



Mark Scheme (Results)

January 2026

Pearson Edexcel in International A Level in Economic
WEC12/01A

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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	<p>QS4: Construct and interpret a range of standard graphical forms</p> <p>QS8: Make calculations of elasticity and interpret the result</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p>	<p>The only correct answer is A</p> <p><i>B is not correct because at the full employment level of real output, the LRAS would be perfectly inelastic</i></p> <p><i>C is not correct because the LRAS would be perfectly elastic at high levels of spare capacity</i></p> <p><i>D is not correct because the LRAS would be perfectly elastic at high levels of spare capacity</i></p>	(1)
2	<p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p>	<p>The only correct answer is B</p> <p><i>A is not correct because there was inflation between April and May</i></p> <p><i>C is not correct because the rate of inflation was highest in March</i></p> <p><i>D is not correct because the average price level increased at a slower rate between May and July</i></p>	(1)
3	<p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p>	<p>The only correct answer is A</p> <p><i>B is not correct because this describes the exchange rate</i></p> <p><i>C is not correct because PPP adjustments do not compare economic development</i></p> <p><i>D is not correct because PPP adjustments do not compare inflation rates</i></p>	(1)
4	<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 because this is not the role of the central bank</i></p> <p><i>B is not correct because the role of the government is to achieve greater income equality</i></p> <p><i>C is not correct because this is not the role of the central bank</i></p>	(1)
5	<p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p>	<p>The only correct answer is C</p> <p><i>A is not correct because this divides the injection by the multiplier</i></p> <p><i>B is not correct because this is the addition of the multiplier and the injection</i></p> <p><i>D is not correct because this does not multiply the multiplier and the injection</i></p>	(1)
6	<p>QS9: Interpret, apply and analyse information in written, graphical,</p>	<p>The only correct answer is D</p> <p><i>A is not correct because the value of exports is smaller than the value of imports</i></p>	(1)

	tabular and numerical forms	<p>B is not correct because this represents a budget deficit when government spending is greater than taxation</p> <p>C is not correct because the balance of trade is always in deficit as indicated by the negative values</p>	
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Section B

Question	With reference to the overall trend of the data, explain what is meant by the term 'growth of real GDP'.	Mark
7	<p>Knowledge 2, Application 2</p> <p>Quantitative skills assessed:</p> <p>QS2: Calculate, use and understand percentages, percentage changes and percentage point changes</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p>Knowledge</p> <p>Up to 2 marks for defining what is meant by 'growth of real GDP':</p> <ul style="list-style-type: none"> • An increase in the total value of output/expenditure/income (1) adjusted for inflation/at constant prices (1) • The total value of output/expenditure/income adjusted for inflation (1) <p>Application</p> <p>1 mark for the trend e.g.:</p> <ul style="list-style-type: none"> • Growth rate decreases between Q1 and Q2/Q3/Q4 (1) <p><i>AND</i></p> <p>1 mark for explicit use of data e.g.:</p> <ul style="list-style-type: none"> • The fastest real GDP growth occurred in Q1 2024 / The lowest real GDP growth occurred in Q4 2024 / Quoting one quarterly figure (1) <p>Award 2 marks for, e.g.</p> <ul style="list-style-type: none"> • growth rate fell/decreased from 1.1% in Q1 to 0.7% in Q4 	(4)

Question	In quarter 1 2024 the United States' output gap was estimated to be equal to -12.86% of GDP. Explain one likely impact of a negative output gap on the United States' economy.	Mark
8	<p>Knowledge 1, Analysis 2, Application 1</p> <p>Quantitative Skill assessed</p> <p>QS2: Calculate, use and understand percentages, percentage changes and percentage point changes</p> <p>QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <p>Knowledge and Analysis</p> <p>1 mark for identification of a likely impact and up to 2 marks for linked analysis, e.g.:</p> <ul style="list-style-type: none"> • There is likely to be unemployment (1K) as labour as factor of production is not fully used (1AN) leading to spare capacity (1AN) / There is likely to be unemployment (1K) as the demand for labour is lower (1AN) leading to lower income/living standards (1AN) • Low inflation/disinflation/deflation (1K) as there is low cost-push inflationary pressure (1AN) because high levels of spare labour reduce wage rates (1AN) / Low inflation/disinflation/deflation (1K) as there is less demand-pull inflationary pressure (1AN) because AD is relatively low (1AN) • The government is likely to have a budget deficit (1K) as government spending on means-tested/unemployment benefits is high (1AN) and tax revenue, e.g. income tax, is relatively low (1AN) <p>Application</p> <p>1 mark for appropriate reference to the United States or another economy, e.g.:</p> <ul style="list-style-type: none"> • The size of the United States' negative output gap was 12.86% of its GDP in Q1 2019 (1) 	(4)

Question	Using 2024 as the base year, calculate an index number for personal disposable income in 2021. Show your workings.	Mark
9	<p>Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS5: calculate and interpret index numbers</p> <p>Knowledge Index number = current year value / base year value x 100 (1)</p> <p>Application</p> <p>Up to 3 marks for calculations $\frac{35\ 128}{41\ 314} \text{ (2)} \times 100 = 85.03 \text{ (1)}$ OR $0.85 \text{ (2)} \times 100 = 85 \text{ (1)}$</p> <p>NB If correct answer is given (85.03), award full marks regardless of working. NB Award 3 marks for 85% to 85.03% NB Accept answers from 85.0 to 85.03</p>	(4)

Question	With reference to the chart, explain one likely effect of this trend in the rate of inflation.	Mark
10	<p>Knowledge 1, Analysis 2, Application 1</p> <p>Quantitative skills assessed:</p> <p>QS2: Calculate, use and understand percentages, percentage changes and percentage point changes</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p>Knowledge and Analysis</p> <p>1 mark for identification of a likely impact and up to 2 marks for linked analysis, e.g.:</p> <ul style="list-style-type: none"> • Decrease in real incomes (1K) leading to lower consumer confidence/fall in purchasing power/reduces affordability and the ability to purchase goods and services (1AN) and hence, reducing living standards (1AN) • 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 Zambia’s exports may rise more than the price of other countries’ goods (1AN) making exports less internationally competitive (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</p> <p>1 mark for appropriate use of the chart,</p> <ul style="list-style-type: none"> • For identifying an increase in the rate of inflation (1) 	(4)

Question	Draw a short-run AS and AD diagram to show the effect of the increase in the price of oil on the price level and real output for France.	Mark
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<p>11</p>	<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="443 600 1099 1417" data-label="Figure"> <p>The diagram shows a downward-sloping green line labeled AD₁ and two upward-sloping lines labeled SRAS₁ and SRAS₂. SRAS₂ is to the left of SRAS₁, as indicated by an orange arrow pointing left. The initial equilibrium is at the intersection of AD₁ and SRAS₁, with a price level PL₁ (green dashed line) and real output Y₁ (green dashed line). The new equilibrium is at the intersection of AD₁ and SRAS₂, with a higher price level PL₂ (red dashed line) and lower real output Y₂ (red dashed line). A purple arrow points up from PL₁ to PL₂, and another purple arrow points left from Y₁ to Y₂. The origin is labeled 0. The source '© Learnogic' is at the bottom right of the graph area.</p> </div> <p>Knowledge Correctly drawn AD and SRAS curves with correctly labelled axis (1)</p> <p>Application Up to 3 marks for the following information included on the diagram:</p> <ul style="list-style-type: none"> • Drawing SRAS shifted to the left (1) • New equilibrium showing correct higher price level (1) (not rewarded if 'price' is used on axis) • New equilibrium showing correct lower real output/income/GDP (1) (not rewarded if 'quantity' is used on axis) <p>NB: also allow a SRAS/AD diagram showing a decrease in AD</p>	<p>(4)</p>
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	<p>NB: also allow a SRAS/AD diagram showing both a decrease in SRAS and a decrease in AD as follows:</p> <ul style="list-style-type: none"> • Drawing both SRAS and AD shifted to the left (1) • New equilibrium showing correct price level (1) (not rewarded if 'price is used on axis) • New equilibrium showing correct lower real output/income/GDP (1) (not rewarded if 'quantity is used on axis) <p>○ If one shift is incorrect, award a maximum of two marks</p>	
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Section C

Question		Mark
12 (a)	<p>Define the term 'base rate of interest.' Extract A, 13</p> <p>Knowledge 2</p> <p>Up to 2 marks for, e.g.</p> <ul style="list-style-type: none"> • Cost of borrowing / the reward for saving (1) • Set by the central bank (1) to commercial banks (1) 	(2)

Question		Mark
12 (b)	<p>With reference to Figure 1, explain what is meant by the savings ratio.</p> <p>Knowledge 2, Application 2</p> <p>Quantitative Skill Assessed</p> <p>QS2: Calculate, use and understand percentages, percentage changes and percentage point changes</p> <p>QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <p>Knowledge</p> <p>Up to 2 marks for defining what is meant by the savings ratio:</p> <ul style="list-style-type: none"> • Total savings/total disposable income (1) x 100 (1) • Proportion or percentage of disposable income (1) that is saved/not spent (1) • Savings represent that part of income which is not spent (1) <p>Application</p> <p>Up to 2 marks for relevant application, e.g.:</p> <ul style="list-style-type: none"> • Savings ratio has increased (1) from 33.5% in Q1 2023 to 35.3% Q4 2024/by 1.8 percentage points (1) • Between Q2 2024 and Q3 2024, the savings ratio fell (1) from 35.2% in Q2 2024 to 34% in Q3 2024/by 1.2 percentage points (1) • Savings ratio was highest in Q4 2024 (1) at 35.3% (1) 	(4)

Question	With reference to Extract A, analyse one possible macroeconomic impact of the increase in house prices on the South Korean economy.	Mark
12(c)	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Quantitative Skill Assessed</p> <p>QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <p>Knowledge</p> <p>Up to 2 marks for:</p> <ul style="list-style-type: none"> • Identification of houses as an asset (1) • Wealth effect / people feel wealthier (1) • Increase in aggregate demand (AD) (1) <p>Application</p> <p>Up to 2 marks for reference to Extract A:</p> <ul style="list-style-type: none"> • Consumer confidence increased (1) • Consumption had risen at the start of 2025 (1) • Average house prices in the capital city (Seoul) increased by 3.6% between February 2024 and February 2025 (1) <p>Analysis</p> <p>Up to 2 marks for explaining the impact of higher house prices, e.g.:</p> <ul style="list-style-type: none"> • Wealth effect causes an increase in the demand for loans (1) • Increased house prices increase the value of assets (1) • Increased aggregate demand will cause an increase in real GDP (1) and hence economic growth/living standards (1) • Also accept accurate diagram showing increase in price level (1) and increase in real output (1) 	(6)

Question	With reference to Extract B, examine two likely effects of government policies to increase wellbeing.	Mark
12 (d)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <p>Quantitative Skill Assessed</p> <p>QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <p>Knowledge</p> <p>Up to two marks for, e.g.</p> <ul style="list-style-type: none"> • More access to food (1) • Better quality healthcare (1) <p>Analysis</p> <p>Up to 2 marks for linked explanations to the policy, e.g.:</p> <ul style="list-style-type: none"> • Healthier children are able to attend school (1) • More adults/households can return to work (1) • Greater employment/lower unemployment (1) • Greater output produced (1) • Households can earn higher incomes (1) • Higher living standards (1) • Improves mental and physical health/decreases mental and physical health problems/higher life expectancy (1) <p>Application</p> <p>Up to 2 marks for reference to Extract B:</p> <ul style="list-style-type: none"> • Increased government expenditure on wellbeing for those people who have a very low income (1) • 16% of South Korea’s population lives on a low income (1) • 40% of those aged 66 and above live on a low income (1) • Policies include free school meals and food vouchers (1) • Improve access to care and the quality of care (1) <p>Evaluation</p> <p>Up to 2 marks for evaluative comment (2+0 or 1+1), e.g.:</p> <ul style="list-style-type: none"> • Wellbeing is subjective (1) which is very hard to quantify (1) • Free school meals/food vouchers do not guarantee the money is spent on healthy food (1) which may not improve wellbeing (1) • Improved healthcare may not improve employment levels (1) as individuals may not have the skills to find work (1) • Opportunity cost (1) increased spending on food or healthcare may be best used in another sector (1) • Increases budget deficit (1), could result in higher debt (1) 	(8)

Question	Using the information in Figure 2 and Extract A, discuss the impact of a decrease in investment on South Korea's economy.	
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 and tabular forms</p> <p>Knowledge, Application and Analysis (8 marks) – indicative content</p> <ul style="list-style-type: none"> • Understanding of investment, e.g. spending on capital goods • South Korea's investment as a proportion of GDP has fallen from approximately 35% of GDP in Jan 2023 to 31% of GDP in Dec 2024 • Reduces injections into the circular flow of income • May reduce AD as investment is a component of aggregate demand, reducing real GDP n price level, increasing unemployment; may refer to multiplier effects • May lead to a fall in long-run economic growth as the productive capacity of the economy does not expand • AS and AD analysis showing the impact of a decrease in investment • May have a negative impact on standards of living; the human capital of the workforce may decline reducing productivity and wages • May reduce the quality of capital equipment making the labour force less specialised and productive • If a decrease in investment causes productivity to fall, firms become less competitive and may become less profitable • This may reduce demand for South Korean products; this may lead to an increase in the current account deficit <p>NB: Negative impact can be taken as KAA and positive impact as EV (and vice versa)</p>	
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	<p>Demonstrates an 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 relevant 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>
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		<p>Evaluation (6 marks) – indicative content</p> <ul style="list-style-type: none"> • Depends on the magnitude of the decrease in investment, e.g. between Q1 2023 and Q1 2024, investment fell by around 6 percentage points • Impact on economic growth depends on the level of spare capacity/ elasticity of the LRAS • Fall in real output will reduce pollution • Investment in machinery has slowed, so still rising but at a slower rate • Investment into technology and AI has increased • Higher exports in South Korea may offset a decrease in investment • Investment is increasing from January 2024 to June 2024 • My make reference to time lags for the impact to be experienced • Investment as a percentage of GDP may be higher in South Korea compared to other countries • Quality of investment might be more important than the absolute amount of investment for economic growth • Interest rates have decreased so investment may increase in the future
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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. Appropriate reference to evidence/context.</p> <p>Evaluation is supported by a logical chain of reasoning.</p>

Section D

Question	<p>In January 2025 the unemployment rate in Canada was 4.1%. In July 2025 it increased to 4.3% when an additional 33 600 workers became unemployed.</p> <p>Evaluate the likely impact of an increase in the unemployment rate on workers, public finances and resource utilisation.</p>
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>Quantitative Skill Assessed</p> <p>QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <p>Knowledge, Application and Analysis (12 marks) – indicative content</p> <ul style="list-style-type: none">• Understanding of unemployment/unemployment rate• Unemployment increased from 4.1% to 4.3%/increase of 33 600 workers <p>Workers</p> <ul style="list-style-type: none">• Workers may fear losing their job and may increase savings, thus reducing consumption, aggregate demand and subsequently leading to a fall in real output and a fall in the price level• Workers may take jobs that are below their skill levels leading to underemployment• Workers who lose their jobs may spend a long time unemployed and become deskilled – they will be less employable and less attractive to employers. Workers who lose their jobs will see a reduction in earnings/living standards/ability to meet their basic needs• Social effects of unemployment – divorce, crime rate, health impacts• Long-term effects of intergenerational unemployment <p>Public finances</p> <ul style="list-style-type: none">• As more people become unemployed they may qualify for unemployment benefits, which will cause an increase in government spending• As people move from employment to unemployment, they may move from being income taxpayers to non-income taxpayers reducing income tax revenue• Higher unemployment suggests lower output, thus lower profits for private firms and lower corporation tax revenue for the government• With lower tax revenue and higher government expenditure the fiscal position will worsen• Government may need to provide training to workers, or support to private firms - once again increasing spending and worsening fiscal position

	<p>Resource utilisation</p> <ul style="list-style-type: none"> • Resource utilisation is worse as scarce labour are being wasted • With higher unemployment the economy is going to be below the full employment level of output • The rise in unemployment will cause real output to move further away from the full employment level of real output • The economy will operate further from the PPF <p>NB: Award a maximum of Level 3 (9 marks) if one of the three areas is not discussed – impact on workers, public finances and resource utilisation</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

- Impact depends on the magnitude of the increase in unemployment rate; increased by 0.2 percentage points
- Unemployment may fall again in short/medium-term, reducing the effects on workers, finances and resource utilisation
- Some of those unemployed may be employed in the informal sector meaning their incomes may not reduce, although the impact on public finances may continue
- A generous social welfare system may reduce the impact on standards of living, and may reduce other social costs
- Some increase in unemployment may be due to more capital-intensive output replacing workers, so overall output may not fall, helping maintain the level of AD
- Government revenue from corporation tax may not fall as much as a result
- May be possible to postpone or delay some government expenditure, so that fiscal deficit may be lessened
- This is an additional 33 600 workers now unemployed- showing a small/ large increase in the waste of scarce resources
- Utilisation of resources may improve over time through retraining or other employment initiatives

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	<p>In 2023 pollution in Italy decreased by 6% as a result of the slowdown in the country's rate of economic growth.</p> <p>Evaluate the potential conflicts between the objectives of economic growth and two other macroeconomic objectives.</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>Quantitative Skill Assessed</p> <p>QS9: Interpret, apply and analyse information in written, graphical and tabular forms</p> <p>Knowledge, Application and Analysis (12 marks) – indicative content</p> <ul style="list-style-type: none"> • Understanding of economic growth – actual and/or potential growth • Implicit/explicit identification of a country's macroeconomic objectives • Relevant diagram, e.g. AD/AS diagram showing rightward shift in AD and/or LRAS curve <p>Potential conflicts include:</p> <ul style="list-style-type: none"> • Environmental costs (pollution in Italy decreased by 6% as a result of the slowdown): <ul style="list-style-type: none"> ○ increased use of non-renewable resources, including fossil fuels ○ climate impacts from the burning of fossil fuels ○ deforestation has made climate change worse and caused soil erosion – greater external costs • Increased inequality as the returns to economic growth are unequally distributed, with those who already own more factors of production receiving a greater increase in income / growth should result in higher average living standards, but may not deliver a more fair or equitable distribution of income and wealth as the rich tend to get richer faster than the poor do • Inflation rising as full capacity is approached – bottlenecks may arise where some restrictions in supply chain cause cost and wage pressures • Could increase budget deficit if economic growth has been caused by an increase in government expenditure • Balance of trade deficits: <ul style="list-style-type: none"> ○ as real incomes rise, consumers are likely to respond by buying more imported goods, worsening the country's trade balance ○ increased production of goods and services may require more raw materials and components to be imported, worsening the country's trade balance <p>NB Maximum level 3 if conflict between economic growth and just one other macroeconomic objective is discussed</p>

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.
<p>Evaluation (8 marks) – indicative content</p> <ul style="list-style-type: none"> • Significance of the stage in trade cycle which the country is in, and the implications for elasticity of the LRAS • If it is supply-side growth (rather than demand-side) then fewer conflicts with other macroeconomic objectives • Impact on inflation will depend on initial state of inflation in the country • The rate of actual growth in comparison to the growth of the productive capacity of the economy • Proximity to full employment level of output • Full employment/fiscal position should not conflict with economic growth • Increase in LRAS tends to experience a time lag • Extent of domestic economy's capacity to meet the rising demand (i.e. if economy can supply wants) • Extent of country's international competitiveness • Balance of payments position may improve if it is export-led growth/if it is generated through an increase in productivity • Growth may lead to higher government revenues and scope to replace polluting old technologies with new less-pollutant ones • Firms can use their profits to invest in clean and green technology; some firms are already using renewable energy 		

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.