OXFORD

INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL AS
ECONOMICS
EC02

Unit 2 The National Economy in a Global Environment

Mark scheme

January 2023

Version: 1.0 Final

231XEC02/MS

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.

Further copies of this mark scheme are available from oxfordaqaexams.org.uk

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 Economics 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 Economics. 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

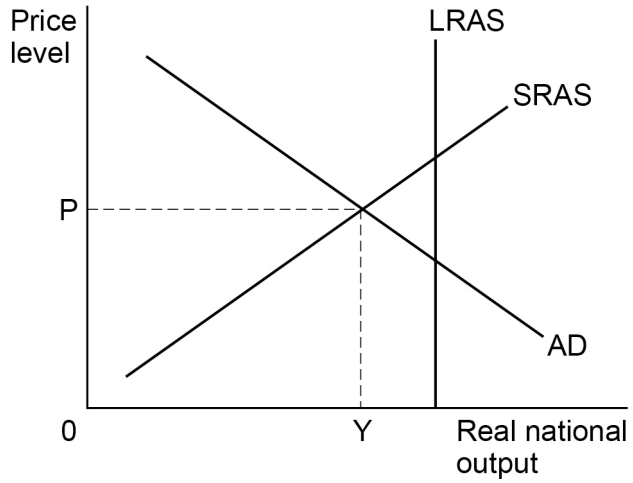
Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A **Total for this section: 15 marks**

Question	Part	Marking guidance	Total marks
01		Which one of the following combinations shows macroeconomic indicators that are commonly used to measure economic growth, inflation and inequality? Answer: **B** (Rate of change in real GDP, Rate of change in the consumer price index, Gini coefficient)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
02		The main aim of a supply-side policy is to increase Answer: **B** (long-run aggregate supply.)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
03		What was the value of this initial injection into the economy? Answer: **B** ($200m)	**1** **AO3 = 1**

Question	Part	Marking guidance	Total marks
04		 This economy now experiences a fall in the savings ratio. All other things being equal, what is the most likely impact of this change? Answer: **C** (An increase in real national output)	**1** **AO2 = 1**

Question	Part	Marking guidance	Total marks
05		Which one of the following statements about types of unemployment is true? Answer: **B** (Frictional unemployment is due to immobility of labour and occurs as a result of workers moving between jobs.)	**1** **AO1 = 1**

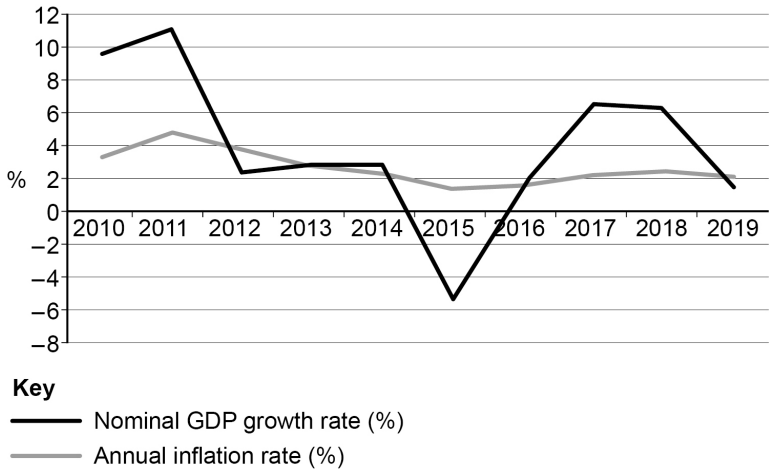
<table>
<tr><th>Question</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>06</td><td></td><td>
<table>
<tr><th>Injections and withdrawals</th><th>2020 ($bn)</th><th>2021 ($bn)</th></tr>
<tr><td>Exports</td><td>450</td><td>475</td></tr>
<tr><td>Government spending</td><td>300</td><td>275</td></tr>
<tr><td>Investment</td><td>500</td><td>550</td></tr>
<tr><td>Imports</td><td>500</td><td>525</td></tr>
<tr><td>Saving</td><td>200</td><td>300</td></tr>
<tr><td>Tax</td><td>300</td><td>320</td></tr>
</table>

All other things being equal, which one of the following can be concluded from the data?

Answer: D (The value of injections has increased.)
</td><td>1

AO2 = 1</td></tr>
</table>

Question	Part	Marking guidance	Total marks
07		Which one of the following is the most likely conflict as a result of this growth? Answer: **D** (Increasing inflationary pressure)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
08		 Which one of the following can be concluded from the data? Answer: **C** (Real GDP decreased between 2014 and 2016.)	**1** **AO3 = 1**

<table>
<tr><th>Question</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>09</td><td></td><td>
<table>
<tr><th>Income group</th><th>Average total amount paid in indirect tax (£)</th><th>Average total income (after benefits and before tax, £)</th></tr>
<tr><td>Poorest 20%</td><td>3621</td><td>14 772</td></tr>
<tr><td>Next 20%</td><td>4488</td><td>25 044</td></tr>
<tr><td>Middle 20%</td><td>5907</td><td>35 858</td></tr>
<tr><td>Next 20%</td><td>6764</td><td>49 821</td></tr>
<tr><td>Richest 20%</td><td>9778</td><td>107 695</td></tr>
</table>
Which one of the following can be concluded from the data?

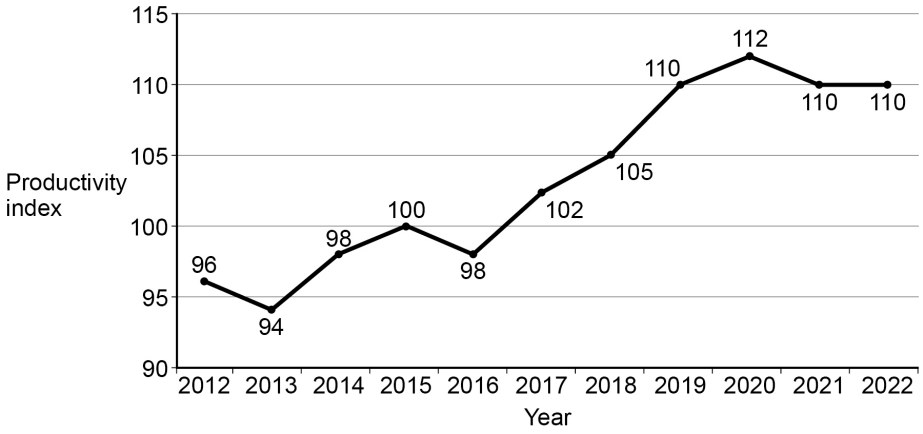
Answer: B (Indirect tax in the UK was regressive.)
</td><td>1

AO3 = 1</td></tr>
</table>

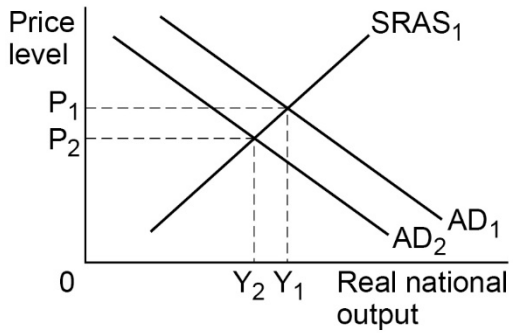
<table>
<tr><th>Question</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>10</td><td></td><td>
<table>
<tr><th></th><th>Chile</th><th>Estonia</th><th>Japan</th><th>Netherlands</th><th>Turkey</th><th>United States</th></tr>
<tr><td>Percentage of GDP spent on welfare benefits (%)</td><td>11.4</td><td>17.7</td><td>22.3</td><td>16.1</td><td>12.0</td><td>18.7</td></tr>
</table>
Which one of the following can be concluded from the data?

Answer: D (The median percentage of GDP spent on welfare benefits is 16.9%.)
</td><td>1

AO3 = 1</td></tr>
</table>

Question	Part	Marking guidance	Total marks
11		 From the data, it can be concluded that Answer: **B** (productivity was 12% higher in 2020 than in 2015.)	**1** **AO2 = 1**

Question	Part	Marking guidance	Total marks
12		Which one of the following best defines the accelerator process? An increase in Answer: **C** (national output leading to an increase in investment.)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
13		All other things being equal, which one of the following diagrams shows the most likely impact of this change in fiscal policy? Answer: **A**  	**1** **AO2 = 1**

Question	Part	Marking guidance	Total marks
14		Which one of the following statements about output gaps is correct? Answer: **B** (A negative output gap occurs when there is cyclical unemployment in an economy.)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
15		Which one of the following is the most likely impact of a significant fall in the value of the US dollar ($) against other currencies? Answer: **D** (The price of raw materials imported into the US will increase.)	**1** **AO2 = 1**

Section B **Total for this section: 65 marks**

Question	Part	Marking guidance	Total marks
16	**1**	Define 'interest rate' (**Extract B**, line 5). **A full and precise definition is given (3 marks)** Examples: • the price of money, which is the cost of borrowing and the reward for saving • the reward for saving and the cost of borrowing, as a percentage of the amount saved or borrowed. **The substantive content of the definition is correct but there may be some imprecision or inaccuracy eg no reference to percentage (2 marks)** Examples: • cost of borrowing as a percentage of the amount borrowed • reward for saving as a percentage of the amount saved • reward for saving and cost of borrowing. **Fragmented points only (1 mark)** Examples: • the price of money/opportunity cost of holding money • cost of borrowing • reward for saving.	**3** **AO1 = 3**

Question	Part	Marking guidance	Total marks
16	**2**	Define 'current account deficit' (**Extract C**, line 2). **A full and precise definition is given (3 marks)** Examples: • a negative balance across the sum of trade in goods, trade in services, net primary income and net secondary income • the money leaving the country is greater than the money coming in (or debits are greater than credits) in relation to trade in goods, trade in services, primary income and secondary income. **The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks)** Examples: • value of imports exceeds the value of exports • listing the sub-accounts on the current account with no reference to deficit. **Fragmented points only (1 mark)** Examples: • a greater outflow than inflow of income • a difference between the value of exports and value of imports • more imports than exports.	**3** **AO1 = 3**

MAXIMUM FOR QUESTION 16: 6 MARKS

<table>
<tr><th>Question</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>17</td><td>1</td><td>
Extract A shows data on consumer prices, export prices and the current account balance as a proportion of GDP for Japan from 2010 to 2020.

You are advised to show your working for the calculations below.

Using Extract A (i), calculate the percentage change in Japan's export price index between 2010 and 2020.

Give your answer to one decimal place.

Calculation:

Export price index in 2010 = 103
Export price index in 2020 = 92.5

% change = $\frac{(92.5 - 103)}{103} \times 100 = -10.194\%$

This rounds to –10.2%
<table>
<tr><th>Response</th><th>Max 2 marks</th></tr>
<tr><td>For the correct answer: –10.2% or fall of 10.2%
(with or without working shown)</td><td>2 marks</td></tr>
<tr><td>For the correct value but with missing/incorrect units:
eg –10.2
OR
For the correct answer but not to one decimal place:
eg –10.19%
OR
For the correct answer but without the minus sign or reference to the fall: 10.2%
OR
For the correct method but the wrong answer, to 1dp, with the % sign and direction of change</td><td>1 mark</td></tr>
</table>
</td><td>2

AO1 = 1
AO2 = 1</td></tr>
</table>

<table>
<tr><th>Question</th><th>Part</th><th>Marking guidance</th><th>Total marks</th></tr>
<tr><td>17</td><td>2</td><td>
In 2020:

• Japan’s deficit on trade in goods and services was ¥40 800m
• Japan’s net primary income on current account was a surplus of ¥1 732 000m
• Japan’s net secondary income on current account was a deficit of ¥210 700m.

Using Extract A (ii), calculate Japan’s GDP in 2020.

Calculation:

The value of Japan’s current account =
–¥40 800m + ¥1 732 000m – ¥210 700m = ¥1 480 500m

Japan's GDP = ¥1 480 500m $\times \frac{100}{3.2}$ = ¥46 265 625m
<table>
<tr><th>Response</th><th>Max 4 marks</th></tr>
<tr><td>For the correct answer: ¥46 265 625m
(with or without working shown)</td><td>4 marks</td></tr>
<tr><td>For the correct value but missing/incorrect units: eg
46 265 625</td><td>3 marks</td></tr>
<tr><td>For calculating the value of Japan’s current account (with or without units): eg ¥1 480 500m and indicating that the current account is valued at 3.2% of Japan’s GDP
OR
For calculating the value of Japan’s current account (with or without units): eg ¥1 480 500m but then incorrectly calculating the value of GDP</td><td>2 marks</td></tr>
<tr><td>For calculating the value of Japan’s current account: eg ¥1 480 500m (with or without units)
OR
For the correct method but the wrong answer</td><td>1 mark</td></tr>
</table>
</td><td>4

AO1 = 1
AO2 = 3</td></tr>
</table>

MAXIMUM FOR QUESTION 17: 6 MARKS

Question	Part	Marking guidance	Total marks
18	**1**	**Extract C** (line 11) states: 'The price of exports can be affected by the inflation rate'. Explain why inflation can cause export prices to rise.	**6** **AO1 = 2** **AO2 = 2** **AO3 = 2**

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	• 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	• 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	• 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:

- understanding of inflation and export prices
- recognition of factors affecting inflation eg excess demand and increasing costs
- recognition that inflation causes domestic prices to rise, and if these goods are sold abroad then export prices will rise, ceteris paribus
- recognition that inflation can cause wage rates and the prices of other factors of production to rise, which can cause export prices to rise.

Note: 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 inflation causes export prices to rise? Use the data in **Extract A (i)** 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	• Includes sound evidence that indicates the extent to which inflation causes export prices to rise. • Includes a supported overall judgement concerning the extent to which inflation causes export prices to rise.
2	3–4	• Includes limited evidence that indicates the extent to which inflation causes export prices to rise. • Attempts a judgement concerning the extent to which inflation causes export prices to rise but this may not be adequately supported by the data.
1	1–2	• Includes evidence that does not clearly indicate the extent to which inflation causes export prices to rise. • May include an unsupported judgement concerning the extent to which inflation causes export prices to rise.
	0	No creditworthy material

Indicative content:

- over the entire period from 2010 to 2020, Japan's Consumer Price Index, an indicator of inflation, rose from 96.5 to 101.8 (an increase of 5.5%), whereas the Export Price Index fell from 103 to 92.5 (a fall of 10.2%)
- from 2012 to 2015, the Consumer Price Index rose from approximately 96 to 100 (an increase of 4.2%) and at the same time the Export Price Index also rose, from approximately 85 to 100 (an increase of 17.6%), although the increase in export prices was greater than the increase in domestic prices
- from 2010 to 2012 there was no inflation/deflation as the Consumer Price Index remained constant at approximately 96, whilst at the same time, the Export Price Index fell sharply from 103 to 85.5
- similarly, from 2015 to 2020 there was very little change in the Consumer Price Index whereas the Export Price Index fluctuated between 100 and 92.5
- conclusion that there is no real evidence to suggest that inflation causes export prices to rise in Japan over this period and, if anything, there appears to be evidence of an inverse relationship
- the goods and services included in the two different price indices could be quite different and/or be weighted differently or the 'basket of goods' could be changed at different times
- recognition that the relationship between export prices and inflation could be different in different economies and at different points in time
- additional information regarding the exchange rate and other factors would also be useful, as this is likely to be a significant factor in export prices and not just domestic inflation.

Note: For price indices allow margin of error of ±1%

Credit valid alternative content.

MAXIMUM FOR QUESTION 18: 12 MARKS

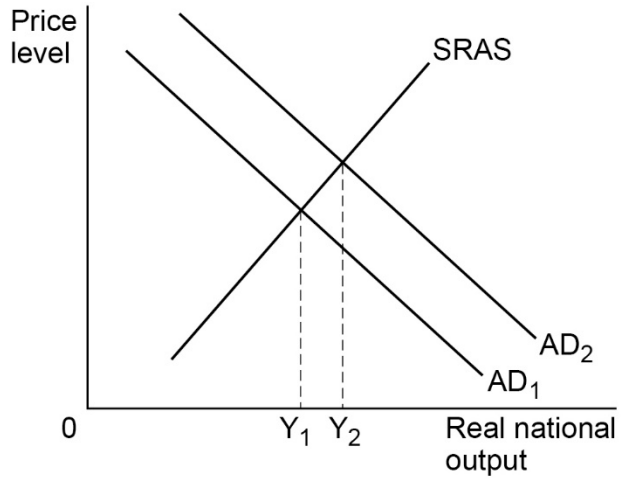
Question	Part	Marking guidance	Total marks
19		**Extract B** (lines 7–8) states: 'By 2013, the Bank of Japan decided that it should aim to raise inflation back to the 2% target and increase real national output. This time, it used quantitative easing.' With the help of a diagram, explain how quantitative easing might lead to an increase in real national output.	**9** **AO1 = 2** **AO2 = 4** **AO3 = 3**

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	• 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	• 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	1–3	• 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 increase in AD, causing an increase in real national output.



Credit alternative diagrammatic approaches, such as the use of Keynesian AS curve, or a vertical LRAS curve.

Relevant issues include:

- meanings of monetary policy and quantitative easing
- how QE injects electronic money/cash reserves into the economy by central banks purchasing less liquid bonds from financial institutions in exchange for electronic money, which can be more easily lent out to households and firms, causing consumer spending and investment to rise, and in turn an increase in aggregate demand (AD)
- how QE can lead to a decrease in the domestic interest rate by increasing the money supply in the money market, stimulating borrowing and investment and depressing saving, thus leading to an increase in AD
- how QE can lead to a decrease in the domestic interest rate through increasing the price of bonds and reducing their yield
- analysis of how an increase in AD leads to an increase in real national output
- reference to **Extract B** and the Bank of Japan's purchase of government bonds as part of its QE programme.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		**Extract C** (lines 2–3) states: 'Japan usually runs a large current account surplus.' Analyse the possible causes of a current account surplus.	**12** **AO1 = 3** **AO2 = 4** **AO3 = 5**

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	• 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	• 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	• 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:

- the meaning of a current account surplus
- examples of causes of a current account surplus eg weak currency, low domestic prices, high quality products, low shipping/trade costs, high productivity, government support for export industries, affordable and desirable domestic products which discourage imports, exporting high value-added goods, growth in main export markets, taxes on imports etc
- analysis of how a weak currency can lead to a current account surplus, by impacting the balance of trade due to exports being relatively cheaper and imports relatively more expensive, ceteris paribus
- analysis of how low domestic prices/low inflation can lead to a current account surplus, by making exports relatively more internationally price competitive thus encouraging demand for exports and reducing demand for imports because domestic goods are cheaper

- analysis of how government support for export industries could lead to a current account surplus, for example by subsidising firms which lowers prices
- analysis of how high productivity can lead to a current account surplus, for example by increasing aggregate supply and reducing inflationary pressure, improving price competitiveness of exports
- analysis of any other relevant cause of a surplus on trade in goods and services
- reference to data in the Extracts, eg Japan's falling population leading to less demand for imports, Japan's improving LRAS due to more women entering the labour force and technological improvement in productivity, Japan exporting vehicles, IT and capital goods (ie essential items), taxes on agricultural imports
- consideration of reasons for a surplus on net primary income/net secondary income.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		**Extract B** (lines 1–3) states: 'The Bank of Japan (Japan's central bank) uses monetary policy to achieve price stability, although in recent years the Bank has also used monetary policy to help achieve other macroeconomic objectives.' Use the extracts and your knowledge of economics to discuss the likely effects of Japan's recent monetary policy on its economic performance.	**20** **AO1 = 3** **AO2 = 4** **AO3 = 5** **AO4 = 8**

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	**Sound, focused analysis and well-supported evaluation that:** • 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	**Sound, focused analysis and some supported evaluation that:** • 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	**Some reasonable analysis but generally unsupported evaluation that:** • 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	**A fairly weak response with some understanding that:** • 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:** • 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 of monetary policy and economic performance
- understanding of different aspects of monetary policy as relevant to Japan, eg use of interest rates (Japan's at 0%), quantitative easing (Bank of Japan's ¥70tn and ¥80tn annual purchase of government bonds), changes/depreciation of the exchange rate, inflation target/price stability (2% in Japan)
- understanding and consideration of Japan's initial macroeconomic performance, ie deflation until 2014 then low inflation at 1% since then, recession in 2014 with growth returning by 2017, falling labour force but rising potential output, large current account surplus
- analysis of how Japan's very low interest rates should impact on the Japanese economy, ie stimulate borrowing and therefore consumer spending and investment, reducing the incentive to save, and reducing demand for the currency causing a depreciation and therefore improving the balance of trade
- impact of these factors on increasing AD, ceteris paribus, and therefore rising real national output, rising employment, a rising current account surplus and a price level that should rise back to the target of 2% from a deflationary position
- analysis of Japan's QE programme and link to macroeconomic performance (impact on price level, output, employment, trade etc)
- analysis of the impact of Japan's depreciating currency, which could stimulate exports and reduce demand for imports, improving the trade balance and increasing AD
- consideration of the effect of monetary policy on other, alternative macroeconomic indicators such as reducing inequality, eg by redistributing income from savers to borrowers, or impacting on the budget balance
- consideration of which macroeconomic performance indicators may be more important in Japan, and therefore the extent to which monetary policy has an impact
- evaluation of the effectiveness of different aspects of monetary policy, eg QE had to be used as interest rates were 0% and ineffective; QE has been increased and appears to be having some impact
- evaluation of the circumstances in which monetary policy may or may not be effective in Japan
- an overall assessment of the impact of monetary policy in Japan on macroeconomic performance.

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	1			**2**
17.2	1	3			**4**
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**