



GCE AS MARKING SCHEME

SUMMER 2017

**AS (NEW)
ECONOMICS - COMPONENT 2
B520U20-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2017 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

EDUQAS GCE AS ECONOMICS - COMPONENT 2 (NEW)

SUMMER 2017 MARK SCHEME

1 (a) (i)	Calculate the percentage increase in the government's National Living Wage between April 2016 and 2020.	Total 1
	AO2: 1 mark Award 1 mark for a correct answer: 25%. Answer does not need to show working.	1

1 (a) (ii)	With reference to Table 1 and using 2011 as the base year, calculate an index for the National Minimum Wage in 2015.	Total 2
	AO1: Answer shows some understanding of how to calculate an index via the equation.	1
	AO2: Correct answer: 110.2 If answer is correct, award 2 marks on the basis that they must understand how to calculate an index.	1

1 (b)	With the aid of the data, outline why wages might be low in ‘cleaning, care work and retail’. [6]	
Band	AO1	AO2
	<i>Does the answer understand the factors that keep wages low in these sectors?</i>	<i>Has the case been used well to explain why wages are low in these sectors?</i>
	4 marks	2 marks
2	3-4 marks Good understanding Answer shows a good understanding of at least 2 factors that might explain low wages.	2 marks Good application Answer uses the data effectively to explain why at least 2 factors identified in the data will cause low wages.
	1-2 mark Limited understanding Answer shows a basic understanding of why wages are low in these sectors. Either several factors are identified without showing understanding or only 1 factor is developed.	1 mark Limited application Answer is only applied to 1 factor identified in the data.
0	0 marks Response not credit worthy or not attempted.	0 marks Response not credit worthy because the factors from the data are not relevant to the response or are not present.

Indicative content

Answer identifies factors identified in the data: labour intensive, low profit margins, competitive environment and poor productivity. Other factors could include low skill levels and low level of unionisation. Answers may use demand and supply of labour analysis/diagram applying elasticity.

Labour intensive = wages are a high proportion of total costs and thus increasing wages have a big impact on prices.

Low profit margins = less scope to pay high wages.

Competitive environment = market is price sensitive and wage increases can impact on competitiveness.

Poor productivity/low skills = wage increases limited by efficiency of the workforce. The value –added of workers is low thus wages are low.

Low level of unionisation = workers are unable to push for higher wages by collective bargaining.

Any other relevant points should be fully credited.

1 (c)	Why might the use of tax credits encourage employers to pay low wages to their staff? [3]	
Band	AO2	AO3
	<i>Does the answer understand how tax credits operate?</i>	<i>Has the candidate analysed the data to explain how tax credits may be used by employers to keep wages low?</i>
	1 mark	2 marks
2		2 marks Good explanation Answer explains clearly that if employers know that the government will top up the wages of their staff thus they can keep wages low and save on costs.
1	1 mark The data is used to show how tax credits are paid to low income earners to top up their wages.	1 mark Limited explanation Answer makes assertions on the use of tax credits without clear explanations.
0	0 marks No use of data made.	0 marks No link to low pay explained.

Indicative content

Answer recognises that tax credits are used to top up the incomes of the low paid and/or increase incentives to work.

Answer explains that if employers know that tax credits will be paid to their low paid staff they will keep their wages lower than they would without credits. Thus keeping costs down and increasing profits.

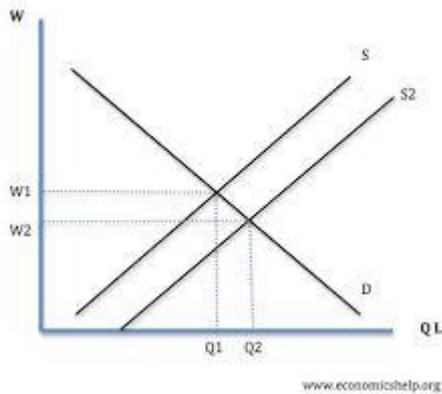
Any other relevant points should be fully credited.

1 (d)	Using a diagram, and with reference to the data, discuss the likely effects of a further increase in migrants from the European Union on wages in the UK. [8]			
Band	AO1	AO2	AO3	AO4
	<i>Has the diagram been drawn correctly?</i>	<i>Has the context been well used?</i>	<i>Has the diagram been used to explain the effects of inward migration?</i>	<i>Have the arguments been qualified?</i>
	2 marks	2 marks	2 marks	2 marks
2	<p>2 marks Good understanding</p> <p>Diagram is correctly drawn showing the supply curve for labour shifting to the right with a fall in the wage rate.</p> <p>Diagram is referenced in the answer.</p>	<p>2 marks Good application</p> <p>Data has been well used on either side of the case.</p>	<p>2 marks Good analysis</p> <p>Answer uses the diagram well to explain the impact on wages.</p> <p>The supply of labour will rise shifting the supply curve to the right causing a fall in wage rates.</p>	<p>2 marks Good evaluation</p> <p>One evaluative point is fully developed e.g. only wages in some jobs will be affected such as most EU migrants are not in the high skill sectors.</p>
1	<p>1 mark Limited understanding</p> <p>Diagram is broadly correct but contains minor errors or omissions.</p>	<p>1 mark Limited application</p> <p>Relevant data has been used but not well developed.</p>	<p>1 mark Limited analysis</p> <p>Answer identifies the key effects on wages of an increase in supply of labour.</p> <p>There is merely assertion rather than explanation.</p>	<p>1 mark Limited evaluation</p> <p>One evaluative point is merely identified but not developed e.g. not all jobs are affected.</p>
0	<p>0 marks No diagram attempted or the diagram is totally incorrect.</p>	<p>0 marks Data has been used in passing but does not add to the argument.</p>	<p>0 marks Response is not creditworthy.</p>	<p>0 marks There is no attempt at evaluation or the evaluation is incorrect.</p>

Indicative content

AO1 and AO3

Candidate draws an accurate labour market diagram showing the supply curve shifting to the right.



Influx of labour will depress wages because there is an increased supply of labour at $W1$ and thus wages will have to fall to $W2$ to bring the market back to equilibrium.

AO2

Data implies heavy inflow of migrants into certain sectors. Perhaps more in some than others.

Increased national minimum/living wage may limit any impact.

Unemployment is very low, strong growth and high employment rate.

May depend on which EU countries that they come from –level of development may be important.

AO4

Not all labour markets will be affected as most migrants are not in the high skill sector. Thus the main effects will be in the low skill sectors.

Depends on what is happening to labour demand.

Depends on the number of migrants.

Minimum wage legislation will mitigate the fall in wages.

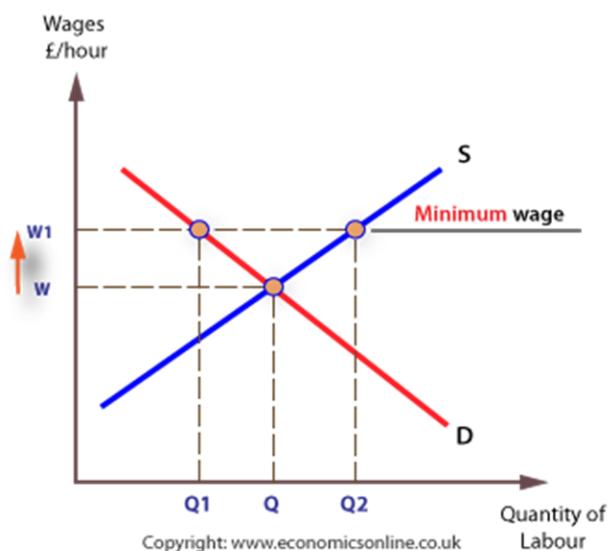
Any other relevant points should be fully credited.

1 (e)	Using the data and with the aid of a diagram, assess the likely impact of the introduction of the Government's National Living Wage. [10]			
Band	AO1	AO2	AO3	AO4
	<i>Does the answer draw a relevant diagram?</i>	<i>Has the case been used to support arguments about the impact of the NLW?</i>	<i>Has the impact of the NLW been analysed?</i>	<i>Have the arguments been qualified?</i>
	2 marks	2 marks	2 marks	4 marks
3				<p>4 marks Excellent evaluation</p> <p>Answer makes well-reasoned judgements well rooted in the context of the case, showing excellent depth of discussion.</p>
2	<p>2 marks Good understanding</p> <p>Diagram is correctly drawn and labelled and referenced in the answer.</p>	<p>2 marks Good application</p> <p>Data is well used to support the answer.</p>	<p>2 marks Good analysis</p> <p>Answer has well developed chains of reasoning that links to impacts on the economy.</p>	<p>3 marks Good evaluation</p> <p>Answer makes well-reasoned judgements showing good depth of discussion.</p>
1	<p>1 mark Limited understanding</p> <p>Diagram is broadly correct but contains minor errors or omissions.</p>	<p>1 mark Limited application</p> <p>Data is used to support the answer, but usage has not been well-developed.</p>	<p>1 mark Limited analysis</p> <p>Chains of reasoning are not fully developed.</p>	<p>1-2 marks Limited evaluation</p> <p>The evaluation is not well developed, lacking depth of explanation.</p>
0	<p>0 marks No diagram attempted or the diagram is totally incorrect.</p>	<p>0 marks No use is made of the case.</p>	<p>0 marks No valid chains of reasoning.</p>	<p>0 marks No attempt has been made to evaluate or evaluation is incorrect.</p>

Indicative content

AO1

Candidate draws an accurate diagram showing the possible effects of the National Living Wage.



Accept other appropriate diagrams

AO2

Use of the data:

- CBI says workers will be replaced by capital.
- Tax credit spending will fall.
- TUC say under 25s discriminated against.
- Government's National Living Wage is significantly lower than the Living Wage Foundation's one.
- Lower benefit payments may reduce the fiscal deficit.

Any other relevant points should be fully credited.

AO3

Candidate uses the diagram to show that the NLW will reduce the demand for labour and increase its supply causing excess supply of labour Q_1 - Q_2 and thus unemployment.

Could lead to wage push in occupations just above the NLW because of the erosion of differentials.

Possibility of wage push/cost push inflation loss of competitiveness.

AO4

Effects of the National Living Wage will vary across occupations with no effect on higher paid workers.

Increase in tax revenue for the government.

Less spending on in-work benefits.

Greater incentive for people to work rather than stay on benefits.

Greater incentive for firms to increase low paid workers' productivity and invest in training.

1 (f)	Evaluate government policies that can be introduced in an attempt to raise productivity in the UK. [10]		
Band	AO1	AO3	AO4
	2 marks	4 marks	4 marks
	<i>Does the answer understand productivity?</i>	<i>Does the answer clearly explain policies that could raise productivity in the UK?</i>	<i>Does the answer judge the effectiveness of the policies as to how likely they are to increase productivity?</i>
		<p>4 marks</p> <p>Excellent analysis</p> <p>The answer identifies and explains at least 2 policies and makes a very clear line of reasoning as to how the government's policies will raise productivity in each case.</p> <p>The answer will have a thorough explanation of how productivity is increased as a result of the policies.</p>	<p>4 marks</p> <p>Excellent evaluation</p> <p>The answer makes well-reasoned and balanced judgements of at least 2 of the policies showing an understanding that the policies may be ineffective or have significant disadvantages.</p>
2	<p>2 marks</p> <p>Good understanding</p> <p>The answer clearly understands what is meant by productivity possibly defining it as output per worker.</p>	<p>3 marks</p> <p>Good analysis</p> <p>The answer identifies and explains at least 2 policies and makes a clear line of reasoning as to how the government's policies will raise productivity in each case.</p> <p>The answer will explain how productivity is increased as a result of the policy, but only one policy is fully convincing.</p>	<p>3 marks</p> <p>Good evaluation</p> <p>The answer makes well-reasoned judgements of at least 1 of the policies showing an understanding that the policies may be ineffective or have significant disadvantages.</p>
1	<p>1 mark</p> <p>Limited understanding</p> <p>The answer has limited understanding of productivity, and their understanding is vague or only partially correct i.e. possibly shifting the PPF.</p>	<p>1-2 marks</p> <p>Limited analysis</p> <p>The answer identifies and explains some policies, but the link to productivity isn't clear.</p> <p>Or 1 policy is explained and linked to productivity.</p>	<p>1-2 marks</p> <p>Limited evaluation</p> <p>Answer merely identifies points which clarify/question the policy e.g. the answer mentions that government failure may make the policy ineffective.</p>
0	<p>0 marks</p> <p>The answer does not understand productivity.</p>	<p>0 marks</p> <p>No relevant policies are explained or identified.</p>	<p>0 marks</p> <p>No relevant evaluation.</p>

Indicative content

AO1

Understanding of productivity is shown: increase in output per worker.

AO3/4

Policies that could be introduced to increase productivity:

Education and training (evaluation: cost, government failure).

Labour market reform i.e. reduced power of organised labour, reform of working practices/terms of employment etc. (evaluation: reduced job security, increased inequality).

Tax and benefit reform i.e. reduced income tax rates, increased tax allowance, lower benefit levels/reduced entitlements (evaluation: increased inequality and poverty).

Infrastructure improvements i.e. road, rail, airports etc. High speed broadband (evaluation: cost, time to implement).

Reduce interest rates to reduce cost of borrowing for investment purposes (evaluation: interest rates in economy already low, effect on saving propensity).

Subsidies/grants for private investment in new technology (evaluation: impact on budget. regulation of use of grants).

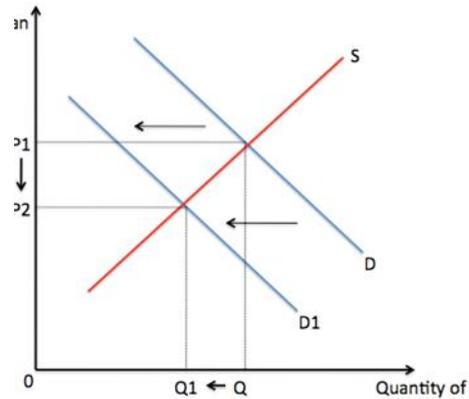
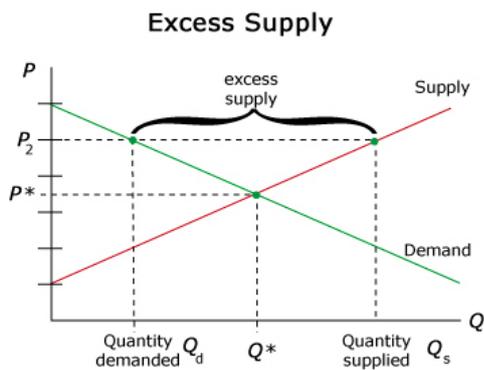
Any other relevant points should be fully credited.

2 (a)	With reference to Diagram 1, describe what happened to Indonesian GDP between 2010 and 2015. [3]	
Band	AO1	AO2
	Is there a good understanding of the link between GDP and economic growth?	Has the data been used effectively?
	2 marks	1 mark
2	<p>2 marks</p> <p>Good understanding</p> <p>There is a strong understanding that GDP is rising because growth is still positive but the rate of growth is variable – quicker in 2010 to 2012 and slower between 2012 and 2015.</p>	
1	<p>1 mark</p> <p>Limited understanding</p> <p>There is understanding that GDP is rising, but not that it is doing so more quickly in the early period and more slowly in the later period.</p>	<p>1 mark</p> <p>Limited application</p> <p>Data has been taken directly from the chart and used appropriately to show that GDP is rising more slowly at some points and more quickly at others.</p>
0	<p>0 marks</p> <p>Answer does not show that GDP rises continually.</p>	<p>0 marks</p> <p>Data is drawn from the chart, but the answer treats growth and GDP as the same (“GDP fell to 4.5%”).</p>

2 (b)	Using a supply and demand diagram, explain one reason for the rupiah falling to a 17-year low. [5]		
Band	AO1	AO2	AO3
	2 marks	1 mark	2 marks
	<i>Has an appropriate diagram been drawn?</i>	<i>Has an appropriate factor been identified and linked to the diagram?</i>	<i>Has the AO2 factor been well explained in terms of why the Rupiah fell?</i>
2	<p>2 marks Good understanding</p> <p>Effective diagram that shows why the rupiah weakened.</p>		<p>2 marks Good analysis</p> <p>The AO2 factor has been well explained in terms of why S/D will be affected and how that will force down the exchange rate.</p>
1	<p>1 mark Limited understanding</p> <p>Appropriate diagram, but either has significant labelling errors or does not clearly illustrate that the currency has weakened.</p>	<p>1 mark Limited application</p> <p>An appropriate factor has been identified from the data and linked effectively to the diagram.</p>	<p>1 mark Limited analysis</p> <p>The AO2 factor has some development, but the impact on either S/D or the exchange rate itself is not clear.</p>
0	<p>0 marks Labelling errors are so serious that diagram does not make sense, or diagram is inappropriate.</p>	<p>0 marks A factor is identified but has not been linked to the diagram.</p>	<p>0 marks Answer is based around assertion.</p>

Indicative content

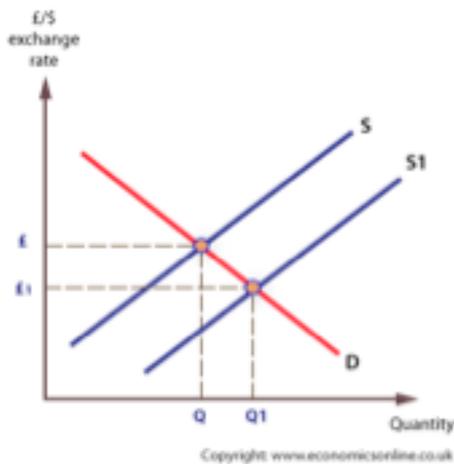
AO1/2



Left hand diagram = trade deficit (a priori). Also allow increase in S/D for widening trade deficit.

Right hand diagram = fall in D due to falling commodity prices or falling GDP growth (confidence). Less currency inflow (CI).

Allow increase in supply if argues that falling growth damages confidence and therefore leads to increased currency outflow.



Slump in GDP causes foreign investors to pull out of Indonesia , therefore causing supply of rupiah to increase on exchange markets

If answer uses a supply and demand for commodities diagram and this makes sense and is then applied to the exchange rate, this can get full credit for the diagram.

AO3

Falling commodity prices mean that the demand for Indonesia's exports falls, therefore demand for the Rupiah falls. Or might reduce FDI into mining in Indonesia.

Wide trade deficit means high S relative to D because $S=M +CO$ and $D=X+CI$.

Falling GDP growth damages confidence, therefore reducing the D for the Rupiah and/or increasing the supply.

2 (c)	With reference to the data, explain the factors that might have led to increased unemployment in Indonesia. [6]		
Band	AO1	AO2	AO3
	2 marks	2 marks	2 marks
	<i>Has there been good understanding of how economic factors identified influence unemployment?</i>	<i>Has the case been well used to support the argument?</i>	<i>Have the factors identified been clearly explained in terms of the impact on unemployment?</i>
2	2 marks Good understanding Understanding of at least 2 relevant factors is shown.	2 marks Good application 2 factors specific to Indonesia have been identified.	2 marks Good analysis Relevant factors have been developed fully in terms of why jobs have been lost, possibly using a diagram.
	1 mark Limited understanding Understanding of at least 1 relevant factor is shown.	1 marks Limited application 1 factor specific to Indonesia has been identified.	1 mark Limited analysis Either 1 factor has been well developed or 2 factors have been partially developed.
0	0 marks Factors are identified without understanding being shown.	0 marks No factors specific to Indonesia have been identified.	0 marks Link to unemployment is not made clear – i.e. no clear explanation of why jobs have been lost even if the factor has been understood.

Indicative content

AO1

Any relevant factor either from inside the data or from economic theory has been understood in terms of why jobs might be lost, but not fully developed.

- Falling AD
- Technological change
- Regional issues
- Falling commodity prices
- Attempts to increase productivity
- Rising costs etc etc.

AO2

Appropriate factors from the case have been used in a way that makes it clear that they are Indonesia specific – hence not ‘falling AD’ or ‘rising costs’:

Increased labour supply demographic bulge means that labour supply is rising faster than labour demand (hence why unemployment is rising in spite of the fact that GDP is still growing).

The weak currency has driven up the costs of imported raw materials, damaging firms profitability, resulting in job losses.

The economic situation is forcing firms to try to increase productivity, hence workers may be replaced with capital, workers may simply be fired with others left to pick up the slack etc.

Slump in commodity prices means that firms in mining and extraction face reduced revenue and profits, hence meaning that they will have to cut costs.

AO3

The AO2 factors identified above already have AO3 in them (i.e. if explained fully they can get AO2 and AO3. Other sources of AO3:

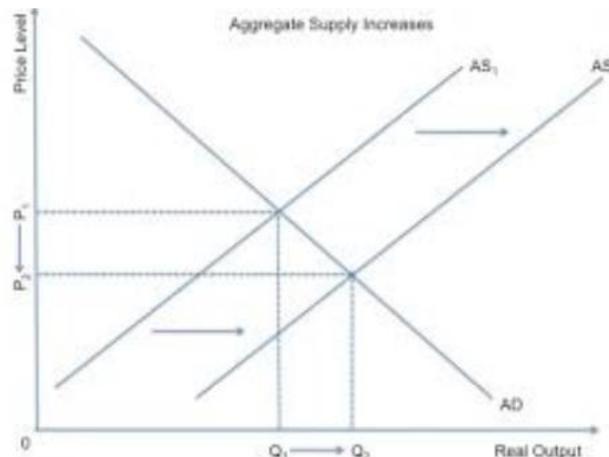
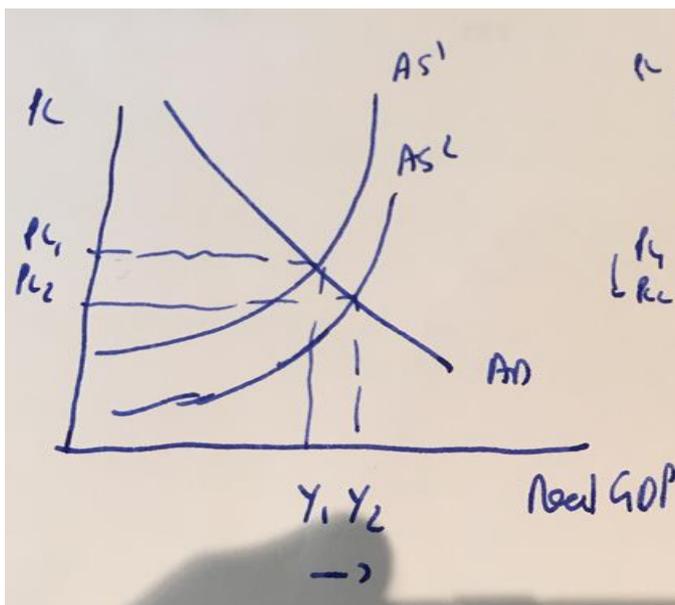
AD/AS diagrams – maybe one showing AS rising faster than AD meaning an increased output gap. Alternatively a cost-push style AD/AS diagram.

Any good explanation as to why firms are having to let workers go.

2 (d) Using an AD/AS diagram, discuss whether 'removing tax on luxury goods' will be likely to increase consumption. [8]				
Band	AO1	AO2	AO3	AO4
	<i>Is there an appropriate AD/AS diagram that has been integrated into the text?</i>	<i>Has the luxury tax abolition been applied to the context of Indonesia on either side of the debate?</i>	<i>Has the luxury tax been fully explained in terms of why consumption will (or will not) rise?</i>	<i>Has an effective counterargument to the AO3 arguments been made?</i>
	2 marks	2 marks	2 marks	2 marks
2	2 marks Good understanding Appropriate, well labelled diagram showing AS shifting left/down in some manner. Diagram has been clearly referenced in the answer.	2 marks Good application 1 well developed point relevant to Indonesia or 2 briefer references. The key is that they must not be generic.	2 marks Good analysis Answer is theoretically sound making good use of economic concepts to explain how a fall in indirect taxes will increase consumption (ideally phrases like 'real balance effects; etc.) but a clear well-developed non-technical response should be accepted.	2 marks Good evaluation At least 1 well developed counterargument is made, arguing that consumption might well not increase.
	1	1 mark Limited understanding Either the diagram has major labelling flaws or it has been left in isolation and not integrated into the answer.	1 mark Limited application 1 relevant reference that has been briefly developed. Again for any credit, the point must be Indonesia specific not generic 'application of a luxury tax'.	1 mark Limited analysis There is some development (i.e. the answer does try to explain why consumption rises), but it is not fully convincing.
0	0 marks Diagram is both ignored and heavily flawed or it is inappropriate (e.g. micro diagram)	0 marks Factors are not Indonesia specific – they could apply to any country.	0 marks Answer simply uses the diagram to assert that C will rise.	0 marks Counterarguments are simply asserted 'time lags' etc.

Indicative content

AO1



AO2

Because unemployment is rising the fall in sales tax might not make much impact due to low confidence.

Reference to luxury goods could work in several ways:

Impact might be greater because these consumers are unaffected by rising unemployment. It might only be a small proportion of total consumption and therefore not have much effect. Because they are luxuries, people won't be buying them because of the weak economy.

Fall in the exchange rate is driving up costs of many products, therefore the tax cut may do little more than offset this.

Car sales have slumped by 18.4% - this is a major fall and will be likely to take more than a tax cut to reverse it.

Depends on the size of the MPC – luxuries may be primarily bought by high income groups, who may be less affected.

AO3

Tax cuts should increase disposable income/real balance effects – some form of theoretical development is ideal here.

AO4

Apart from in-context evaluation answers may:

Question the size of the cut. This won't go anywhere without being developed and to get to band 2 it will need to be linked to reasons why the tax cut might be taken (e.g. rising unemployment reducing Indonesia's fiscal elbow room).

Talk generally about confidence (but again will need to be well developed to get to band 2).

Note: AO3 and AO4 are reversible.

2 (e)	Discuss the case for and against membership of free trade agreements such as the one described in lines 34-39. [8]		
Band	AO1	AO3	AO4
	2 marks	2 marks	4 marks
	<i>Has understanding of relevant points been shown?</i>	<i>Have the points been developed in terms of their impact?</i>	<i>Have relevant counterarguments been made?</i>
			<p>4 marks Excellent evaluation</p> <p>At least 2 counterarguments have been fully developed in terms of their costs or benefits and an attempt has been made to weigh up the arguments for and the arguments against.</p>
2	<p>2 marks Good understanding</p> <p>Understanding of at least 2 arguments on one side of the debate has been shown.</p>	<p>2 marks Good analysis</p> <p>One side of the debate has been argued convincingly – at least 2 arguments have been developed effectively in terms of their impact.</p>	<p>3 marks Good evaluation</p> <p>At least 2 counterarguments have been fully developed in terms of their costs or benefits.</p>
1	<p>1 mark Limited understanding</p> <p>Understanding of 1 argument on one side of the debate has been shown.</p>	<p>1 mark Limited analysis</p> <p>One side of the argument has been developed but either only 1 point has been fully developed or a wider range have been developed, but not convincingly.</p>	<p>1-2 marks Limited evaluation</p> <p>1 counterargument has been developed fully or a wider range more briefly.</p>
0	<p>0 marks Factors are only asserted and understanding has not been shown.</p>	<p>0 marks Factors are understood but not developed in terms of their real costs or benefits.</p>	<p>0 marks Counterarguments are only asserted/listed.</p>

Indicative content

Arguments in favour

- Comparative advantage and specialisation – higher living standards
- Can consume outside PPF
- Increased competition leads to higher growth
- Increased competition leads to cheaper/better products
- Competition puts downward pressure on inflation
- Competition stimulates innovation
- Political reasons

Etc.

Arguments against

- Job losses ('sensitive sectors')
- Loss of tariff revenue
- Infant industries
- Strategic industries
- Dumping
- Cultural factors

Etc.

Allow any other plausible factor on either side.

2 (f)	Discuss whether the factors outlined in the article are likely to increase or reduce the rate of growth of Indonesia's long run aggregate supply over the next few years. [10]			
Band	AO1	AO2	AO3	AO4
	<i>Has good understanding of 'economic potential' been demonstrated?</i>	<i>Has the case of Indonesia been well used?</i>	<i>Has the case for rising potential growth been made fully?</i>	<i>Have effective counterarguments been made?</i>
	2 marks	2 marks	2 marks	4 marks
				Excellent evaluation Strong counterargument that comes to a final judgement about whether or not potential growth will increase.
2	2 marks Good understanding Good understanding of potential growth is demonstrated through words or diagrams.	2 marks Good application 2 relevant factors have been developed in terms of their impact on potential growth that are Indonesia-specific.	2 marks Good analysis Arguments have been well developed on one side of the argument showing a good understanding of why potential growth might or might not be created.	3 marks Good evaluation Strong counterargument with at least 1 well developed and contextualised counterargument (which may take the form of qualifiers to the original argument) and will probably have more even if only 1 is contextualised. Or 2 well developed non-contextualised arguments.
1	1 mark Limited understanding Some understanding of potential growth, but not convincing – maybe looks at only one aspect or conflates with demand growth.	1 mark Limited application 1 relevant factor has been developed.	1 mark Limited analysis Either one factor has been developed fully or a range have been developed more briefly.	1-2 marks Limited evaluation Reasonable counterargument. Answers in this band may not be well contextualised or may lack a degree of development.
0	0 marks Potential growth/output not understood.	0 marks Factors have been identified but not developed.	0 marks Impact on potential growth is asserted rather than explained in terms of factors of production.	0 marks Counterarguments are only asserted.

Indicative content:

AO1:

Reference is made to potential output being increased by some combination of an increase in the quantity, quality and efficiency of use of factors of production. AD/AS diagrams with (LR)AS shifting to the right will also be effective here, as will PPF diagrams.

AO2

Rate of growth will not increase:

- Failure to invest in infrastructure
- Weak supply side in terms of bureaucracy
- Weak economic growth and rising u/e may deter investment
- Shortages of skilled workers in key value added areas
- Falling commodity prices likely to deter investment
- Rising unemployment will hit the tax base reducing government capital spending
- Exodus of skilled ex-pats

Rate of growth will increase:

- Rapidly rising workforce – demographic premium
- Falling exchange rate may attract investment in export facing sectors
- Companies attempting to boost productivity
- Interest rate cut for small businesses (although are they the key?)
- Greater free trade integration may increase competition/stimulate investment/improve exchange of ideas

AO3

Will link AO2 points to underlying theoretical factors in terms of what actually increases economic potential – hence links back to FOPs.

AO4

Will pick up on counterarguments from AO2 or may look to qualify the significance of arguments – sizing them. This is an important skill and should be credited.