A3 Teacher reference commentary

IQM3005 Economics Assessment 3 Paper 2 written examination

INTERNAL ONLY | Exact excerpts with current proposed marking commentary

Use the approved assessment and marking guidance with these exact excerpts from the current synthetic responses. Record evidence and criterion judgements independently before consulting the separate commentary. Extracts do not establish whole-script marks; Section C band judgements require complete essays.

Selected task B2 c

S01 exact response

(a) MSC = MPC + MEC = £8 + £3 = £11 per unit. (b) The firm considers the £8 private cost, not the extra £3 imposed on residents. Its private-cost supply decision therefore leaves out part of the cost to society. The market quantity is above the socially efficient quantity, where MSC should be considered. (c) The £3 external cost is only an estimate. If it is too low, the tax will leave some external cost unpriced and output too high; if too high, it may reduce output below the efficient level.

Reference commentary: 2/2 for B2(c): identifies uncertainty in the MEC estimate and explains over or under-correction.

S02 exact response

(a) MSC is £8 + £3 = £11. (b) The firm only looks at its own cost of £8 and does not include the cost of the pollution to residents. It can therefore make too much of the good. (c) The government may not know the exact pollution cost.

Reference commentary: 1/2 for B2(c): identifies uncertainty in the external-cost estimate, but does not explain the effect on correction.

S03 exact response

(a) £11. (b) The firm makes a lot because it wants profit. The pollution is bad for residents. (c) A tax could make the product more expensive.

Reference commentary: 0/2 for B2(c): a possible product-price effect is not a limitation of the tax's ability to correct the externality.

Selected task B3 a b

S01 exact response

Multiplier = 1 ÷ (1 − 0.75) = 4. The theoretical income change is £20m × 4 = £80m. Imports are spending on output made abroad, so they are a leakage from the domestic spending rounds and lower the multiplier. This means some later spending rounds leave the domestic economy.

Reference commentary: 4/5 for B3: correct multiplier and £80m result, plus import leakage; no judgement on whether £80m is likely under the stated conditions.

S02 exact response

The multiplier is 1 ÷ 0.75 = 1.33, so the change is about £26.7m. Imports are bought from other countries, so that money leaves the domestic economy.

Reference commentary: 1/5 for B3: incorrect multiplier and income change; identifies imports as spending abroad but does not explain the multiplier comparison or give the required judgement.

S03 exact response

Multiplier = 1 ÷ (1 − 0.75) = 4. £20m × 4 = £80m. Imports are bought from other countries so some money leaves.

Reference commentary: 3/5 for B3: correct multiplier and £80m, plus basic leakage; no developed judgement about the likely size.

Selected task C essay routes

C1 and C2 are alternative Section C routes. The passages below are selected concluding paragraphs; a whole-essay mark requires the complete response and current scheme.

S01 C1

"The policy is likely to reduce demand-deficient unemployment if projects begin and workers have the skills needed. The effect will be slower and smaller because of import spending and the project delays. If unemployment is mainly due to a mismatch of skills, extra demand alone may not help those workers. Training alongside projects could improve the match. Borrowing also increases the deficit and debt, although spare capacity makes crowding out and inflation less likely at first. Overall I expect some reduction, but it will be delayed and depends on project timing and whether unemployed workers can take the jobs."

Reference commentary: S01 C1 gives a qualified judgement linked to timing, import leakage, skills and borrowing. This supports evaluation evidence, but the passage alone does not establish an AO4 or whole-essay mark.

S02 C2

"I think the current account may improve later if export demand rises and people buy fewer imports. In the short run it might not improve because the contracts are fixed and the imported inputs are more expensive. It depends on how much buyers respond to prices."

Reference commentary: S02 C2 gives a cautious short-run and longer-run judgement tied to contracts, imported inputs and buyer response. It supports some evaluation evidence; no AO4 or whole-essay mark is assigned from this passage alone.

S03 C1

"Some money goes on imports and the roads take years, so there might not be many jobs straight away. Borrowing has to be paid back and could be bad. I think it will lower unemployment but not straight away."

Reference commentary: S03 C1 mentions delay and borrowing, but the judgement is brief and weakly supported. No AO4 or whole-essay mark is assigned from this passage alone.