
INTERNATIONAL AS **ECONOMICS** **EC02**

Unit 2 The national economy in a global environment

Mark scheme

January 2022

Version 1.0 Final Mark Scheme



2 2 1 X E C 0 2 / M S

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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International AS Economics mark scheme

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study language in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about language. It is important to assess the quality of **what the student offers**.

Assessment objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

The marking grids

The marking grids cover all the assessment objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

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 descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

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 fulfils most but not all of 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.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that 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 of the same standard, better or worse. 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.

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

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in question 21 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

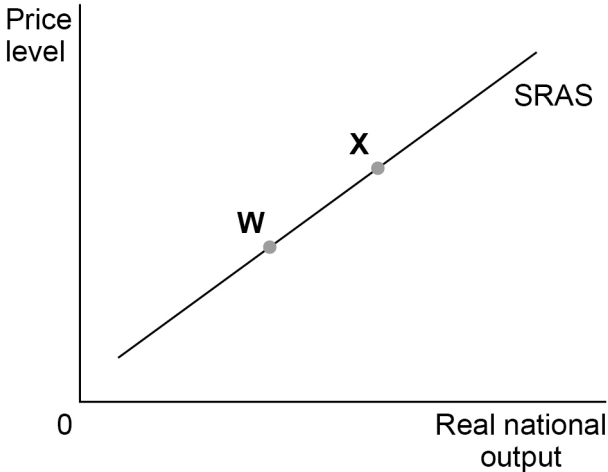
Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 15 marks

Question	Part	Marking guidance	Total marks
01		<p>An economy's boat-building sector is declining and its aerospace sector is growing.</p> <p>If boat-building firms close as a result, this leads to which type of unemployment?</p> <p>Answer: D (Structural)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
02		<p>Figure 1 shows the short-run aggregate supply curve for an economy.</p> <p>Figure 1</p>  <p>The movement from point W to point X is most likely to have been caused by</p> <p>Answer: B (a rise in household income.)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
03		<p>If an economy experiences rising economic growth, then it is likely that the</p> <p>Answer: A (budget balance will improve because of falling welfare payments.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
04		<p>A government injects \$180m into the economy, causing a final change in national income of \$720m. What is the economy's marginal propensity to consume (MPC)?</p> <p>Answer: B (0.75)</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks
05		<p>According to the circular flow of income, when measuring an economy's GDP, it is known that</p> <p>Answer: B (income = output = expenditure)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
06		<p>Figure 2 shows the annual inflation rate (%) for an economy from 2007 to 2020. Which one of the following can be concluded from the data?</p> <p>Answer: C (There was disinflation from 2014 to 2015.)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
07		<p>Each scenario below would cause an increase in an economy's productive potential. Which one of the following is not a supply-side policy?</p> <p>Answer: D (The invention of new software making it easier for people to work from home.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
08		<p>In 2018, the average price of a barrel of oil was \$69.78. In 2019, the average price of a barrel of oil was \$64.05. Over the same time period, the global inflation rate was 3.4%. Using 2018 prices, what was the real price of a barrel of oil in 2019?</p> <p>Answer: A (\$61.94)</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks																						
09		<p>Figure 3 shows the average government budget balance, as a percentage of GDP, for economies in the euro area, from 2010 to 2019.</p> <p style="text-align: center;">Figure 3</p> <table border="1"> <caption>Data for Figure 3: Average government budget balance (% of GDP)</caption> <thead> <tr> <th>Year</th> <th>% of GDP</th> </tr> </thead> <tbody> <tr><td>2010</td><td>-6.5</td></tr> <tr><td>2011</td><td>-4.2</td></tr> <tr><td>2012</td><td>-3.8</td></tr> <tr><td>2013</td><td>-3.0</td></tr> <tr><td>2014</td><td>-2.5</td></tr> <tr><td>2015</td><td>-2.0</td></tr> <tr><td>2016</td><td>-1.5</td></tr> <tr><td>2017</td><td>-1.0</td></tr> <tr><td>2018</td><td>-0.5</td></tr> <tr><td>2019</td><td>-1.5</td></tr> </tbody> </table> <p>It can be concluded from the data that</p> <p>Answer: D (the total national debt of governments in the euro area has increased.)</p>	Year	% of GDP	2010	-6.5	2011	-4.2	2012	-3.8	2013	-3.0	2014	-2.5	2015	-2.0	2016	-1.5	2017	-1.0	2018	-0.5	2019	-1.5	<p>1</p> <p>AO2 = 1</p>
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Question	Part	Marking guidance	Total marks																				
10		<p>Table 1 provides data on the income tax paid (as a percentage of earnings) by an individual person in four countries in 2019.</p> <table border="1"> <thead> <tr> <th></th> <th>Person earning 67% of average wage</th> <th>Person earning the average wage</th> <th>Person earning 167% of the average wage</th> </tr> </thead> <tbody> <tr> <td>Australia</td> <td>18.1</td> <td>23.6</td> <td>30.5</td> </tr> <tr> <td>Denmark</td> <td>32.8</td> <td>35.6</td> <td>41.1</td> </tr> <tr> <td>Hungary</td> <td>15.0</td> <td>15.0</td> <td>15.0</td> </tr> <tr> <td>Mexico</td> <td>3.7</td> <td>9.5</td> <td>14.0</td> </tr> </tbody> </table> <p>Which one of the following can be concluded from the data?</p> <p>Answer: A (Australia’s income tax system is progressive.)</p>		Person earning 67% of average wage	Person earning the average wage	Person earning 167% of the average wage	Australia	18.1	23.6	30.5	Denmark	32.8	35.6	41.1	Hungary	15.0	15.0	15.0	Mexico	3.7	9.5	14.0	<p>1</p> <p>AO2 = 1</p>
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Question	Part	Marking guidance	Total marks
11		<p>The diagrams below show aggregate demand (AD) and aggregate supply (AS) curves for an economy. This economy experiences a fall in money wage rates. Which one of the following diagrams best illustrates this situation?</p> <p>Answer: A</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks
12		<p>Real GDP per capita is one way in which economists measure living standards in an economy. One advantage of using GDP per capita in this way is that it</p> <p>Answer: B (can easily be compared between countries and over time.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks																				
13		<p>Table 2 provides information on a productivity index for four economies in different years. Productivity has been measured as GDP per hour worked (2010 = 100).</p> <p style="text-align: center;">Table 2</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>2001</th> <th>2010</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Germany</td> <td>94.0</td> <td>100.0</td> <td>108.8</td> </tr> <tr> <td>New Zealand</td> <td>90.9</td> <td>100.0</td> <td>108.0</td> </tr> <tr> <td>South Korea</td> <td>63.9</td> <td>100.0</td> <td>123.0</td> </tr> <tr> <td>United States</td> <td>82.4</td> <td>100.0</td> <td>104.7</td> </tr> </tbody> </table> <p>Based on the information provided, which one of the following is true?</p> <p>Answer: C (South Korea experienced a 92% increase in productivity over the period shown.)</p>		2001	2010	2019	Germany	94.0	100.0	108.8	New Zealand	90.9	100.0	108.0	South Korea	63.9	100.0	123.0	United States	82.4	100.0	104.7	<p>1</p> <p>AO2 = 1</p>
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United States	82.4	100.0	104.7																				

Question	Part	Marking guidance	Total marks
14		Which one of the following statements about investment is true? Answer: D (Rising net investment increases an economy's stock of capital.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
15		<p>The diagrams below show aggregate demand (AD) and aggregate supply (AS) curves for an oil-importing economy. This economy experiences a significant depreciation in its exchange rate. All other things being equal, which one of the following diagrams represents the most likely impact of this event on aggregate supply?</p> <p>Answer: C</p>	1 AO3 = 1

Section B

Total for this section: 65 marks

Question	Part	Marking guidance	Total marks
16	1	<p>Define ‘consumption’ (Extract C, line 4).</p> <p>A full and precise definition is given (3 marks) Example:</p> <ul style="list-style-type: none"> • spending by households on goods and services • the final purchase of goods and services by individuals. <p>The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks) Example:</p> <ul style="list-style-type: none"> • buying goods and services. <p>Fragmented points only (1 mark) Example:</p> <ul style="list-style-type: none"> • spending • a component of aggregate demand. 	<p>3</p> <p>AO1 = 3</p>

Question	Part	Marking guidance	Total marks
16	2	<p>Define ‘monetary policy’ (Extract C, line 22).</p> <p>A full and precise definition is given (3 marks) Example:</p> <ul style="list-style-type: none"> • three aspects of monetary policy are provided • eg any macroeconomic policy taken by the central bank/monetary authority/government relating to interest rates, the money supply and/or the exchange rate • eg the management of liquidity, the amount of money and the cost of borrowing by an economy’s monetary authorities. <p>The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks) Example:</p> <ul style="list-style-type: none"> • two aspects of monetary policy are provided • eg government policy on interest rates and the money supply. <p>Fragmented points only (1 mark) Example:</p> <ul style="list-style-type: none"> • reference to one of interest rates, money supply, liquidity, exchange rates. 	<p>3</p> <p>AO1 = 3</p>

MAXIMUM FOR QUESTION 16: 6 MARKS

Question	Part	Marking guidance	Total marks								
17	1	<p>Extract A shows selected macroeconomic data for three economies.</p> <p>You are advised to show your working for the calculations below.</p> <p>Calculate, to one decimal place, the median annual GDP growth rate in the United States as a percentage of the median annual GDP growth rate in Singapore.</p> <p>Calculation: Median growth rate in USA Arrange values in order (–2.54, 2.25, 2.86, 2.88, 2.90) and select middle number: 2.86</p> <p>Calculation: Median growth rate in Singapore Arrange values in order (0.12, 2.89, 3.14, 4.45, 9.01) and select middle number: 3.14</p> <p>Expressed as a percentage: $\frac{2.86}{3.14} \times 100 = 91.1\%$</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Response</th> <th style="width: 30%;">Max 3 marks</th> </tr> </thead> <tbody> <tr> <td>For the correct answer: 91.1% (With or without working shown)</td> <td style="text-align: center;">3 marks</td> </tr> <tr> <td>For the correct value but with missing/incorrect units eg 91.1 or \$91.1 OR For the correct answer but not to one decimal place: eg 91.08% or 91% OR For the correct answer rounded incorrectly: eg 91.0% OR For finding both median values correctly but incorrectly calculating the percentage.</td> <td style="text-align: center;">2 marks</td> </tr> <tr> <td>For the correct answer but not to one decimal place and with missing/incorrect units eg 91.08 or 91 OR For correctly finding both medians but with no attempt at calculating the percentage.</td> <td style="text-align: center;">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: 91.1% (With or without working shown)	3 marks	For the correct value but with missing/incorrect units eg 91.1 or \$91.1 OR For the correct answer but not to one decimal place: eg 91.08% or 91% OR For the correct answer rounded incorrectly: eg 91.0% OR For finding both median values correctly but incorrectly calculating the percentage.	2 marks	For the correct answer but not to one decimal place and with missing/incorrect units eg 91.08 or 91 OR For correctly finding both medians but with no attempt at calculating the percentage.	1 mark	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
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Question	Part	Marking guidance	Total marks								
17	2	<p>Venezuela’s GDP at the end of 2018 was \$98 437m.</p> <p>Calculate the value of Venezuela’s GDP at the end of 2017.</p> <p>Give your answer to the nearest million.</p> <p>Calculation: $\frac{98\,437 \times 100}{(100 - 19.62)} = \\$122\,465\text{m}$</p> <table border="1" data-bbox="368 703 1287 1485"> <thead> <tr> <th data-bbox="368 703 1131 792">Response</th> <th data-bbox="1136 703 1287 792">Max 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="368 799 1131 916">For the correct answer: \$122 465m (With or without working shown)</td> <td data-bbox="1136 799 1287 916">3 marks</td> </tr> <tr> <td data-bbox="368 922 1131 1272"> For the correct value but with missing/incorrect units eg \$122 465 or 122 465m OR For the correct answer but not to the nearest whole number eg \$122 464.54m OR For the correct answer rounded incorrectly: eg \$122 464m </td> <td data-bbox="1136 922 1287 1272">2 marks</td> </tr> <tr> <td data-bbox="368 1279 1131 1485"> For the correct answer but not to one decimal place and with missing/incorrect units eg 122 464 OR For the correct method but the wrong answer </td> <td data-bbox="1136 1279 1287 1485">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: \$122 465m (With or without working shown)	3 marks	For the correct value but with missing/incorrect units eg \$122 465 or 122 465m OR For the correct answer but not to the nearest whole number eg \$122 464.54m OR For the correct answer rounded incorrectly: eg \$122 464m	2 marks	For the correct answer but not to one decimal place and with missing/incorrect units eg 122 464 OR For the correct method but the wrong answer	1 mark	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
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MAXIMUM FOR QUESTION 17: 6 MARKS

Question	Part	Marking guidance	Total marks
18	1	<p>Extract B (lines 1–2) states: ‘Countries experiencing rising exports tend to have greater economic growth.’</p> <p>Explain why rising exports can cause economic growth.</p>	<p>6</p> <p>AO1 = 2 AO2 = 2 AO3 = 2</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles to support the response. Includes well-focused analysis with a clear, logical chain of reasoning.
2	3–4	<ul style="list-style-type: none"> Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable application of relevant economic principles to the question. Includes some reasonable analysis but it might not be adequately developed and may be confused in places.
1	1–2	<ul style="list-style-type: none"> Shows limited knowledge and understanding of relevant economic terminology, concepts and principles. Includes limited application of relevant economic principles to the question. May include some limited analysis but the analysis lacks focus and/or becomes confused.
	0	No creditworthy material

Indicative content:

- meaning of rising exports and economic growth
- understanding that exports could be goods and/or services
- understanding that economic growth can be both short-run and long-run
- understanding of how rising exports could lead to short-run economic growth eg circular flow analysis and/or AD/AS analysis
- understanding that exports are a component of AD and so rising exports leads to rising AD, all other things being equal
- understanding of how rising exports could lead to long-run economic growth eg rising business revenue for exporting firms may lead to rising capital investment, innovation etc.

Some candidates may support their answer with a diagram(s) but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
18	2	To what extent do the data suggest that rising exports cause economic growth? Use the data in Extract A to help support your answer.	6 AO2 = 1 AO3 = 1 AO4 = 4

Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> Includes sound evidence that indicates the extent to which rising exports cause economic growth. Includes a supported overall judgement concerning the extent to which rising exports cause economic growth.
2	3–4	<ul style="list-style-type: none"> Includes limited evidence that indicates the extent to which rising exports cause economic growth. Attempts a judgement concerning the extent to which rising exports cause economic growth.
1	1–2	<ul style="list-style-type: none"> Includes evidence that does not clearly indicate the extent to which rising exports cause economic growth. May include an unsupported judgement concerning the extent to which rising exports cause economic growth.
	0	No creditworthy material

Indicative content:

Singapore

- There is some evidence of a direct relationship between changes in exports as a % of GDP and economic growth ie when exports rise there is a corresponding increase in GDP and when exports fall there is a corresponding slowdown in economic growth, but the changes are not proportionate eg between 2006 and 2009, Singapore exports fell from 228% to 191% as a proportion of GDP and the annual growth rate fell from 9.01% to 0.12%.
- In 2006, the value of exports as a % of GDP was highest at 228% and the GDP growth rate was also at its highest at 9.01%; however, the lowest value of exports as a % of GDP occurred in 2015/2018 (178%) yet the lowest growth rate was experienced in 2009 (0.12%).
- Exports as a % of GDP is consistently a very high value (between 178% and 228% of GDP), suggesting that the value of exports is potentially the largest component of AD in that economy – changes in exports will likely have a significant impact on economic growth in Singapore.

United States

- The data here shows an inconsistent picture ie exports as a % of GDP is the same in 2006 and 2009 at just 11%, but economic growth is positive (2.86%) in 2006 but negative in 2009 (-2.54%); in 2015 and 2018 the value of exports as a % of GDP remains constant at 12% but the rate of increase in GDP rises slightly by 0.02 percentage points from 2.88% to 2.90%.
- Exports as a % of GDP is consistently a very low value between 11% and 14% of GDP, suggesting that the value of exports is not a large component of AD in that economy – changes in exports will be unlikely to have a significant impact on economic growth in the United States.

Venezuela

- There is a weak relationship between changes in the value of exports as a % of GDP and GDP growth rates in the first 4 years shown eg when exports are 37% of GDP the annual growth rate is 9.87% in 2006 but by 2009 the value of exports as a % of GDP falls to 18% and corresponds with a fall in the growth rate to -3.2%; similarly, when exports as a proportion of GDP increase from 2009 to 2012 to 26% the growth rate increases to 5.63%.
- That correlation/pattern breaks down in 2018 when the value of exports as a % of GDP rises sharply to 34% compared with 11% in 2015 but the GDP growth rate becomes significantly more negative, falling from -6.22% to -19.62% (which is a very large decrease in real GDP, suggesting other factors are relevant in this economy).
- The year in which exports as a % of GDP was highest was 2006 ie 37% and this was also the year in which the GDP growth rate was highest ie 9.87%; however, the year in which the GDP growth rate was lowest was in 2018 at -19.62% whereas the year in which exports as a % of GDP was lowest was in 2015 at 11%.

Overall

- Overall conclusion that there is some evidence of rising exports causing economic growth but that it varies between countries and over time, and could be affected by other significant features or changes in an economy.
- It could be difficult to draw a conclusion because the data on exports is expressed as a % of GDP, and so if the value of GDP changes then even if the value of exports doesn't change the % figure will change, so it is difficult to be confident in the extent of the relationship.
- The data is at 3-yearly intervals and it could be more useful to have annual data.
- There is data for just 3 countries, which may be atypical, making it difficult to draw broader conclusions.

Note: Whilst good answers are likely to draw on the data for Singapore, the United States and Venezuela, it is possible to achieve the highest level by considering data for only one of the countries.

Credit valid alternative content.

MAXIMUM FOR QUESTION 18: 12 MARKS

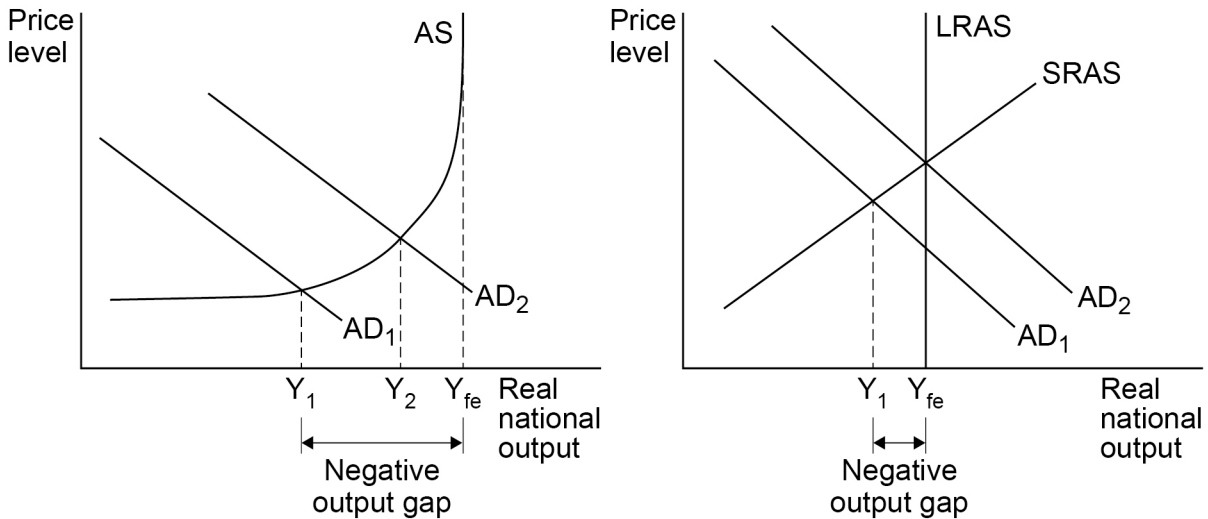
Question	Part	Marking guidance	Total marks
19		<p>Extract C (lines 9–11) states: ‘The Federal Reserve (US central bank) cut the base rate of interest to 0.25%, and carried out large-scale quantitative easing to reduce the widening negative output gap in the US economy.’</p> <p>With the help of a diagram, explain how cutting a country’s base rate of interest can help to reduce a negative output gap.</p>	<p>9</p> <p>AO1 = 2 AO2 = 4 AO3 = 3</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
3	7–9	<ul style="list-style-type: none"> Is well organised and develops one or more of the key issues that are relevant to the question. Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles and/or good use of data to support the response. Includes well-focused analysis with a clear, logical chain of reasoning. Includes a relevant diagram, that will, at the top of this level, be accurate and used appropriately to support their explanation.
2	4–6	<ul style="list-style-type: none"> Includes one or more issues that are relevant to the question. Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable analyses but it might not be adequately developed and may be confused in places. May include a relevant diagram to support their explanation.
1	1–3	<ul style="list-style-type: none"> Is very brief and/or lacks coherence. Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. Demonstrates very limited ability to apply relevant economic principles and/or data to the question. May include some very limited analysis but the analysis lacks focus and/or becomes confused. May include a diagram but the diagram is likely to be inappropriate or inaccurate in some respects, or not used.
	0	No creditworthy material

Indicative content:

The expected diagram shows an AD/AS diagram, with an initial equilibrium below the full employment level of output, and showing a rightwards shift (increase) in AD to move the economy closer to full employment and reducing the negative output gap. Some candidates may choose to indicate the negative output gap on their diagram.



Relevant issues include:

- the meaning of a negative output gap
- the meaning of interest rates
- how lower interest rates can reduce a negative output gap by increasing AD:
 - disincentivise saving
 - incentivise borrowing
 - raise asset prices – wealth effect
 - impact on exchange rate and relative prices of exports and imports
- consideration of the multiplier and/or accelerator effects
- consideration of either reducing the negative output gap or, as in the case in the right-hand diagram above, full closure of the negative output gap.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		<p>Extract B (line 8) states: ‘In an open economy trade can benefit everyone.’</p> <p>Analyse reasons, other than causing economic growth, why an economy may benefit from international trade.</p>	<p>12</p> <p>AO1 = 3 AO2 = 4 AO3 = 5</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives.

Level	Marks	Descriptor
3	9–12	<ul style="list-style-type: none"> Is well organised and develops one or more of the key issues that are relevant to the question. Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles and/or good use of data to support the response. Includes well-focused analysis with a clear, logical chain of reasoning. May include a relevant diagram that is accurate and used appropriately to support their explanation.
2	5–8	<ul style="list-style-type: none"> Includes one or more issues that are relevant to the question. Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable application of relevant economic principles and/or data to the question. Includes some reasonable analysis but it might not be adequately developed and may be confused in places. May include a relevant diagram to support their explanation.
1	1–4	<ul style="list-style-type: none"> Is very brief and/or lacks coherence. Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. Demonstrates very limited ability to apply relevant economic principles and/or data to the question. May include some very limited analysis but the analysis lacks focus and/or becomes confused. May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.
	0	No creditworthy material

Indicative content:

- meaning of international trade
- understanding of what is meant by ‘benefit’ eg consideration of factors such as income, inflation, employment etc
- analysis of possible benefits, including:
 - higher GDP (due to more competition, economies of scale, innovation from learning from other countries)
 - higher employment in export industries
 - improved access to raw materials and components – raised productivity etc
 - lower inflationary pressure due to rising competition
- consideration of what is meant by “everyone” ie different impacts on consumers, firms, the government etc.

Some candidates may support their answer with a diagram(s) but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		<p>Extract C (lines 4–6) states: ‘countries would need to work together to increase consumption, restore previous trade levels and experience strong economic recovery. This would require fiscal, monetary and trade policies to all work in the same direction.’</p> <p>Use the extracts and your knowledge of economics to discuss the effectiveness of fiscal policy in raising an economy’s long-run growth rate.</p>	<p>20</p> <p>AO1 = 3 AO2 = 4 AO3 = 5 AO4 = 8</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
5	17–20	<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 to the given context 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.
4	13–16	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • Is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present. • Includes some good application of relevant economic principles to the given context 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.
3	9–12	<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 to the given context 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.
2	5–8	<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 is shown but some errors are likely. • Includes some limited application of relevant economic principles to the given context 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.

1	1–4	A very weak response that: <ul style="list-style-type: none"> • Includes little relevant knowledge and understanding of economic terminology, concepts and principles. • Includes application to the given context which is, at best, very weak. • Includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- meaning and nature of fiscal policy
- meaning of long-run growth rate (potential growth)
- examples of fiscal policies (use of Extract C), both government spending and tax aspects
- analysis of how different fiscal policies could directly raise the long-run growth rate ie increase LRAS
- analysis of how different fiscal policies could indirectly raise the long-run growth rate by affecting other macroeconomic objectives
- evaluation of the effectiveness of different fiscal policies and what this depends on eg current v capital spending, amount of spending, local v regional v national effects, strength of the multiplier
- fiscal policy is just one policy option and others may be more appropriate
- effectiveness of fiscal policy depends on the extent to which it is coordinated with monetary policy and trade policies within and between countries, as suggested in Extract C
- consideration of the reasons why an economy might want to raise its long-run growth rate and how this affects policy choice
- different situations/priorities in different countries and at different points in time
- an overall judgement of the effectiveness of fiscal policies in raising an economy's long-run growth rate.

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

Credit valid alternative content.

Assessment Objectives Grid

	AO1	AO2	AO3	AO4	Total
Section A					
01	1				1
02		1			1
03	1				1
04			1		1
05	1				1
06		1			1
07	1				1
08			1		1
09		1			1
10		1			1
11			1		1
12	1				1
13		1			1
14	1				1
15			1		1
Section B					
16.1	3				3
16.2	3				3
17.1	1	2			3
17.2	1	2			3
18.1	2	2	2		6
18.2		1	1	4	6
19	2	4	3		9
20	3	4	5		12
21	3	4	5	8	20
Unit total	24	24	20	12	80