



A-level
ECONOMICS
7136/3

PAPER 3 ECONOMIC PRINCIPLES AND ISSUES

Mark scheme

June 2020

Version: 1.0 Final Mark Scheme

206A7136/3MS

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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SECTION A**KEY LIST**

| | | | | | |
|-----------|---|-----------|---|-----------|---|
| 1 | C | 11 | B | 21 | D |
| 2 | C | 12 | C | 22 | C |
| 3 | D | 13 | A | 23 | D |
| 4 | A | 14 | B | 24 | D |
| 5 | A | 15 | C | 25 | B |
| 6 | A | 16 | D | 26 | D |
| 7 | B | 17 | C | 27 | A |
| 8 | B | 18 | B | 28 | C |
| 9 | A | 19 | C | 29 | A |
| 10 | A | 20 | D | 30 | C |

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

SECTION B

INVESTIGATION

Total for this investigation: 50 marks

3 1 *To what extent, if at all, do the data suggest that living standards in the UK improved between 2007 and 2017? You must use the data in **Extract B** to support your assessment. [10 marks]*

| Level of response | Response | Max 10 marks |
|--------------------------|--|---------------------|
| Level 3 | <p>A good response that:</p> <ul style="list-style-type: none"> • is well organised and includes at least three relevant, well-developed issues • makes effective use of the numerical/statistical data in Extract B • shows some appreciation of the limitations of the data • includes a supported final judgement concerning the extent to which the data suggest that living standards in the UK improved between 2007 and 2017 | 8–10 marks |
| Level 2 | <p>A reasonable response that:</p> <ul style="list-style-type: none"> • is fairly well organised and includes at least two relevant and fairly well-developed issues • includes some satisfactory use of the numerical/statistical data in Extract B • may show some appreciation of the limitations of the data • at the top of the level, is likely to include a final judgement regarding the extent to which the data suggest living standards in the UK improved between 2007 and 2017 | 4–7 marks |
| Level 1 | <p>A weak response that:</p> <ul style="list-style-type: none"> • is very brief and/or lacks coherence • may include one or more superficial points regarding the extent to which the data suggest that living standards in the UK improved between 2007 and 2017 • contains very limited or poor use of the data in Extract B • doesn't show any appreciation of the limitations of the data • may include an unsupported judgement concerning the extent to which the data suggest that living standards in the UK improved between 2007 and 2017 | 1–3 marks |

When assessing the extent to which the data suggest that living standards in the UK improved between 2007 and 2017, most students are likely to base their assessment on the data in **Extract B**. However, they can also be rewarded for making relevant use of the other extracts and their own knowledge.

Relevant issues include:

- explanation of what is meant by ‘living standards’
- how changes in living standards might be measured
- according to **Extract A**, real GDP per head is ‘just’ 2.9% above its pre-financial crisis peak
- in the 50 years prior to the financial crisis the average **annual** growth rate was 2.4%
- at 4% unemployment is at its lowest rate since 1975
- real average weekly earnings are still £15 below the pre-crisis peak
- real GDP per head increased from £29 324 in 2007 to £30 367 in 2017 (increase of 3.6%)
- real net household disposable income per head increased from £19 685 in 2007 to £20 138 in 2017 (increase of 2.3%)
- unemployment was lower in 2017 than it was in 2007 (fallen from 5.3% to 4.4%)
- some candidates may consider changes within the period, eg real GDP per head fell significantly between 2007 and 2009 and did not exceed the 2007 figure until 2015
- assessment of the significance of the above in relation to living standards
- discussion regarding whether the increase in average hours worked from 37.2 to 37.4 indicates an increase or reduction in living standards
- recognise that both measures in Figure 2 suggest that the degree of inequality is lower in 2016-17 than in 2006-7, eg the Gini coefficient has fallen from 0.347 to 0.322
- use the data in **Figure 2** and **Extract A** to discuss changes in the degree of inequality and how this may affect conclusions drawn from the other indicators of living standards
- the measure of homelessness is lower in 2017 (86 050 households) than 2007 (99 510 households) but it increased every year between 2009 and 2017 (fell by 13.5%)
- the number of people sleeping rough more than doubled between 2011 and 2017 (increased by 118%)
- assessment of the relevance of the data in **Figure 3**, perhaps linking this to inequality and hence the limitations of other data when drawing conclusions about overall living standards
- recognise that the increase in male and female life expectancy and the fall in the infant mortality rate, shown in **Figure 4**, indicate an improvement in living standards
- discussion of the significance of the fall in greenhouse gas emissions from 746 377 to 566 378 thousand tonnes CO₂ equivalent (a fall of around 24%)
- limitations of the data identified might, for example, include:
 - recognise that the data showing the index of real GDP is of little value as, for example, it doesn’t take into account the change in the size of the UK population
 - consider other possible indicators that might help to provide a more reliable/complete assessment
 - consider the limitations of individual indicators, e.g. real GDP per head, greenhouse gas emissions
- provide an overall assessment of whether the data indicate that there has been an improvement in living standards between 2007 and 2017, **and** the extent to which living standards have changed
- as part of their conclusion, some candidates might consider changes **within** this time period

As indicated in the level of response mark grid above, a good response will include a supported final judgement concerning the extent to which the data suggest that living standards in the UK improved between 2007 and 2017. A good response will also quote data to support the judgement and data should be quoted accurately. It is likely that good students will conclude that most of the evidence supports the view that there has been some improvement in living standards, but that the improvement is modest. Some may also conclude that if there hadn’t been a financial crisis in 2007-09, it is likely that living standards would have improved more markedly. However, they should not be penalised for a different conclusion, provided it is well supported.

MAXIMUM FOR QUESTION 31: 10 MARKS

3 2 Explain how a sustained slowdown in the world economy is likely to affect living standards in the UK.

[15 marks]

| Level of response | Response | Max 15 marks |
|-------------------|--|--------------------|
| Level 3 | <p>A good response provides an answer that:</p> <ul style="list-style-type: none"> • is well organised and develops a selection of the key issues that are relevant to the question • shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning. | 11–15 marks |
| Level 2 | <p>A reasonable response provides an answer that:</p> <ul style="list-style-type: none"> • focuses on issues that are relevant to the question • shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places. | 6–10 marks |
| Level 1 | <p>A weak response provides an answer that:</p> <ul style="list-style-type: none"> • has one or more relevant issues identified • has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • has very limited application of relevant economic principles and/or data to the question • might have some limited analysis but it may lack focus and/or become confused. | 1–5 marks |

Remember: AO4, ie evaluation, is not being assessed through this question.

Relevant issues include:

- why a slowdown in the world economy is likely to reduce UK exports
- the impact of a fall in exports (an injection into the circular flow of income) on UK national income
- possible multiplier and accelerator effects
- the impact on employment and unemployment in the UK
- the impact on the incomes of people directly affected by the fall in exports
- consequences for different regions of the UK
- the impact on world commodity prices and the consequences for inflation in the UK
- consequences may depend on which regions of the world economy are most affected by the slowdown in economic activity
- some may consider broader issues that may affect how the slowdown affects UK living standards, e.g.
 - the growth of protectionism
 - the UK's departure from the EU
 - changes in the sterling exchange rate
 - other changes within the UK economy
- linking the issues above to living standards
- use of data in **Extract C**.

The use of relevant diagrams to support analysis should be taken into account when assessing the quality of a candidate's response to the question.

MAXIMUM FOR QUESTION 32: 15 MARKS

3 3

After considering **Extract D**, and the original evidence in **Extracts A, B, and C**, would you recommend that the government implement a further substantial increase in the National Living Wage? Justify your recommendation.

[25 marks]

| Level of response | Response | Max 25 marks |
|-------------------|--|--------------------|
| Level 5 | <p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors includes good application of relevant economic principles and, where appropriate, good use of data to support the response includes well-focused analysis with clear, logical chains of reasoning includes supported evaluation throughout the response and in a final conclusion. | 21–25 marks |
| Level 4 | <p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors includes good application of relevant economic principles and, where appropriate, some good use of data to support the response includes some well-focused analysis with clear, logical chains of reasoning includes some reasonable, supported evaluation. | 16–20 marks |
| Level 3 | <p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present includes reasonable application of relevant economic principles and, where appropriate, some use of data to support the response includes some reasonable analysis but which might not be adequately developed or becomes confused in places includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data. | 11–15 marks |
| Level 2 | <p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely includes some limited application of relevant economic principles and/or data to the question includes some limited analysis but it may lack focus and/or become confused includes some evaluation which is weak and unsupported. | 6–10 marks |
| Level 1 | <p>A very weak response that:</p> <ul style="list-style-type: none"> includes little relevant knowledge and understanding of economic terminology, concepts and principles includes analysis which is, at best, very weak includes attempted evaluation which is weak and unsupported. | 1–5 marks |

Relevant issues and areas for discussion include:

- explanation of the NLW as a legal minimum wage for those over 25
- analysis of the impact of a minimum wage in competitive labour markets
- the significance of the wage elasticities of the demand and supply of labour for the impact on employment/unemployment
- factors which may affect the elasticities of demand and supply of labour
- analysis of the impact of a minimum wage in a labour market where employers have monopsony power
- possible impact of a minimum wage on aggregate demand, given the different propensities to consume of different income groups
- evidence of the impact of minimum wage controls on unemployment in the UK, and possibly in other countries
- the significance of new technologies (eg AI) and how they may impact on workers who are affected by a substantial increase in the NLW
- discussion of the impact of a substantial increase in the NLW on costs, prices, profits and competitiveness
- discussion of ways in which the NLW may affect productivity, offsetting the impact on costs and competitiveness
- the impact on inequality and living standards, perhaps making use of the evidence in **Extract D**
- discussion of whether a substantial increase in the NLW is an effective way to reduce poverty and inequality
- the impact on wage differentials and the implications for the economy
- relevant use of the data to support analysis and evaluation of arguments presented
- normative arguments relating to a substantial increase in the NLW
- impact on tax revenue and government spending on welfare
- discussion of whether the organisation should be promoting other policies to improve living standards rather than focusing its efforts on pushing for a substantial increase in the NLW
- weighing up the arguments on both sides before coming to a well-supported recommendation

Good answers are likely to include arguments both for and against a further substantial increase in the NLW and a well-supported recommendation which could be for or against a substantial increase in the NLW.

The use of relevant diagrams to support analysis should be taken into account when assessing the quality of a candidate's response to the question.

An answer that does not include any evaluation or a supported recommendation must not be awarded more than 13 marks.

MAXIMUM FOR QUESTION 33: 25 MARKS