A-level
ECONOMICS
7136/2

Paper 2 National and International Economy

Mark scheme

June 2025

Version: 1.1 Final

2 5 6 A 7 1 3 6 / 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.

No student should be disadvantaged on the basis of their gender identity and/or how they refer to the gender identity of others in their exam responses.

A consistent use of 'they/them' as a singular and pronouns beyond 'she/her' or 'he/him' will be credited in exam responses in line with existing mark scheme criteria.

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

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 A

Below is the levels of response marking grid to be used when marking any 25-mark question.

Level of response	Response	Max 25 marks
5	**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.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • 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.	**16–20 marks**
3	**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.	**11–15 marks**
2	**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.	**6–10 marks**
1	**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.	**1–5 marks**

Section A

Context 1 **Total for this context: 40 marks**

0 1 *Using the data in **Extract A** (**Figure 1**), calculate how the value of the Norwegian krone has changed compared to the Singapore dollar between 26 October 2021 and 29 May 2023.*

*Give your answer as a percentage and to **one** decimal place.*

[2 marks]

Calculation: 26 of October 2021 = 0.161 29 of May 2023 = 0.122

0.161-0.122 = 0.039

(0.039/0.161) × 100 = 24.22

The change in the value of the krone = -24.2% to one d.p.

Response	**Max 2 marks**
For the correct answer (–24.2%) with the % sign and to one decimal place. Also allow any indication that the amount has decreased, such as the word ‘fallen’, ‘depreciated’ or ‘lower’. Also, for an answer which states it was “32% higher at the start compared to now” or words to that effect.	**2 marks**
For a correct answer but not to one decimal place. **OR** For the correct answer (–24.2) but without the % sign. **OR** For the correct answer of (24.2%) but without the negative sign or any indication that it has depreciated. **OR** For the correct method but the wrong answer, to one decimal place, with the % **and** negative sign.	**1 mark**

MAXIMUM FOR QUESTION 01: 2 MARKS

0 2 *Explain how the data in **Extract A (Figure 2)** show that Singapore may have benefitted from managing its exchange rate compared to Germany and Norway.*

[4 marks]

Response:	**Max 4 marks**
• includes evidence that show that Singapore may have benefitted from managing its exchange rate compared to Germany and Norway. • clearly explains how this data is evidence that Singapore may have benefitted from managing its exchange rate compared to Germany and Norway.	**4 marks**
• includes evidence that show that Singapore may have benefitted from managing its exchange rate compared to Germany and Norway. • explanation of how this data is evidence that Singapore may have benefitted from managing its exchange rate compared to Germany and Norway.	**3 marks**
• includes some limited evidence that show that Singapore may have benefitted from managing its exchange rate compared to Germany and Norway. • limited explanation of how this data is evidence that Singapore may have benefitted from managing its exchange rate compared to Germany and Norway.	**2 marks**
• includes evidence that does not clearly show that Singapore may have benefitted from managing its exchange rate compared to Germany and Norway. • no explanation of how this data is evidence that Singapore may have benefitted from managing its exchange rate compared to Germany and Norway.	**1 mark**

Relevant issues include:

- the meaning of managing its exchange rate
- Singapore had the highest average GDP growth rate (2.7%) compared to Germany who had the lowest growth rate (0.2%) or Norway (1.5%) which may be due to Singapore depreciating their currency to increase exports, a component of AD
- Singapore has the lowest inflation rate (3.3%) compared to both Norway and Germany (4.0%) which may be due to Singapore appreciating their currency to reduce import costs or diminish demand-pull inflationary pressures
- Singapore has the highest current account balance as a % of GDP (17.6%) compared to Germany who have the lowest (6.5%) and Norway (15.9%) which may be due to Singapore depreciating their currency to maintain competitiveness to increase exports and reduce imports
- Singapore has the highest current account balance as a % of GDP which may be due to Singapore depreciating their currency to maximise net primary and secondary income flows
- candidates can also be rewarded for explaining the benefits of higher growth, low inflation and/or export-led growth.

MAXIMUM FOR QUESTION 02: 4 MARKS

0 3 ***Extract B*** *(lines 6–7) states: 'Some analysts hope that, before long, the currency will start to appreciate which could help Norway reduce inflation.'*

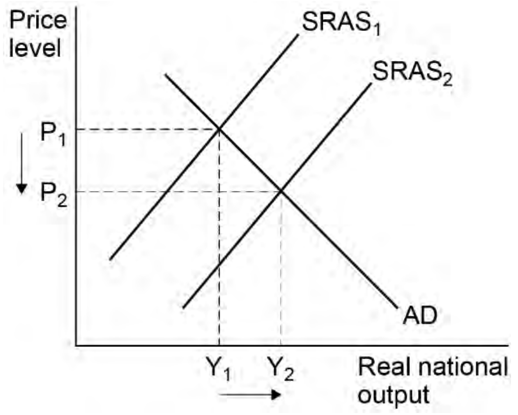
With the help of a suitable diagram, explain how an appreciation of the krone could help Norway reduce inflation.

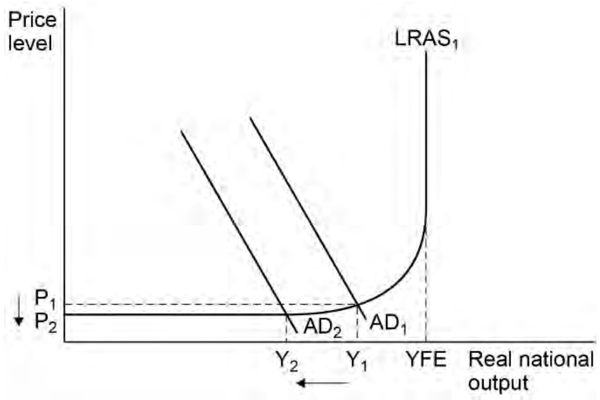
[9 marks]

Level of response	**Response:**	**Max 9 marks**
3	• 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.	**7–9 marks**
2	• 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.	**4–6 marks**
1	• 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 relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

An AD/AS diagram which shows SRAS shifting rightward is likely to be used. Equally, some candidates may just show AD shifting leftward, away from productive capacity.
An exchange rate diagram showing an appreciation may also be used and this can be credited if accompanied by a valid, relevant explanation.

Expected diagrams are:





Other variations of AD/AS diagrams should also be rewarded as long as the diagram displays a falling price level **OR** indicates clearly that the rate of increase in the price level has fallen.

Relevant issues include:

- definitions/explanations: appreciation, the exchange rate, disinflation, inflation
- explanation of the causes of an appreciation of the currency
- explanation of the effect of an appreciation on reducing the cost of imports
- linking reduced import costs to the reduction of cost-push inflation
- explanation of the effect of an appreciation reducing the competitiveness of exports and reducing AD
- explanation of the effect of an appreciation increasing the price of exports and reducing AD
- explanation of the effects on domestic consumption and reducing AD
- linking falling AD to reduced demand-pull inflationary pressures.

MAXIMUM FOR QUESTION 03: 9 MARKS

0 4 ***Extract C*** *(lines 1–2) states: 'An economy that has seen considerable success by intervening in the foreign exchange market to manage its currency is Singapore.'*

Using the data in the extracts and your knowledge of economics, assess the view that an economy is likely to perform better with a managed exchange rate rather than a freely floating exchange rate.

[25 marks]

Areas for discussion include:

- definitions/explanations: exchange rates, exchange rate systems, macroeconomic performance
- explanation of how a government or central bank can intervene to manage a currency
- explanation of the differences between a freely floating, managed and/or fixed exchange rates
- explanation of why and how the advantages and disadvantages of a fixed exchange rate compare to a managed exchange rate
- explanation of why and how the advantages and disadvantages of a floating exchange rate compare to a managed exchange rate
- analysis and evaluation of the benefits of intervening to manage an exchange rate, such as:
  - increasing currency stability
  - stability is more likely to lead to inward FDI
  - flexibility to adjust to changes in the economic climate or responding to shocks
  - being able to be used to help achieve any of the macroeconomic objectives
  - encouraging trade due to predictability
  - preventing prolonged overvaluation or undervaluation
- analysis and evaluation of the drawbacks of intervening to manage an exchange rate, such as:
  - foreign reserves may be costly to maintain
  - trade-offs and policy conflict
  - government failure, for example policy myopia or the distortion of markets
  - opening up the currency to speculative attacks
  - possible limitations of using other monetary policy tools such as interest rates
- analysis and evaluation of the extent to which self-correction of balance of payments disequilibria works for countries with a freely floating exchange rate
- explanation of Norway's reliance on oil exports, and how the changing world demand for oil may impact their currency in the future
- explanation and significance of how the Norway's trade is heavily linked to the European Union
- discussing the relative strengths of Norway's economy in terms of standards of living, GDP per capita or environmental and social aspects
- reference to other countries' experiences of intervening to manage their exchange rate, such as China, Turkey or Argentina
- an overall assessment of whether an economy is likely to perform better with a managed exchange rate rather than a freely floating exchange rate.

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

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 04: 25 MARKS

Context 2 **Total for this context: 40 marks**

0 5 *Using the data in **Extract D** (**Figure 3**), calculate the difference between the percentage increase in GDP for Japan and the USA between 2001 and 2023.*

*Give your answer to **one** decimal place.*

[2 marks]

Calculation: Japan ($6398bn – $3439bn)/$3439bn × 100 = 86.04%

USA ($27720bn – $10582bn)/$10582bn × 100 = 161.95%

161.95% – 86.04% = 75.91 percentage points

= 75.9 percentage points to 1 d.p.

Also allow 75.9%

Response	**Max 2 marks**
For the correct answer (75.9 percentage points) or with a % sign and to one decimal place.	**2 marks**
For a correct answer but not to one decimal place i.e. 75.91 percentage points or 76 percentage points (or with a % sign) **OR** For the correct answer (75.9) but without 'percentage points' or the % sign. **OR** For the correct method but the wrong answer, to one decimal place and with 'percentage points' or a % sign.	**1 mark**

MAXIMUM FOR QUESTION 05: 2 MARKS

0 6 *Explain how the data in **Extract D** (**Figure 3**) show how Ethiopia has developed at a faster rate than Japan since 2001.*

[4 marks]

Response:	**Max 4 marks**
• includes evidence that show how Ethiopia has developed at a faster rate than Japan since 2001. • clearly explains how this data is evidence that Ethiopia has developed at a faster rate than Japan since 2001.	**4 marks**
• includes evidence that show how Ethiopia has developed at a faster rate than Japan since 2001. • explanation of how this data is evidence that Ethiopia has developed at a faster rate than Japan since 2001.	**3 marks**
• includes some limited evidence that show how Ethiopia has developed at a faster rate than Japan since 2001. • limited explanation of how this data is evidence that Ethiopia has developed at a faster rate than Japan since 2001.	**2 marks**
• includes evidence that does not clearly show how Ethiopia has developed at a faster rate than Japan since 2001. • no explanation of how this data is evidence that Ethiopia has developed at a faster rate than Japan since 2001.	**1 mark**

Relevant issues include:

- the meaning of economic development
- Ethiopia had a larger increase in GDP (900%) than Japan (86%) possibly indicating rising incomes
- Ethiopia had a larger increase in GDP per capita (434.9%) than Japan (90.5%) possibly indicating rising consumption possibilities
- Ethiopia had a larger absolute and percentage rise in life expectancy (51.4 to 67.3 years = 30.9%) than Japan (81.5 to 84.7 years = 3.9%) possibly indicating faster development of healthcare
- Ethiopia had a larger absolute and percentage increase in expected years of schooling (4.7 to 9.9 years = 110.6%) than Japan (15.0 to 15.5 years = 3.3%) possibly indicating faster education improvements in Ethiopia.

MAXIMUM FOR QUESTION 06: 4 MARKS

0 7 ***Extract E*** *(lines 15–17) states: 'In recent years, some of the BRICS+ countries, including China and India, have been responsible for large foreign direct investment (FDI) inflows into the G7.'*

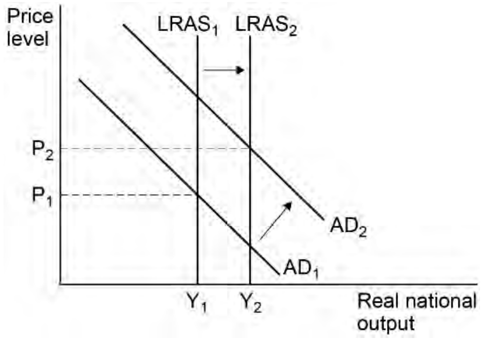
With the help of a suitable diagram, explain how increased inward foreign direct investment (FDI) can affect a country's level of employment.

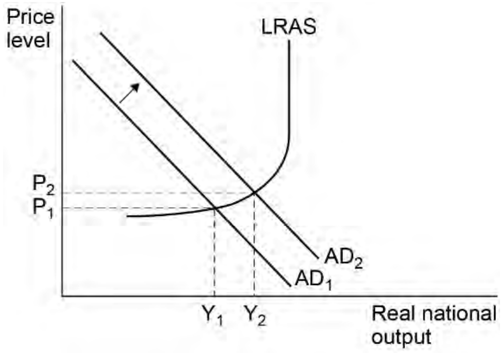
[9 marks]

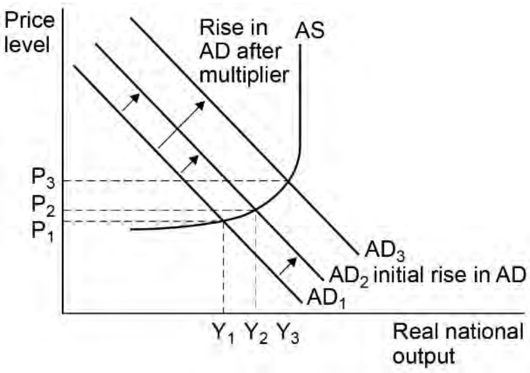
Level of response	**Response:**	**Max 9 marks**
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles 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.	**7–9 marks**
2	• 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.	**4–6 marks**
1	• 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 relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

An AD/AS diagram which shows both AD and LRAS increasing is likely to be used although responses just showing AD rising are also suitable. Candidates may also decide to use a diagram with multiple increases in AD, due to the possible multiplier effects of increased investment. A labour market diagram showing an increase in demand for labour is also acceptable.

Expected diagrams are:







Relevant issues include:

- definitions/explanations: foreign direct investment, investment
- explanation of the possible causes of increased foreign direct investment
- linking foreign direct investment to an increase in AD and/or in productive potential
- explanation of how capital investment could create more firms in the domestic economy
- linking increased output to an increased need for labour due to labour being a derived demand
- explanation of how exports may rise which is another component of AD
- explanation of possible multiplier effects
- linking the increased need for workers to demand deficient unemployment.

MAXIMUM FOR QUESTION 07: 9 MARKS

0	8

***Extract F** (lines 1–2) states: 'While some see the benefits of the emergence of the BRICS+ economies, others are more worried by their rapid economic growth.'*

Using the data in the extracts and your knowledge of economics, assess the view that the continued rapid economic growth of the BRICS+ economies is likely to be damaging to the macroeconomic performance of G7 nations, such as the UK.

[25 marks]

Areas for discussion include:

- definitions/explanations: economic growth, macroeconomic performance
- analysis and evaluation of the possible benefits of the growth of the BRICS+ economies on the G7 nations such as:
  - increased export opportunities
  - opportunities for outsourcing
  - opportunities for investment abroad including capital and portfolio investment
  - the benefits of comparative advantage
  - increased access to natural resources
  - competition driving innovation and R+D
  - increased consumer surplus from new, more reliable supply chains
- analysis and evaluation of the possible problems of the growth of the BRICS+ economies on the G7 nations such as:
  - loss of infant industries
  - the problems of enforcing property rights
  - increased imports (leakages from the circular flow)
  - loss of global influence of institutions such as the world bank or IMF
  - competition for resources driving up prices
  - environmental concerns
  - unemployment
  - opening up the economies to economic shocks
- discussing the impact of the emergence of BRICS+ on the G7 economies in terms of the macroeconomic performance indicators or living standards
- analysis and evaluation of whether all G7 nations will be impacted in the same way
- discussing recent issues such as trade wars between China and the USA
- analysis and evaluation of arguments for and against globalisation or deglobalisation
- considering the ability of G7 nations to adapt or diversify to changes in the global economy
- discussing protectionism or recent developments between G7 nations such as embargoes or political tensions with Russia
- analysis and evaluation of possible changes in future technology changing opportunities for knowledge transfer, innovation or trade
- considering whether collaboration between the G7 nations and the BRICS+ economies is likely or not
- an overall assessment of whether continued rapid economic growth of the BRICS+ economies is likely to be damaging to the macroeconomic performances of G7 nations, such as the UK.

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

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 08: 25 MARKS

Section B

Below is the levels of response marking grid to be used when marking any 15 mark-question.

Level of response	Response	Max 15 marks
3	**A good response provides an answer that:** • 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 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.	**11–15 marks**
2	**A reasonable response provides an answer that:** • 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 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.	**6–10 marks**
1	**A weak response provides an answer that:** • has identified one or more relevant issues • 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 to the given context and/or data to the question • might have some limited analysis but it may lack focus and/or become confused.	**1–5 marks**

Section B

Essay 1 **Total for this essay: 40 marks**

0	9

Explain factors that may lead to an increase in a country's national debt as a percentage of GDP.

[15 marks]

Relevant issues include:

- definitions/explanations: national debt, GDP
- explanation of the link between budget balance and the national debt
- linking changes in government spending to discretionary fiscal policy or automatic stabilisers
- linking changes in government spending and taxation to the economic cycle
- analysis of how national debt may rise as a percentage of GDP if, for example, GDP falls and national debt stays the same
- analysis of reasons government spending may increase such as:
  - spending on infrastructure or defence
  - spending on welfare benefits during periods of high unemployment
  - external or unanticipated shocks
  - interest rates and servicing the national debt
  - demographic changes
- analysis of reasons taxation may fall such as:
  - lower income tax revenue during periods of high unemployment
  - lower VAT or corporation tax revenues during recessions
  - tax evasion or tax avoidance
  - decisions to cut various taxes by the government.

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

Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 09: 15 MARKS

1 0 *Assess the view that raising direct taxes to finance an increase in government spending is better than raising indirect taxes.*

[25 marks]

Areas for discussion include:

- defining/explanations: taxation, government spending, direct taxes, indirect taxes
- explanation of government spending in terms of current, capital and transfer payments
- explanation of the various forms of taxation and differences between direct and indirect taxation
- explanation of why governments levy taxes
- explanation of the differences between progressive, proportional and regressive taxes
- discussion of the principles of taxation, such as that taxes should be equitable
- analysis and evaluation of the benefits of raising direct taxes such as:
  - equity issues and ability to pay
  - certainty and a predictable source of revenue
- analysis and evaluation of the problems of raising direct taxes such as:
  - disincentives to work
  - tax evasion
  - high rates of progressive taxation possibly leading to 'brain drain'
- analysis and evaluation of the benefits of raising indirect taxes such as:
  - targeting behaviour, for example taxing demerit goods
  - convenience by collecting at point of sale
- analysis and evaluation of the problems of raising indirect taxes such as:
  - regressive impacts and effects on inequality
  - the effects on inflation
  - the possibility that revenue may fall if the demand for goods is price elastic
- analysis and evaluation of the role and relative merits of different UK taxes
- considering the impacts of raising taxation on the macroeconomic objectives or living standards
- discussing whether taxation needs raising at all or if it is better to rely on borrowing
- considering how the impacts may depend on where the economy is in the economic cycle
- considering whether taxes are noticeable or discussion of 'stealth' taxes
- an overall assessment of whether raising direct taxes to finance an increase in government spending is better than raising indirect taxes.

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

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 10: 25 MARKS

Essay 2 **Total for this essay: 40 marks**

1	1	*Explain how supply-side policies can help to achieve a low, stable rate of inflation.*

[15 marks]

Relevant issues include:

- definitions/explanations: supply-side policies, inflation
- relating a low, stable rate of inflation to the target rate of 2%+/–1%
- explanation of how intervention can target product or labour markets
- explanation of the difference between interventionist and free-market approaches
- linking supply-side policies to improved efficiency and productivity
- linking supply-side policies to increasing the productive potential of the economy
- linking the increased productive potential to the alleviation of demand-pull pressures
- explanation of how cost-push pressures can be reduced by supply-side policies
- explanation of both short-run and long-run effects of supply-side policies on firms' costs
- explanation of how specific interventionist supply-side policies, such as spending on education or infrastructure, can help achieve a low, stable rate of inflation
- explanation of how specific free-market supply-side policies, such as privatisation or reduced taxation, can help achieve a low, stable rate of inflation.

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

Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 11: 15 MARKS

1 2 *Evaluate the view that a low rate of inflation is always beneficial for a country's macroeconomic performance.*

[25 marks]

Areas for discussion include:

- definitions/explanations: inflation, macroeconomic performance
- explanation of possible reasons why the inflation rate may be low
- splitting the reasons into demand-side or supply-side causes
- analysis and evaluation of the benefits of a low rate of inflation such as:
  - o lower relative cost of living changes
  - o economic stability may encourage investment
  - o allowing consumers to continue to spend
  - o helping economic agents planning, leading to better resource allocation
  - o allowing the central bank to keep interest rates low, making borrowing cheaper for firms and individuals
  - o reducing the problems associated with high inflation rates or hyperinflation
  - o increasing international competitiveness if other countries' inflation rates are higher
  - o reducing some of the effects of inequality by keeping essential goods affordable
  - o considering the impact on the other macroeconomic performance indicators
- analysis and evaluation of the problems of a lower rate of inflation such as:
  - o the risk of malign deflation
  - o the possibility that consumers will delay consumption decisions
  - o wage rigidity
  - o firms facing lower revenue growth
  - o debt not eroding as quickly as with moderate inflation
- considering the causes of the low rate of inflation may determine its impact
- considering the differences between the cause and effects of a low inflation rate
- analysis and evaluation of how benign deflation/disinflation may be beneficial
- discussing the role of the MPC and the target of 2%+/–1% on the CPI measure
- discussing the fact that as inflation approaches zero, it is likely that the central bank's interest rate is low, possibly causing a liquidity trap
- analysis and evaluation of trade-offs, for example has obtaining the low inflation been at the expense of growth or employment
- considering where the economy is on the economic cycle
- An overall assessment of whether a falling rate of inflation is always beneficial for a country's economy.

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

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 12: 25 MARKS

Essay 3 **Total for this essay: 40 marks**

1 3 *Explain the main limitations of using national income data to assess differences in living standards between countries.*

[15 marks]

Relevant issues include:

- definitions/explanations: national income, living standards
- explanation of the limitations of using national income data such as not:
    - accounting for inequality and the distribution of income and wealth
    - including non-market activities such as caregiving or subsistence farming or accounting for shadow economies
    - measuring the quality of life or considering the quality of goods and services
    - considering the environmental impacts of production or the using up of scarce resources
    - considering work-life balance or considering political or social aspects such as personal freedoms or safety
- explanation of the need to consider population size and the difficulties in estimating this
- explanation of the need for PPP exchange rates when comparing living standards between countries
- describing how even if PPP is accounted for it still doesn't include variations in regional prices
- explanation of how spending on things such as the military may add to national income but not necessarily improve living standards
- explanation of problems in collating data particularly in economies with high rates of informal employment
- explanation of alternative ways of measuring living standards such as the HDI, Gini coefficient, Lorenz curve, Happy Planet Index or other happiness indicators.

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

Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 13: 15 MARKS

1	4

Assess the view that economic development in LEDCs is best achieved through interventionist strategies.

[25 marks]

Areas for discussion include:

- definitions/explanations: economic development, interventionist strategies, LEDCs
- explanation of the main differences between economic growth and economic development
- explanation of the links between economic growth and economic development
- analysis and evaluation of possible interventionist strategies such as:
  - investment in infrastructure
  - provision of education and healthcare
  - industrial policy
  - nationalisation
  - public-private partnerships
  - regulatory reforms
  - monetary policy and fiscal measures, such as subsidies and grants
  - methods of attracting FDI
  - protectionism
- analysis and evaluation of alternative strategies that could be classed as free-market approaches, such as deregulation, trade liberalisation, tax reforms, labour market flexibility or the establishment of special economic zones (SEZs)
- considering aid versus trade arguments
- explanation of how membership of trading blocs such as ASEAN or AfCFTA may affect trade and development
- explanation of the role of organisations such as the United Nations, World Bank or IMF and considering their effectiveness
- analysis and evaluation of the role of multinational corporations in creating economic development or the role of NGOs, charities or faith-based organisations
- discussing the difficulties faced by LEDCs in achieving economic development
- explanation of possible trade-offs when trying to achieve economic development
- discussing government finances, national debt or opportunity cost
- considering different countries' experiences of economic development
- analysis and evaluation of inequality within nations or regional issues
- an overall assessment of whether economic development in LEDCs is best achieved through interventionist strategies.

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

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 14: 25 MARKS