A3 Teacher marking exercise

IQM3005 Economics Assessment 3 Paper 2 written examination

INTERNAL ONLY | Exact excerpts from current synthetic responses

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

Pigouvian tax calibration and external-cost limitations.

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.

Evidence and proposed judgement: _____

Reason: _____

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.

Evidence and proposed judgement: _____

Reason: _____

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.

Evidence and proposed judgement: _____

Reason: _____

Selected task B3 a b

Multiplier method and import leakage.

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.

Evidence and proposed judgement: _____

Reason: _____

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.

Evidence and proposed judgement: _____

Reason: _____

S03 exact response

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

Evidence and proposed judgement: _____

Reason: _____

Selected task C essay routes

C1 and C2 are alternative Section C routes. The three passages below are selected concluding paragraphs, not complete essays. Judge only evidence visible in each passage; do not assign a whole-essay mark from an extract.

S01 selected essay route

"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."

Evidence and proposed judgement: _____

Reason: _____

S02 selected essay route

"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."

Evidence and proposed judgement: _____

Reason: _____

S03 selected essay route

"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."

Evidence and proposed judgement: _____

Reason: _____