



Mark Scheme (Results)

October 2022

Pearson Edexcel International Advanced Level
In Economics (WEC12) Paper 01
Unit 2: Macroeconomic performance and policy

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October 2022

Question Paper Log Number P72461A

Publications Code WEC12_01_2210_MS

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgment is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

| Question | Quantitative skills assessed | Answer | Mark |
|----------|--------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| 1 | QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | <p>The only correct answer is C</p> <p><i>A is not correct as this does not explain the conflict; shows full employment</i></p> <p><i>B is not correct as it shows the relationship between the price level and real output</i></p> <p><i>D is not correct as it shows the relationship between the price level and real output</i></p> | (1) |
| 2 | QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | <p>The only correct answer is B</p> <p><i>A is not correct as demand deficiency is associated with a recession</i></p> <p><i>C is not correct as seasonal unemployment is associated with jobs at different times of the year</i></p> <p><i>D is not correct as structural unemployment is associated with a change in the sectoral structure of the economy</i></p> | (1) |
| 3 | QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | <p>The only correct answer is A</p> <p><i>B is not correct because withdrawals will be greater than injections</i></p> <p><i>C is not correct because the data relates to the government's budget</i></p> <p><i>D is not correct because the data relates to the government's budget</i></p> | (1) |
| 4 | QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | <p>The only correct answer is C</p> <p><i>A is not correct because this will improve France's trade balance</i></p> <p><i>B is not correct because this will improve France's trade balance</i></p> <p><i>D is not correct because this will improve France's trade balance</i></p> | (1) |

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| 5 | <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> | <p>The only correct answer is D</p> <p><i>A is not correct as QE will increase the availability of credit</i></p> <p><i>B is not correct as QE will increase the rate of inflation</i></p> <p><i>C is not correct as QE will reduce the rate of unemployment</i></p> | (1) |
| 6 | <p>QS5: Calculate and interpret index numbers</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> | <p>The only correct answer is D</p> <p><i>A is not correct as this is the index number for 2018 using 2020 as the base year</i></p> <p><i>B is not correct as this is the index number for 2019 using 2020 as the base year</i></p> <p><i>C is not correct as this is the index number for 2020 using 2019 as the base year</i></p> | (1) |

Section B

| Question | With reference to the chart, explain one likely effect of this trend in the rate of inflation. | Mark |
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| 7 | <p>Answer</p> <p>Knowledge 1, Analysis 2, Application 1</p> <p>Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p>Knowledge and Analysis 1 knowledge mark for defining inflation, e.g.:</p> <ul style="list-style-type: none"> • Increase in the general price level of the economy / a rise in the average prices of goods and services in an economy (1K) <p>OR</p> <p>1 knowledge mark for identifying one likely effect of rising inflation and up to 2 marks for linked explanation of the effect identified, e.g.:</p> <ul style="list-style-type: none"> • Increased inequality (1K) those who have fixed incomes (1AN) who are not protected by inflation – e.g. students, dependents, pensioners are often the poorest (1AN) • May worsen trade balance (1K) as price of Denmark’s exports may rise more than the price of other countries’ goods (1AN) making exports less internationally competitive (1AN) • Fall in real incomes (1K) leading to lower consumer confidence/ decrease in purchasing power (1AN) and hence, reducing living standards (1AN) • Greater uncertainty (1K) leading to loss of business confidence (1AN) which reduces or postpones investment/spending and hence may reduce economic growth (1AN) <p>Application 1 mark for appropriate use of the chart, e.g.:</p> <ul style="list-style-type: none"> • For identifying an increase in the rate of inflation (1) • Between Jan 2021 and Nov 2021, the rate of inflation increased from approximately 0.6% to 3.4% / by 2.8 <i>percentage points</i> (1) | (4) |

| Question | <p>In 2021 average house prices in the Philippines fell by over 10%. This had a significant impact on existing homeowners.</p> <p>Based on this information, draw an AD and LRAS diagram to show the likely impact of this fall in house prices on the price level and real output in the Philippines.</p> <p>Answer</p> | Mark |
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| 8 | <p>Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <div data-bbox="347 891 1273 1220" style="text-align: center;"> <p>The image contains two side-by-side AD-AS diagrams. Both have 'PL' (Price Level) on the vertical axis and 'Real GDP' on the horizontal axis. A vertical line represents the Long-Run Aggregate Supply (LRAS) curve. In the left diagram, the LRAS curve is vertical at output level Y1. Two downward-sloping Aggregate Demand (AD) curves are shown: AD1 (higher) and AD2 (lower), with an orange arrow pointing from AD1 to AD2. The initial equilibrium is at the intersection of AD1 and LRAS, corresponding to price level P1 and output Y1. The new equilibrium is at the intersection of AD2 and LRAS, corresponding to a lower price level P2 and a lower output level Y2. In the right diagram, the LRAS curve is vertical at output level Y1. Two downward-sloping AD curves are shown: AD1 (higher) and AD2 (lower), with an orange arrow pointing from AD1 to AD2. The initial equilibrium is at the intersection of AD1 and LRAS, corresponding to price level P1 and output Y1. The new equilibrium is at the intersection of AD2 and LRAS, corresponding to a lower price level P2 and the same output level Y1.</p> </div> <p>Knowledge Correctly drawn diagram with correctly labelled AD/LRAS curves showing the original equilibrium price level and real output (1)</p> <p>Application Up to 3 marks for the following information included on the diagram:</p> <ul style="list-style-type: none"> • Drawing AD shifted to the left (1) • Showing correct lower price level (1) (not rewarded if 'price' is used on the axis) • Showing correct lower real GDP/income/output (1) (not rewarded if 'quantity' is used on the axis) <p>NB: Award a maximum of 2 marks if LRAS shifted along with AD (4)</p> | |

| Question | Calculate the change in Canada's balance of trade between 2019 and 2020. Show your workings. Answer | Mark |
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| 9 | <p>Knowledge 1, Application 3</p> <p>Quantitative Skill assessed QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <p>Knowledge 1 mark for correct formula/implicit understanding, e.g.:</p> <ul style="list-style-type: none"> • Net trade balance = $(X-M) /$ • Value of exports – value of imports (1) <p>Application Up to 3 marks for use of data in calculation from the following, e.g.:</p> <ul style="list-style-type: none"> • 2019 → $\\$555.8\text{bn} - \\$583.6\text{bn} = -\\$27.8\text{bn}$ (1) • 2020 → $\\$477.1\text{bn} - \\$510.8\text{bn} = -\\$33.7\text{bn}$ (1) • Change → $-\\$33.7\text{bn} - -\\$27.8\text{bn} = -\\$5.9\text{bn}$ (1) <p>NB: if correct answer (-\\$5.9 billion/\\$5.9 billion/21.2%) is given, award full marks regardless of working.</p> <p>NB: award 3 marks if billion is not included in the final answer</p> | (4) |

| Question | With reference to this information, explain one likely macroeconomic impact of an increase in the base interest rate. Answer | Mark |
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| 10 | <p>Knowledge 1, Analysis 2, Application 1</p> <p>Quantitative Skill assessed QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <p>Knowledge and Analysis 1 knowledge mark for identifying one impact and up to 2 marks for linked explanation of the impact identified:</p> <ul style="list-style-type: none"> • Decrease in consumption (C) (1K) – disincentivises spending on credit as the cost of borrowing has increased (1AN) thus AD/consumer confidence/inflation is likely to decrease / and incentivises savings as return on saving has risen (1AN) • Increase in savings (1K) as the reward for saving has risen (1AN) and therefore real output/AD is likely to decrease / unemployment is likely to rise (1AN) • Decrease in investment (I) (1K) as the cost of borrowing to finance investment has risen (1AN) and therefore business confidence/injections are likely to fall (1AN) • Decrease in net trade (X-M) (1K) as a result of greater demand for the currency/upward pressure on the exchange rate (1AN) making exports relatively more expensive / making imports relatively cheaper (1AN) <p>Application 1 mark for appropriate reference to context, e.g.:</p> <ul style="list-style-type: none"> • Between January 2021 and December 2021, base interest rate increased from 2% to 9.75% / interest rate increased by 7.75 <i>percentage points</i> (1) • An accurately drawn and labelled AD/AS diagram showing an inward/leftward shift of AD (1) | (4) |

| Question | With reference to the table, explain what is meant by 'gross investment'. Answer | Mark |
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| 11 | <p>Knowledge 2, Application 2</p> <p>Quantitative Skills Assessed QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <p>Knowledge Up to 2 marks for defining gross investment, e.g.:</p> <ul style="list-style-type: none"> • Gross investment = net investment + depreciation (2) • Gross investment includes replacement of worn-out capital stock / Gross investment data includes an estimate for the value of capital depreciation (1) • Investment refers to the increase in the capital stock / Investment is an injection into the CFI (1) <p>Application Up to 2 marks for explicit reference to the data, e.g.:</p> <ul style="list-style-type: none"> • Gross investment in Tanzania increased (1) from \$15.5bn in 2015 to \$25.6bn in 2020 (1) • Gross investment in Tanzania increased (1) by 65.16% / 65.2% / \$10.1 billion (1) | (4) |

Section C

| Question | Define the term 'net migration' (Extract A, line 13). Answer | Mark |
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| 12(a) | <p>Knowledge 2</p> <ul style="list-style-type: none"> • Immigration minus (1) emigration (1) • Difference between number of people entering the country and (1) the number of people leaving the country (1) | (2) |

| Question | With reference to Figure 2 and Extract A, analyse two possible impacts of net migration on the UK economy. Answer | Mark |
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| 12(b) | <p>Knowledge 2, Application 2, Analysis 2</p> <p>Quantitative Skill Assessed QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p>Knowledge and analysis Up to 2 knowledge marks for identifying two possible impacts of net migration on the UK economy and 1 analysis mark for linked development of each impact e.g.:</p> <ul style="list-style-type: none"> • Lower productivity (1K) if there are more low skilled workers immigrating as they have low levels of human capital (1AN) / Higher productivity (1K) if there are more high skilled workers immigrating as they have high levels of human capital (1AN) • Greater labour market flexibility/employment (1K) as workers will take jobs where shortages/unfilled vacancies exist (1AN) • Increase in frictional unemployment (1K) as net migration can result in displacement of existing labour force: lead to workers moving between jobs to search for new employment (1AN) • Could increase the rate of economic growth (1K) if AD increases due to higher consumer spending in the economy (1AN) • Increase in government expenditure (1K) as demand for public goods and services will increase, e.g. schools/hospitals (1AN) • Increase in tax revenue (1K) as more people will be part of the labour force/start businesses paying higher income tax, VAT and corporation tax (1AN) <p>Application Up to 2 marks for use of Figure 2, e.g.,</p> <ul style="list-style-type: none"> • Between 2010 and 2019 net migration increased by 5.9% (1+1) • Net migration was 256 000 in 2010 (1) and 271 000 in 2019 (1) • Highest net migration in 2015/Lowest net migration in 2012 (1) • More people immigrated to UK than people who emigrated (1) • Net migration was positive in each year from 2010 to 2019 (1) | (6) |

| Question | With reference to Figure 1, explain the term 'productivity'. | Mark |
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| | Answer | |
| 12(c) | <p>Knowledge 2, Application 2</p> <p>Quantitative Skill Assessed QS5: Calculate and interpret index numbers QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p>Knowledge Up to 2 marks for defining productivity, e.g.:</p> <ul style="list-style-type: none"> • Output per (1) unit of input/worker/hour worked (1) • Amount of output produced (1) in a given period of time (1) • Ratio of output volume (1) to input volume (1) • How efficiently production inputs are being used (1) to produce a given level of output (1) • How much output can be produced (1) from a given set of inputs/resources (1) <p>Application Up to 2 marks for correctly identifying trends in productivity from Figure 1, e.g.:</p> <ul style="list-style-type: none"> • Between 2010 and 2020 productivity in the USA increased by around 10% (1+1) • Between 2010 and 2020 productivity in the UK increased from 100 to 104.5 (1) • In 2019/2020 the USA overtakes Germany as having the highest productivity (1) • Productivity improved in all the given countries (1) • UK productivity was the lowest amongst all countries (1) • Productivity rose at a faster rate in Germany than in the UK (1) | (4) |

| Question | Examine two likely macroeconomic effects of 'significant wage increases' (Extract A, line 21) on the UK economy. Answer | Mark |
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| 12(d) | <p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <p>Quantitative Skill Assessed QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p>Knowledge and analysis Up to 2 marks for identifying two likely effects of wage increases and 1 analysis mark for each linked development e.g.:</p> <ul style="list-style-type: none"> • Decrease in real output (1K) as the SRAS is likely to shift to the left/inwards due to rising costs (1AN) • Increase in cost-push inflation (1K) as workers demand higher wages because their real income eroded by inflation/firms can pass higher costs to consumers in form of higher prices (1AN) • Increase in unemployment (1K) as there will be lower demand for labour/firms are likely to introduce more capital-intensive methods of production in their operations (1AN) • Deterioration in the balance of trade (1K) because the higher wages can cause firms costs to rise resulting in higher export prices/more imports due to greater marginal propensity to import (1AN) • Increase in living standards/national happiness (1K) as these increases in real wages would enable people to access more goods and services (1AN) • Greater consumption (1K) as higher wages will increase the workers affordability of goods and services/increase workers demand for goods and services/AD increases (1AN) • Higher productivity (1K) as workers become more motivated to work harder/if firms replace workers with capital (1AN) • Increased tax revenue for the government (1K) from greater income tax/indirect taxes (1AN) <p>NB Accept negative effects as KAA and positive effects as Evaluation (and vice versa)</p> | |

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| | <p>Application Up to 2 marks for use of the reference to context, e.g.,</p> <ul style="list-style-type: none"> • Have been experienced especially in the jobs where severe shortages exist (1) • Rising wages could incentivise businesses to invest in labour-saving machinery and staff training (1) • Concern that these wage increases will harm the UK economy unless it is supported by higher productivity (1) • An accurately drawn and labelled AD/SRAS diagram (1) <p>Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.:</p> <ul style="list-style-type: none"> • The magnitude of the wage increase is relatively large (1) as the wage increases have been 'significant', so impact is likely to be considerable (1) • In the short-run, wage increases will have a sizable impact on inflation/real output (1) as any positive impact on productivity will take time to come into effect (1) • Impact on inflation depends on whether there has been an increase in real wages or nominal wages (1) as an increase in real wages is likely to raise living standards (1) • The increase in living standards will only occur if the nominal wages increase faster (1) than the rate of inflation (1) | (8) |
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| Question | <p>Discuss supply-side policies that the UK Government could use to increase productivity.</p> <p>Indicative content</p> |
| 12(e) | <p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.</p> <p>The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Quantitative Skill Assessed</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p>Knowledge, Application and Analysis (8 marks) – indicative content</p> <ul style="list-style-type: none"> • Supply-side policies are designed to increase productivity, competition, and incentives in an economy – it can be shown via a shift outward of the LRAS creating both actual and potential growth • Between 1997 and 2008, the average annual productivity growth was only 1.9%. Between 2009 and 2019 it fell to 0.7%. By 2021 productivity was nearly 20% below the level it would have reached if it had continued at 1.9% • Increased government spending on skills through investment in education and/or training – this would increase human capital and raise productivity • Increased government spending on infrastructure investment (e.g., roads or broadband) – this would reduce industry costs or improve access to market • Reducing the level of welfare benefits – this would incentivise unemployed to take jobs, work harder and increase output per worker of those in work • Privatisation - this may lead to increased competition, greater innovation due to higher R&D spending, and therefore higher productivity in the UK • Cutting cost of bureaucracy and/or deregulation of firms – this would raise efficiency and productivity by increasing competition between firms • Reducing corporation tax/subsidies – this incentivises firms to innovate by investing in technological advancements; hence increasing potential output • Lowering regulation (deregulation of markets) and/or increasing competition • Increasing the country's national minimum wage |

| Level | Mark | Descriptor |
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| | 0 | No rewardable material. |
| Level 1 | 1-3 | Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning. |
| Level 2 | 4-6 | Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted. |
| Level 3 | 7-8 | Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence. |
| <p>Evaluation (6 marks) - indicative content</p> <ul style="list-style-type: none"> • Government will have to spend significant amount of money to increase UK's productivity – comparison drawn between countries using Figure 1 • It is difficult for the UK Government to accurately measure productivity • Significant time lags and implementation lags for supply-side policies • Creates an opportunity cost for the UK Government: it may lead to more productivity if spent in another sector of the economy, e.g. healthcare • Supply-side policies are less effective when there is large amounts of spare capacity in an economy: they create potential growth but no actual growth • Consideration of effectiveness of supply-side policies such as infrastructure and education at delivering sustainable growth • Depends on the quality of education, training and infrastructure projects • Privatisation may lead to private monopolies, leading to less productivity • Cut in welfare benefits designed as an incentive to work may be ineffective if the unemployed are willing to receive less payments and do not work • Reducing bureaucracy may create unemployment in the short-term | | |

| | | <ul style="list-style-type: none"> • Cut in corporation tax would be ineffective if companies boost short-term profits rather than investing in productivity-boosting technology • Increasing national minimum wage may lead to unemployment if firms decide to replace workers with capital |
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| Level | Mark | Descriptor |
| | 0 | No rewardable material. |
| Level 1 | 1-2 | <p>Identification of generic evaluative comments.</p> <p>No supporting evidence/reference to context.</p> <p>No evidence of a logical chain of reasoning.</p> |
| Level 2 | 3-4 | <p>Evidence of evaluation of alternative approaches.</p> <p>Some supporting evidence/reference to context.</p> <p>Evaluation is supported by a partially-developed chain of reasoning.</p> |
| Level 3 | 5-6 | <p>Evaluation recognises different viewpoints and/or is critical of the evidence.</p> <p>Appropriate reference to evidence/context.</p> <p>Evaluation is supported by a logical chain of reasoning.</p> |

Section D

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| Question | Evaluate the limitations of using GDP data to compare living standards between countries. Indicative content |
| 13 | <p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.</p> <p>The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application and Analysis (12 marks) – indicative content</p> <ul style="list-style-type: none"> • Understanding of the term real GDP/living standards • Rate of economic growth is lower for developed countries than of the developing countries • Reference to differences in percentage change in real GDP from stem or more widely <p>Limitations of comparison may include:</p> <ul style="list-style-type: none"> • Percentage changes are misleading without any reference to total GDP • Presence of an informal and unpaid economy will imply that some output is unrecorded as it is not bought or sold and there is no resulting income – size of informal economy of developing countries is significantly larger than that of developed countries • Population growth in developing countries, such as Guyana, may account for most growth in GDP; need to consider GDP per capita • Differences in distribution of income as growth varies between countries • Quality of life issues, such as spending on health and education – impact is very difficult to measure, especially in developing countries • Differences in quality of housing and environment between countries • Subsistence, barter and the hidden economy will undervalue the real output and national income will not reflect true living standards • Currency values do not effectively calculate accurate purchasing power parity/exchange rates might not accurately reflect these differences in purchasing power of currencies • Spending on investment goods may raise future living standards at the expense of the current generation’s quality of life • Methods of calculation and reliability of data may be questioned • The size of the public sector spending, especially in developed countries such as Norway/Finland, which may or may not improve living standards |

| | <ul style="list-style-type: none"> Nominal GDP data ignores the impact of inflation which can significantly reduce the real GDP figure impacting living standards Standard of living is subjective, and therefore it cannot be measured effectively and accurately Differences in the composition of GDP <p>NB: Award a maximum of Level 3 for answers with no reference to countries in their answer</p> | |
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| Level | Mark | Descriptor |
| | 0 | No rewardable material. |
| Level 1 | 1–3 | Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning. |
| Level 2 | 4–6 | Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence. |
| Level 3 | 7–9 | Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted. |
| Level 4 | 10–12 | Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence. |

| | Evaluation (8 marks) – indicative content | |
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| | <ul style="list-style-type: none"> • Benefits of using GDP for comparison – e.g., it is a standard measure used by all countries and is well understood by policymakers • GDP is an accurate indicator of the size of an economy and the GDP growth rate is probably the best indicator of economic growth • GDP is internationally recognised as it is the most reliable method of comparing living standards between countries • Simpler to measure GDP than any other composite indicators • Ease of using GDP data for comparison over time between countries • Other measures might be better, e.g., GDP per capita gives an indication of average incomes, which is a key determinant of living standards • GDP is dynamic and enables policymakers/central banks to determine whether their economy is contracting or expanding and promptly take necessary action to ensure living standards are maintained • GDP allows policymakers, economists, and businesses to analyse the impact of changes in monetary and fiscal policy, economic shocks, etc. • SR v LR considerations: The global health crisis may have affected GDP of countries in 2021 | |
| Level | Mark | Descriptor |
| | 0 | No rewardable material. |
| Level 1 | 1–3 | Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning. |
| Level 2 | 4–6 | Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning. |
| Level 3 | 7–8 | Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning. |

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| Question | <p>Evaluate the potential conflicts between the objective of economic growth and two other macroeconomic objectives. Refer to a country of your choice in your answer.</p> <p>Indicative content</p> |
| 14 | <p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.</p> <p>The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, Application and Analysis (12 marks) – indicative content</p> <ul style="list-style-type: none"> • Understanding of economic growth/macroeconomic objectives • Implicit or explicit identification of macroeconomic objectives • Relevant diagram, e.g., AD/AS diagram showing rightward shift in AD and/or AS curve <p>Potential conflicts include:</p> <ul style="list-style-type: none"> • Inflation rising as full capacity is approached – bottlenecks may arise where some restrictions in the supply chain can cause cost and wage pressures • Balance of payments position may deteriorate as incomes rise and more imports are demanded as a country might have a high marginal propensity to import • Growth should result in higher average living standards, but may not deliver a more fair or equitable distribution of income and wealth as rich tend to get rich faster than the poor do • Increased growth tends to lead to high external costs/deterioration of the environment from congestion and pollution <p>NB: Award a maximum of Level 3 for answers with no reference to an economy</p> |

| Level | Mark | Descriptor |
|----------------|-------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 0 | No rewardable material. |
| Level 1 | 1-3 | <p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Use of generic material or irrelevant information or inappropriate examples.</p> <p>Descriptive approach which has no chains of reasoning.</p> |
| Level 2 | 4-6 | <p>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Limited application of knowledge and understanding to economic problems in context.</p> <p>A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.</p> |
| Level 3 | 7-9 | <p>Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.</p> <p>Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully or some stages are omitted.</p> |
| Level 4 | 10-12 | <p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.</p> <p>Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.</p> |

| Evaluation (8 marks) – indicative content | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> • Significance of the stage in trade cycle that the country is in, and the implications for elasticity of the AS/proximity to the full employment level of output • If it is supply-side economic growth (rather than demand-side) then there will be fewer conflicts with other objectives • Objectives of low unemployment and/or balanced government budget should not conflict with economic growth • Depends on the initial state of inflation in the economy • Extent of domestic economy's capacity to meet rising demand (i.e., if economy can supply wants) • Extent of effectiveness of environmental policies, e.g., many developed economies may have strict environmental laws/regulation encouraging the use of clean and green technology • Balance of payments position may improve if it is export-led growth/if generated through increase in productivity (e.g., through investment) • Economic growth may lead to higher government revenues and scope to invest in green technology | | |
| Level | Mark | Descriptor |
| | 0 | No rewardable material. |
| Level 1 | 1–3 | Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning. |
| Level 2 | 4–6 | Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning. |
| Level 3 | 7–8 | Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning. |

