Pearson Edexcel

Mark Scheme (Results)

January 2023

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

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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 judgement 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.

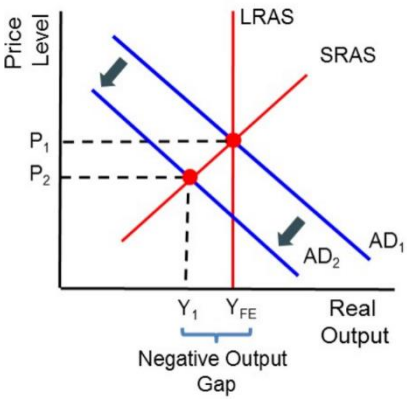
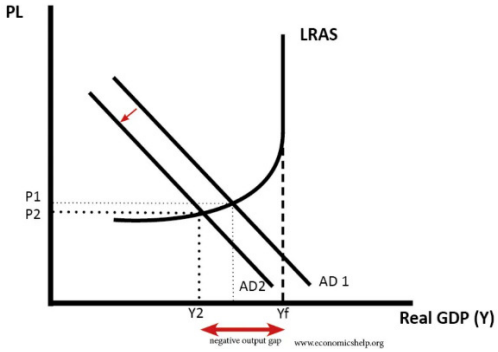
Section A

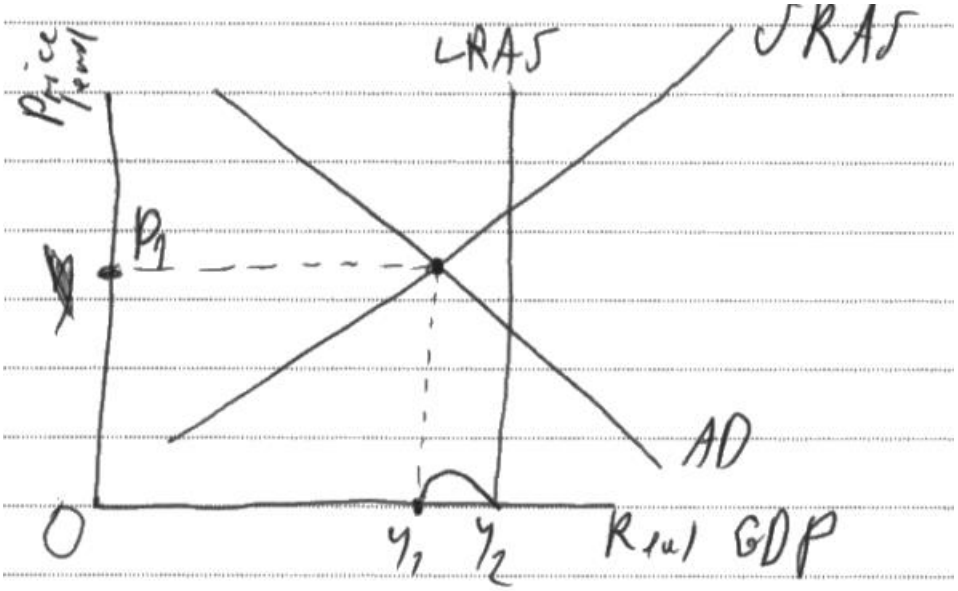
Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as a decrease in the MPT will increase the value of the multiplier* ***B*** *is not correct as a decrease in the MPS will increase value of the multiplier* ***C*** *is not correct as an increase in the MPC will increase the value of the multiplier*	**(1)**
2	**-**	**The only correct answer is B** ***A*** *is not correct as profits for firms are likely to rise* ***C*** *is not correct as the government is likely to earn more tax revenue* ***D*** *is not correct as this is a benefit of growth*	**(1)**
3	**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	**The only correct answer is C** ***A*** *is not correct as unemployment did not rise due to changes in seasons* ***B*** *is not correct as unemployment did not rise due to changes in technology/sectors* ***D*** *is not correct as unemployment did not rise as a result of people changing jobs*	**(1)**
4	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct because an increase in real GDP per capita is likely to cause a decrease in the rate of unemployment* ***C*** *is not correct because an increase in real GDP per capita is likely to cause an increase in consumer confidence* ***D*** *is not correct because an increase in real GDP per capita is likely to increase the purchasing power of consumers*	**(1)**

5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** ***A*** *is not correct as the rate of economic growth is most likely to decrease as AD would fall* ***C*** *is not correct as the higher base rate of interest will increase the cost of borrowing* ***D*** *is not correct as the higher base rate of interest will increase the reward for saving*	**(1)**
6	**QS1:** Calculate, use and understand ratios and fractions **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** ***B*** *is not correct as this is the ratio for 2018:2019* ***C*** *is not correct as this is the ratio for 2019:2018* ***D*** *is not correct as this is the ratio for 2020:2018*	**(1)**

Section B

Question	With reference to the chart, explain **one** likely cause for the deficit in Austria's balance of trade in goods and services.	Mark
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for identification of a reason, e.g. • Relatively low productivity/ • Relatively high rate of inflation/ • Appreciation of the exchange rate/ • Increasing real incomes/increase in economic growth/ • Deterioration in quality of Austrian goods/services **(1)** **Analysis** Up to 2 marks for linked expansion of one reason, e.g. • Low productivity increases cost per unit **(1)** makes exports relatively expensive/reducing the demand for Austrian goods and services **(1)** • High rate of inflation makes export prices relatively more expensive **(1)** and reduces the value of exports **(1)** • Increase in the external value of Austria's currency will make exports relatively more expensive **(1)** and its imports relatively cheaper **(1)** • Demand for imports increases **(1)** as the marginal propensity to import indicates that changes in imports are dependent on changes in income **(1)** • Lower quality of Austrian goods or services will reduce demand for its exports **(1)** and increase demand for imports **(1)** **Application** 1 mark for appropriate use of the chart, e.g.: • In Sep 2021, there is a trade deficit of around €5 billion **(1)** • Trade deficit in every month, from Oct 2020 - Sep 2021 **(1)** • Deficit was highest in June 2021/was lowest in Nov 2020 **(1)**	**(4)**

Question	As a result of the significant decrease in consumer spending in France in 2020, the country's negative output gap was 5.64%. Draw an AD and AS diagram to show the negative output gap.	Mark
8	**Knowledge 1, Application 3** **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   **Knowledge** Correctly drawn diagram with correctly labelled AD/AS curves (the diagram must include the LRAS curve) **(1)** **Application** Up to 3 marks for the following information included on the diagram: • For showing equilibrium price level and real output at full employment level of real output (may include leftward shift in AD curve but this is not essential) **(1)** • Equilibrium at real output lower than full employment level / New equilibrium showing lower price level and real output **(1)** (not rewarded if 'price' and 'quantity' is used on the axis) • Correct annotation of negative output gap showing distance between equilibrium and full employment level of output **(1)** (not rewarded if 'quantity' is used on axis)	**(4)**


Price level
LRAS
SRAS
P1
AD
O
Y1
Y2
Real GDP

Question	Based on this information, calculate the *change* in Bulgaria's GDP between 2015 and 2020. Show your workings.	Mark
9	**Knowledge 1, Application 3** **Quantitative Skill assessed** **QS1:** Calculate, use and understand ratios and fractions **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for correct formula/implicit understanding, e.g.: • GDP = GDP per capita x population **(1)** **NB:** Accept GDP per capita formula **(1)** **Application** Up to 3 marks for use of data in calculation from the following, e.g.: • 2015 → $7075 x 7.18m = $50.80 billion **(1)** • 2020 → $10079 x 6.93m = $69.85 billion **(1)** • Change → $69.85 billion – $50.80 billion = $19.05 billion **(1)** **NB: if correct answer ($19.05 billion/$19 billion/$19 048.97 million / $19 948 970 000 / 37.5%) is given, award full marks regardless of working** **NB: only 3 marks if billion / million / % sign is not included in the final answer** **NB: only 3 marks if billion or million is used incorrectly**	**(4)**

Question	With reference to this information, explain **one** likely macroeconomic impact of an increase in house prices on existing homeowners.	Mark
10	**Knowledge 1, Analysis 2, Application 1** **Quantitative Skill assessed** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 knowledge mark for: • Increase in consumption/consumer spending **(1)** **Analysis** Up to 2 analysis marks for expansion, e.g.: • Identification of wealth effects/increase in the value of physical assets **(1)** • An increase in confidence of existing homeowners **(1)** • Encourages homeowners to save less **(1)** • Increase in AD/ shift rightwards **(1)** Reward relevant AD/AS diagram • Increases economic growth/real output/inflationary pressure **(1)** **Application** 1 mark for appropriate reference to UK house prices, e.g.: • By Sept 2021 average house price had risen by 11.5%/ • In Sept 2021 average house price in the UK was £287 843 **(1)**	**(4)**

Question	With reference to the trend shown in the chart, explain what is meant by the 'savings ratio'.	Mark
11	**Knowledge 2, Application 2** **Quantitative Skills Assessed** **QS1:** Calculate, use and understand ratios and fractions **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for defining savings ratio, e.g.: • The savings ratio is the proportion or % of total disposable income **(1)** that is saved/not spent **(1)** • Total savings/Total disposable income **(1)** x 100 **(1)** • Savings represent that part of income which is not spent **(1)** **Application** 1 mark for explicit reference to the data and 1 mark for identifying the direction of the overall trend, e.g.: • Savings ratio in Latvia rose **(1)** from 5.78% in 2017 to 8.89% in 2020 **(1)** • Savings ration in Latvia decreased (1) from 5.78% to 5.61% (1) • Between 2016 and 2021 there was in increase in savings ratio **(1)** by 12.41 *percentage points* **(1)** • Savings ratio was highest at 17% in 2021 **(1)** Savings ratio was lowest at 4.59% in 2016 **(1)**	**(4)**

Section C

Question	Define the term 'seasonally adjusted' (Figure 1).	**Mark**
12 (a)	**Knowledge 2** **QS12:** Understand the meaning of seasonally adjusted figures • Time series data **(1)** that has seasonal variations/changes removed **(1)** • Economic data **(1)** that has been adjusted to remove the effect of seasonality/seasonal factors **(1)** • Data/values/figures/statistics **(1)** that are updated by seasons/at different times of the year **(1)**	**(2)**

Question	With reference to Figure 2, explain the difference between disinflation and deflation.	Mark
12 (b)	**Knowledge 2, Application 2** **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. **QS10:** Distinguish between changes in the level of a variable, and the rate of change. **Knowledge** 1 mark for defining disinflation: • Disinflation occurs when the average price level rises more slowly than previously/ • The rate of inflation falls but is still positive **(1)** 1 mark for defining deflation: • Deflation occurs when the average price level falls/ • The rate of inflation is negative **(1)** **Application** 1 mark for correctly identifying a period when Germany was experiencing disinflation, e.g.: • The rate of inflation fell from 1.7% in Feb 2020 to 0.6% in May 2020/ • The rate of inflation fell from 2.5% in May 2021 to 2.3% in June 2021 **(1)** 1 mark for correctly identifying a period when Germany was experiencing deflation, e.g.: • In Sep 2020/Oct 2020, the inflation rate was -0.2%/ • In Nov 2020/Dec 2020, the inflation rate was -0.3% **(1)**	**(4)**

Question	With reference to Extract A, analyse **two** roles of a central bank.	Mark
12(c)	**Knowledge 2, Application 2, Analysis 2** **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** Up to 2 knowledge marks for identifying two roles of a central bank: • Implementation of monetary policy **(1)** • Achieving an inflation target **(1)** • As banker to the government **(1)** • As banker to the banks – lender of last resort **(1)** • Make forecasts about the future state of the economy **(1)** **Analysis** Up to 2 analysis marks for linked development of the two roles identified (1+1), e.g.: • A central bank sets base interest rates/makes asset purchases/sets lending criteria/ sets reserve asset requirements to influence AD **(1)** • Explanation of the transmission mechanism to achieve inflation target **(1)** • A central bank performs various banking services, such as the handling accounts of government departments/making short-term advances to the government **(1)** • If banks run into liquidity problems, they may be able to borrow directly from the central bank **(1)** • Make policy decisions to influence real output/employment **(1)** **Application** Up to 2 marks for use of the data or reference to context, e.g., • Forecast rate of inflation in 2022 is above the ECB's inflation target rate of 2% for the eurozone area **(1)** • ECB will need to increase the base rate of interest to control the rising rate of inflation **(1)** • Bundesbank estimated that Germany's real output was likely to fall in the last quarter of 2021 **(1)**	**(6)**

Question	With reference to Figure 1 and Extract A, examine the likely impact of a fall in business confidence on Germany's real output.	Mark
12 (d)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Quantitative Skill 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 **Knowledge** 1 knowledge mark for understanding of business confidence, e.g. • Indicator of expectations of firms/animal spirits/expected profits/investment decisions *OR* 1 knowledge mark for understanding of real output, e.g.: • Output/GDP adjusted for inflation **(1)** *AND* 1 knowledge mark for identifying the impact: • Fall in Germany's real output **(1)** (May be shown on an AD/AS diagram) **Analysis** Up to 2 marks for analysing the impact (1+1), e.g.: • Investment is likely to decrease **(1)** and as investment is a component of AD (C+I+G+(X-M)), AD is likely to fall / AS is likely to fall (can be shown on an accurately drawn AD/AS diagram) **(1)** • Greater uncertainty in markets **(1)** can reduce injections into the circular flow of income **(1)** • Increase in business savings/retained profit/repayment of loans/overdrafts **(1)** leading to fall in investment and lower productivity **(1)** **Application** 1 mark for reference to Figure 1, e.g.: • Between January 2015 and November 2021, level of business confidence in Germany fell by 3.4%/ • Between June 2021 and November 2021, business confidence fell from 101.7 to 96.6 **(1)** *AND*	

	1 mark for reference to Extract A, e.g.: • A decline in business confidence in the manufacturing and services sectors/ • The Bundesbank, estimated that Germany's real output was likely to fall in the last quarter of 2021/ • Many economists predicted that the German economy could enter a recession in 2022 **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • The magnitude of the fall in business confidence is relatively small **(1)** compared to the fall experienced in April 2020, so impact on real output may not be as large **(1)** • Fall in business confidence is likely to be short-term **(1)** as vehicle manufacturing in Germany had started to increase in Q3 2021 which could increase net exports **(1)** • Impact on real output depends on elasticity of the LRAS **(1)**; real output will only decrease if AD lies on the elastic segment of the LRAS **(1)** • Real output may not decrease in the long-run **(1)** as the other components of AD rise, e.g. the Bundesbank predicted "this will strongly boost consumption" once consumer confidence increased **(1)** **NB: do not credit causes of a fall in business confidence in KAA or policies to increase confidence for Evaluation**	**(8)**

Question	With reference to the information provided, discuss the likely macroeconomic effects of a high rate of inflation on the German economy.
12(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. 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. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (8 marks) – indicative content** • Understanding of a high rate of inflation • "The Bundesbank also warned of inflation risks. It raised its forecast for Germany's annual rate of inflation to 3.6% for 2022" • "This is above the European Central Bank's (ECB) inflation target rate of 2% for the eurozone area" • Reduction in purchasing power and real incomes of German consumers; there will be a loss of consumer confidence • Equality, e.g., effect on those who have fixed incomes (are not protected by inflation) who are often the poorest • Reduction in competitiveness of German goods which worsens their current account position of the balance of payments and could reduce the country's international competitiveness • Unemployment in Germany may rise through increased levels of inefficiency and stagflation • May reduce Germany's economic growth owing to costs of high inflation • Higher inflation associated with an increase in AD could have detrimental impact on the environment • The self-reinforcing effect on inflation through expectations: higher inflation as consumers get used to higher levels of inflation, they demand high wages to protect purchasing power of incomes • High rates of inflation mean that consumers spend time searching for the best deal in the hope that some producers have not increased their prices

	• Firms face higher costs as inflation is high and may need to reprint menus and change prices frequently **NB: KAA can be awarded for negative impacts and evaluation as the positive impacts or vice versa**

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. 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.

	Evaluation (6 marks) – indicative content • Depends on the cause of inflation – "supply chain constraints are increasing inflationary pressures" and/or "Germany's producer (wholesale) price index increased by 19.2% … as a result of rising prices for energy, metal and wood products" – indicating cost-push inflation that cannot be directly controlled (may be shown using an accurately drawn and labelled AD/SRAS diagram) • Depends on the magnitude of inflation – between January and November 2021, the inflation rate increased by 4.2 percentage points: therefore, the impact is going to be quite significant • Depends on the duration of inflation – inflation has been rising since January 2021 (Figure 2) and "Bundesbank predicted that the supply chain constraints would not be resolved until the end of 2022" • If economic growth is low, higher inflation is worth the risk to avoid periods of deflation (last six months of 2020) or economy going into a depression • Impact on Germany's competitiveness depends on relative inflation rates • Possible beneficial effect on the environment as economic growth slows • Inflation might not translate through to higher wages and unemployment if the German workforce has little power • May reduce the real value of consumer, business and government debts making it cheaper to pay back loans • A high rate of inflation may be associated with a low rate of unemployment/ reference to the Philips curve • Consumers search time for better prices may be reduced by online selling • Costs of changing prices may be largely reduced if physical menus are not reprinted and only published online

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

Question	Evaluate the view that very high global oil prices will always harm a country's macroeconomy.

13	**Indicative content guidance**
	Answers must be credited by using the level descriptors (below) in line with the general marking guidance.
	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.
	
	Knowledge, Application and Analysis (12 marks) – indicative content
	
	Rising oil prices are harmful to an economy because:
	• For economies that are net importers of oil, this will lead to an increase in the value of their imports, ceteris paribus. This will:
	  ○ Increase a trade/current account deficit, not meeting one of the government's macroeconomic objectives
	  ○ Increase downward pressure on/decrease AD in the economy (may be shown diagrammatically), thus leading to a decrease in real GDP and average incomes, and an increase in unemployment
	  ○ Negative multiplier effects and further reduction in AD/real GDP
	  ○ A decrease in average incomes and an increase in unemployment are likely to worsen the government's budget balance
	
	• Costs of production for firms will increase, leading to a fall/leftward shift in SRAS (may be shown diagrammatically). Ceteris paribus, this will:
	  ○ Increase cost-push inflationary pressures in the economy, thus not achieving the macroeconomic objective of a low and stable rate of inflation
	  ○ Decrease real GDP and average incomes in the economy
	  ○ Decrease in average incomes and an increase in unemployment are likely to worsen the government's budget balance
	
	• For economies that are net exporters of oil, this may discourage them to diversify their economies and increase their reliance on oil – they have less incentive to create/adopt renewable energy to protect the environment
	
	NB: Candidates may argue either way for KAA and the reverse for Evaluation
	NB: Award a maximum of level 3 if no reference to specific country(s)

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
	
	Rising oil prices may not be harmful to an economy because:
	• For economies that are net exporters of oil, this will lead to an increase in the value of their exports, ceteris paribus. This will:
	  ○ Decrease a trade/current account deficit, meeting one of the government's macroeconomic objectives
	  ○ Put an upward pressure on AD in the economy (may be shown diagrammatically), leading to more economic growth, upward pressure on average incomes, and a reduction in unemployment
	  ○ Positive multiplier effects
	  ○ An increase in average incomes and a decrease in unemployment are likely to improve the government's budget balance
	
	General evaluation points:
	• Effects depend on how much oil prices rise by and how long they stay high
	• Effects of a change in AD on real GDP depend on the level of spare capacity in the economy; the size of the multiplier ratio; and whether a Classical or Keynesian LRAS curve is used
	• There is likely to be a time lag before effects are felt
	• An increase in inflation may not be beneficial if an economy's inflation rate is above its target rate of inflation
	• Effects on costs of production/SRAS depend on the structure of the economy /adoption of green production methods etc.
	• Different effects on different economies, e.g., economies that are more specialised in oil production will be affected more significantly/economies that are more dependent on oil will be affected more significantly
	• Countries that are heavily dependent on oil imports will have an incentive to invest in renewable energy so benefitting the environment

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.

Question	Evaluate government policies that could be used to increase the rate of employment. Refer to a country of your choice in your answer.
14	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. 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. **Knowledge, Application and Analysis (12 marks) – indicative content** • Understanding of rate of employment: the percentage share of working population with jobs (includes those employed and self-employed) • Understanding/identification of government policies as fiscal policy or supply-side policy • Relevant diagram, e.g., AD/LRAS diagram showing rightward shift in AD and/or LRAS curve Policies include: • Investment in education and training to provide a highly skilled and productive workforce through increases in the level of human capital • Changes in national minimum wage to incentivise employment • Reduction in unemployment benefits and associated benefits to increase workers incentive to find work • Reduction in tax rates to encourage firms to expand or set up operations, therefore increasing employment • Reduction in income tax rates creating a much larger incentive to work, increasing consumption and therefore, employment • Tax breaks to firms that set up in poor areas/giving financial assistance to unemployed workers who move to areas with high employment • Providing grants/subsidies/tax breaks to firms to hire and train workers • Relaxing immigration laws to potentially have a greater access to skilled workers and fill job vacancies • Government improving labour market flexibility by making it easier to hire and fire workers may encourage more job creation • Increase in the provision of free childcare and social care and other related measures to increase the activity rate • Spending on infrastructure projects will increase the number employed in construction and related industries • Reflationary fiscal policy to increase AD and real output, so that firms need to employ more workers **NB: Award a maximum of Level 3 for answers with no reference to a country**

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 • Discussion of the effectiveness of individual policies • Conflicts between government economic policies • Conflicts with other macroeconomic objectives • Depends if the economy is operating at full capacity or has spare capacity – discussion on the elasticity of the LRAS • Creditworthiness of the government • Magnitude of the policy change/size of increase in employment rate • External factors beyond a government's control, e.g. slowdown in the global economy • Time lags (for e.g., education takes a long time to have impact on employment rates)/implementation lags • Government's budget deficit makes it difficult to pay for large investments or offer significant grants/tax breaks

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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