published a report which questioned whether the Bank of England was addicted to using quantitative easing as a monetary policy measure.

Evaluate whether quantitative easing is an effective monetary policy measure. [25]

Question No.

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13
Section C

Answer Question 4 or Question 5.

4* Nearly half of South Africa’s population was considered to be living in poverty in 2021. The South African government uses fiscal policy measures to reduce poverty.

Evaluate whether fiscal policy can reduce poverty. [25]

OR

5* In 2021, the Economic Affairs Committee of the House of Lords in the UK published a report which questioned whether the Bank of England was addicted to using quantitative easing as a monetary policy measure.

Evaluate whether quantitative easing is an effective monetary policy measure. [25]

Question No.

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SECTION B

Answer **EITHER** question 2 **OR** question 3.

EITHER

- 2*** In 2017 Bosnia had a significant output gap while it was estimated that Slovenia did not have an output gap.

Evaluate, with the use of an appropriate diagram(s), whether a government should always seek to reduce an output gap. **[25]**

OR

- 3*** In March 2018 the French government announced that children would have to start school at age 3 rather than age 6 from September 2019.

Evaluate, with the use of an appropriate diagram(s), whether a fall in the compulsory school starting age will benefit an economy. **[25]**

Question

[illegible]

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MARK SCHEMES

official OCR mark schemes

10	D	A The interest rate is not considered in the quantity theory of money B Money supply is variable in the quantity theory of money C The price level is variable in the quantity theory of money D Correct: the velocity of money is held constant in the quantity theory of money	AO1	
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23	C	A This is likely to reduce a balance of payments deficit but would not directly impact upon the fiscal position B This is likely to reduce a balance of payments deficit but would not directly impact upon the fiscal position C Correct – this represents government borrowing. The government can use the funds generated from the sale of the bonds to finance the deficit D Increasing the money is a method of financing a budget deficit	AO1	
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13	C	A	Goods and services are weighted according to the proportion of disposable income they account for in total expenditure, not the utility brought to society.	AO1	
		B	This would enable comparisons between domestic and international inflation but is not part of the process of calculating the rate of inflation.		
		C	Correct: This is used to create the basket of goods, the prices of which are then observed to measure the rate of inflation.		
		D	The level of quantitative easing is likely to influence the rate of inflation but is not part of the measurement.		

8	C	A	This would reduce the demand for imports, which would cause the supply of the currency to decrease as less domestic currency needs to be supplied to the foreign exchange market to purchase foreign currency.	AO3	✓
		B	An increase in interest rates would result in hot money flowing into the country, increasing the demand for the currency.		
		C	Correct: A decrease in the interest rate would cause hot money to flow out of the economy as investors get a better return from saving abroad, leading to an increase in the supply of the currency as investors swap domestic currency for foreign currency.		
		D	This is likely to reduce demand for imports as domestic goods are more price competitive, causing the supply of currency to the foreign exchange market to decrease.		

9	D	A	This is capital expenditure as it is an investment that delivers future benefits.	AO1	
		B	This is capital expenditure as it is an investment that delivers future benefits.		
		C	This is capital expenditure as it is an investment that delivers future benefits.		
		D	Correct: This is current expenditure, as it represents a transfer payment for immediate use.		

14	B	A B C D	The equilibrium wage rate will remain unchanged as the level of demand has not changed. This is the incorrect identity. Correct: This is the correct identity. The money supply x velocity of circulation gives the total value of all expenditure. This must be equal to price level x national income which gives the total value of all goods & services. This is the incorrect identity. This is the incorrect identity.	AO1	
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4	A	Correct: Crowding out is the process by which government spending, funded by borrowing, drives up interest rates and therefore deters private sector investment. B This describes automatic stabilisers. C This describes privatisation. D This describes the liquidity trap.	AO1	
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11	C	A	This is a protectionist policy.	AO1	
		B	This is monetary policy.		
		C	Correct: This will create a profit incentive, which is likely to improve productivity and increase the productive capacity of the economy.		
		D	This is monetary policy.		

30	C	A	This would be used to prevent firms from exploiting their market power – it would not help prevent a run on a bank.	AO1	
		B	This is a form of monetary policy, not financial regulation.		
		C	Correct: Forcing a bank to keep a higher liquidity ratio will decrease the risk of a run on a bank, because banks will have more money readily available to pay depositors who are requesting their funds. This will increase confidence amongst depositors.		
		D	This is a form of monetary policy, not financial regulation.		

10	B	A	This is not necessarily indicative of a structural deficit as the budget may be in surplus in the boom phase of the economic cycle.	AO1	
		B	Correct: This suggests there is a persistent budget deficit.		
		C	This is a budget surplus.		
		D	This is a budget surplus.		

1	b	Using information from the stimulus material, identify two causes of an increase in the money supply. Quantitative easing (1). Loans / bank lending / credit creation (1). Maintaining price stability/ savings may enable loans (1).	2 (AO2*2)	Annotate with  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.
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1	(d)	Using information from Fig.3, explain whether Bangladesh had a budget deficit or a budget surplus in 2017. Budget surplus (1) tax revenue £25 m exceeded government spending £13 m (1).	2 (AO2 x 2)	Annotate with 
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31		Using Fig 1.1, explain the relationship between the budget deficit and national debt between 2010 and 2019. • The budget deficit was falling whilst national debt was rising (1) • Budget deficit has decreased by £115bn and national debt has increased by £600bn. (1) • This is because government debt is an accumulation of previous deficits, each year there is a budget deficit national debt increases / A budget deficit increases national debt because the government has to borrow to finance a deficit, which increases debt (1) • As the budget deficit decreased the national debt increased at a slower rate (1)	2 AO2 x 2	A simple statement that there is an inverse relationship should not be credited. Use of the data requires calculations – simply stating the size of the budget deficit and national debt at the start and end of the period is not enough. For the mark to be awarded the change in the budget deficit and national debt must both be calculated. Accept budget deficit decreases in the range of £110bn – £120bn and national debt increases in the range of £550bn - £725bn.
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1	(b)	Using Fig.1, explain the relationship between changes in consumer expenditure and changes in income. Direct/positive relationship between consumer expenditure and income/rise in income results in a rise in consumer expenditure (1). The proportion of income spent falls as income rises/average propensity to consume falls as income rises (1). At low levels of income, people spend more than their income/ there is dissaving/people spend savings/benefits (1) Gradient decreases as it becomes more attractive to save (1)	2 (AO2 x 2) Annotate with 
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1	(c)	Calculate Switzerland's marginal propensity to withdraw. 0.67 (2). Formula for the multiplier/correct working. (1)	2 (AO2 x 2)	Annotate with  Accept 2/3 with workings (2) Formula: $\Delta Y / \Delta J$ or $1/\text{mpw}$. Correct working: $\$300\text{m}/200\text{m} = 1.5$. $1.5 = 1/\text{mpw}$.
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34		Using Fig. 2.1, compare what happened to the price of water and electricity between 1990 and 2018. <i>Award up to 2 marks for a comparison of changes in the nominal price of water and electricity:</i> • The price of water and electricity both increased. (1) • Water prices rose by more than electricity prices (1), with water prices rising by 260% and electricity prices rising by 205% (1) <i>Award up to 2 marks for a comparison of changes in the real price of water and electricity:</i> • The real price of water and electricity both increased (1) • The real price of electricity only started rising significantly after 2006, whereas the real price of water was increasing throughout the period (1)	3	
			AO2 x 3	
				Award 2 marks for a statement that water prices increased by approximately 55% more than electricity prices. For candidates to secure full marks on this question a consideration of both real and nominal prices is required.

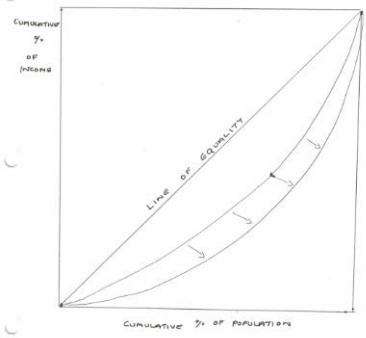
1	(d)	Using Fig. 3, explain what is likely to have happened to UK share prices at the start and the end of the period shown. Share prices are likely to have been low initially/and then increased at the start (1) and fallen at the end (1) The interest rate is high at 5% at the beginning so the return for savings is higher (1)	4 (AO1 x 2 AO2 x 2)	Correct working: $\frac{100000000}{100000000} = 100\%$ $\frac{100000000}{100000000} = 100\%$ Annotate with 
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36	Evaluate, using the information in Extract 2, whether subsidising research & development in 'left behind regions' would be the most effective macroeconomic policy option for the government to achieve its objective of a more even distribution of income. Level 2 (5–8 marks) Good knowledge and understanding of subsidies, macroeconomic policies and/or the distribution of income. Good – strong analysis of how subsidising R&D in 'left behind regions' would be effective in achieving a more even distribution of income. 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. Reasonable – strong evaluation of whether subsidising R&D in 'left behind regions' would be the most effective macroeconomic policy option for the government to achieve its objective of a more even distribution of income. Good evaluation will weigh up both sides/comparing alternatives but without reaching a supported judgment. Strong evaluation should include a supported judgment.	8 AO1 x 1 AO2 x 1 AO3 x 2 AO4 x 4	Guidance: • <i>The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.</i> • Good analysis requires: ◦ a relevant and explained diagram OR ◦ developed chains of reasoning • Strong analysis requires, in addition: ◦ use of the Extract 2 • Good evaluation requires: ◦ a relevant and explained diagram OR ◦ developed chains of reasoning • Strong evaluation requires, in addition: ◦ an explained judgement
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1(e)* Using information from the stimulus material, evaluate whether the increase in Kenya's government spending is likely to increase the government's budget deficit.

Level / mark	Descriptor
Level 2 (5-8 marks)	Good knowledge and understanding of relevant economic idea(s), principle(s) or model(s) Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate. Strong analysis of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis. Strong evaluation of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement.
Level 1 (1-4 marks)	Reasonable knowledge and understanding of relevant economic idea(s), principle(s) or model(s) Reasonable application of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate. Reasonable analysis of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response. Limited evaluation of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a stated judgement or the absence of a judgement.

4	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. Evaluate the effectiveness of using supply side policy measures to reduce poverty. Level 5 (21 – 25 marks) Good – Strong knowledge and understanding of supply side policy and poverty. 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. 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> Level 4 (16 - 20 marks) Good knowledge and understanding of supply side policy and poverty. 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	25 (AO1*6 AO2*6 AO3*6 AO4*7)	<table><tr><th colspan="3">Annotation</th></tr><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> Knowledge and Understanding - 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. Context 800 million been lifted out of poverty since	Annotation			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
Annotation																			
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																	

Question	Answer	Marks	Guidance
3 *	Evaluate, with the use of an appropriate diagram(s), whether a cut in government spending on welfare benefits will increase income inequality. Level 5 (21–25 marks) Good-Strong knowledge and understanding of welfare benefits and income inequality. Strong analysis of how a cut in government spending on welfare benefits may affect income inequality. It 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. Strong evaluation of whether a cut in government spending on welfare benefits may affect income inequality, weighing up both why it might and why it might not and reaching a supported judgment. <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> Level 4 (16–20 marks) Good knowledge and understanding of welfare benefits and income inequality. Strong analysis of how a cut in government spending on welfare benefits may affect income inequality. It 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	25 (AO1 x 6 AO2 x 6 AO3 x 6 AO4 x 7)	Indicative content Reasons why it will increase income inequality. A cut in government spending on welfare benefits may reduce the income of various categories of the poor. These include the unemployed, the sick and the old. If this occurs, both absolute and relative poverty will increase. Income will become more unevenly distributed. This increase in income inequality can be illustrated on a Lorenz curve diagram. The curve will move further away from the line of income equality.  Lower government spending may reduce aggregate demand by a multiple amount. If the income of the poor falls, consumer expenditure may also fall. Lower aggregate demand may reduce output and employment.

4* Evaluate whether fiscal policy can reduce poverty.

OR

5* Evaluate whether quantitative easing is an effective monetary policy measure.

Level / mark	Descriptor
Level 5 (21-25 marks)	Strong knowledge and understanding of economic idea(s), principle(s), and model(s). Strong application of economic concepts to the context and scope of the question, which may include relevant examples or good use of data where appropriate. Strong analysis of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis. Strong evaluation of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement.
Level 4 (16-20 marks)	Good knowledge and understanding of economic idea(s), principle(s), and model(s). Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate. Good analysis of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis. Good evaluation of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement.
Level 3 (11-15 marks)	Good knowledge and understanding of economic idea(s), principle(s), and model(s). Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate. Good analysis of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis. Reasonable evaluation of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement

Question	Answer	Marks	Comments
3	In March 2018 the French government announced that children would have to start school at age 3 rather than age 6 from September 2019. Evaluate, with the use of an appropriate diagram(s), whether a fall in the compulsory school starting age will benefit an economy. Level 5 (21–25 marks) Good -Strong knowledge and understanding of aggregate demand and aggregate supply. Strong analysis of how a fall in the school starting age will affect an economy. It 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. Strong evaluation of whether a fall in the school starting age will benefit an economy, weighing up both why it might and why it might not and reaching 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> Level 4 (16–20 marks) Good knowledge and understanding of aggregate demand and aggregate supply.	25 (AO1 x 6 AO2 x 6 AO3 x 6 AO4 x 7)	For a mark at the top of each level the response should be in context. A fall in the compulsory school starting age will mean that children will start school at a younger age and therefore will have more years of schooling, should the leaving age remain the same. Analysis of how a fall in the school starting age will affect an economy might include: • A lowering of the age at which children have to start school may raise the size of the labour force due to parents being able to seek work when their children are younger, at least in the short run. • If children's skills and qualifications increase as a result of them starting their education earlier, they may go on to further education and improve the quality/skills of the labour force which could lead to a rise in the productivity of labour. If workers are more productive, the long run aggregate supply curve will shift to the right as shown in the diagram.