

OXFORD

INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL AS **ECONOMICS** **EC02**

Unit 2 The National Economy in a Global Environment

Mark scheme

June 2023

Version: Final 1.0



Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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International AS Economics mark scheme

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

Assessment objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in question 21 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

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

Section A

Total for this section: 15 marks

Question	Part	Marking guidance	Total marks
01		<p>A central bank reduces the base rate of interest. The bank hopes aggregate demand will rise as a result.</p> <p>This is an example of</p> <p>Answer: D (expansionary monetary policy.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
02		<p>Which one of the following is an example of frictional unemployment?</p> <p>Answer: D (A teacher starts a job two months after leaving their old job.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks								
03		<p>Table 1 shows the impact of a rise in national income of \$100m in an open economy with a government sector.</p> <p style="text-align: center;">Table 1</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Items in the circular flow of income</th> <th>Increase</th> </tr> </thead> <tbody> <tr> <td>Saving</td> <td>\$10m</td> </tr> <tr> <td>Imports</td> <td>\$8m</td> </tr> <tr> <td>Tax</td> <td></td> </tr> </tbody> </table> <p>If the economy has a multiplier of 4, what is the increase in tax?</p> <p>Answer: B (\$7m)</p>	Items in the circular flow of income	Increase	Saving	\$10m	Imports	\$8m	Tax		<p>1</p> <p>AO3 = 1</p>
Items in the circular flow of income	Increase										
Saving	\$10m										
Imports	\$8m										
Tax											

Question	Part	Marking guidance	Total marks										
04		<table border="1"> <thead> <tr> <th>Year</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Exchange rate index</td> <td>102</td> <td>97</td> <td>96</td> <td>92</td> </tr> </tbody> </table>	Year	2019	2020	2021	2022	Exchange rate index	102	97	96	92	1 AO3 = 1
		Year	2019	2020	2021	2022							
Exchange rate index	102	97	96	92									
<p>All other things being equal, what is the most likely impact on inflation of the changes shown in Table 2?</p> <p>Answer: B (Cost-push inflation will increase.)</p>													

Question	Part	Marking guidance	Total marks
05		<p>Which one of the following is an example of secondary income on the current account of the balance of payments?</p> <p>Answer: A (Aid received from foreign countries)</p>	1 AO1 = 1

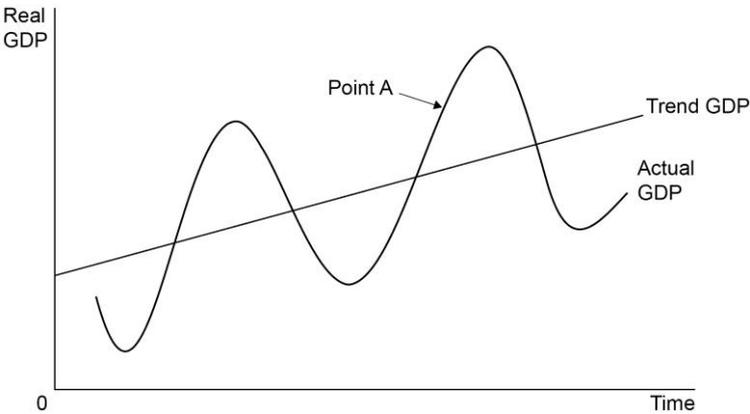
Question	Part	Marking guidance	Total marks
06		<p>Which one of the following is the most likely cause of the shift from LRAS₁ to LRAS₂?</p> <p>Answer: C (The discovery of oil in the country)</p>	1 AO2 = 1

Question	Part	Marking guidance	Total marks
07		<p>Which one of the following is an injection into the circular flow of income?</p> <p>Answer: B (Exports)</p>	1 AO1 = 1

Question	Part	Marking guidance	Total marks
08		<p>There has been a fall in energy prices and a cut in interest rates. All other things being equal, which diagram is most likely to show the impact of these changes?</p> <p>Answer: B</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks															
09		<p>All other things being equal, which country has the most unequal distribution of income?</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Country</th> <th>Real GDP per capita (\$)</th> <th>Gini coefficient</th> </tr> </thead> <tbody> <tr> <td>A</td> <td>10 000</td> <td>0.4</td> </tr> <tr> <td>B</td> <td>12 000</td> <td>0.6</td> </tr> <tr> <td>C</td> <td>14 000</td> <td>0.3</td> </tr> <tr> <td>D</td> <td>22 000</td> <td>0.2</td> </tr> </tbody> </table> <p>Answer: B (Country B)</p>	Country	Real GDP per capita (\$)	Gini coefficient	A	10 000	0.4	B	12 000	0.6	C	14 000	0.3	D	22 000	0.2	<p>1</p> <p>AO2 = 1</p>
Country	Real GDP per capita (\$)	Gini coefficient																
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Question	Part	Marking guidance	Total marks
10		<p>A government cuts income tax rates as part of its supply-side policy.</p> <p>Which one of the following is most likely to be the objective of this policy?</p> <p>Answer: C (An increased incentive to work)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
11		 <p>All other things being equal, at Point A the economy is most likely to experience</p> <p>Answer: D (unemployment falling and investment rising.)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks								
12		<table border="1" data-bbox="383 1086 1268 1288"> <thead> <tr> <th></th> <th>Low-income group</th> <th>Middle-income group</th> <th>High-income group</th> </tr> </thead> <tbody> <tr> <th>Proportion of income spent on the good</th> <td>10%</td> <td>5%</td> <td>2%</td> </tr> </tbody> </table> <p>The government puts a new tax on the good.</p> <p>Which one of the following best describes the tax?</p> <p>Answer: D (Regressive)</p>		Low-income group	Middle-income group	High-income group	Proportion of income spent on the good	10%	5%	2%	<p>1</p> <p>AO2 = 1</p>
	Low-income group	Middle-income group	High-income group								
Proportion of income spent on the good	10%	5%	2%								

Question	Part	Marking guidance	Total marks
13		<p>Which one of the following is most likely to be a macroeconomic policy objective for a government?</p> <p>Answer: C (Low unemployment)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
14		<p>Which one of the following explains how a rise in national income leads to a rise in investment?</p> <p>Answer: A (Accelerator process)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks																								
15		<table border="1"> <thead> <tr> <th></th> <th>2018</th> <th>2019</th> <th>2020</th> <th>2021</th> <th>2022</th> </tr> </thead> <tbody> <tr> <td>Real GDP growth (%)</td> <td>2.3</td> <td>-1.7</td> <td>-1.5</td> <td>1.5</td> <td>1.8</td> </tr> <tr> <td>Government spending (\$bn)</td> <td>115</td> <td>120</td> <td>125</td> <td>130</td> <td>135</td> </tr> <tr> <td>Total tax revenue (\$bn)</td> <td>103</td> <td>104</td> <td>105</td> <td>106</td> <td>107</td> </tr> </tbody> </table> <p>It can be concluded from Table 5 that the country has</p> <p>Answer: A (a rising structural budget deficit.)</p>		2018	2019	2020	2021	2022	Real GDP growth (%)	2.3	-1.7	-1.5	1.5	1.8	Government spending (\$bn)	115	120	125	130	135	Total tax revenue (\$bn)	103	104	105	106	107	<p>1</p> <p>AO3 = 1</p>
	2018	2019	2020	2021	2022																						
Real GDP growth (%)	2.3	-1.7	-1.5	1.5	1.8																						
Government spending (\$bn)	115	120	125	130	135																						
Total tax revenue (\$bn)	103	104	105	106	107																						

Section B

Total for this section: 65 marks

Question	Part	Marking guidance	Total marks
16	1	<p>Define 'inflation' (Extract B, line 4).</p> <p>A full and precise definition is given (3 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> • an increase in the price level (over time) • a (persistent) fall in the purchasing power of money • a (persistent) fall in the value of money • a rise in the average price of goods and services (over time) • a rise in the consumer price index (over time). <p>The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> • a rise in prices over time • rising cost of living. <p>Fragmented points only (1 mark)</p> <p>Examples:</p> <ul style="list-style-type: none"> • an increase in price of a good • rise in the cost of goods. 	<p>3</p> <p>AO1 = 3</p>

Question	Part	Marking guidance	Total marks
16	2	<p>Define 'investment' (Extract C, line 12).</p> <p>A full and precise definition is given (3 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> • an increase in the capital (stock) • (planned) spending on capital goods. <p>The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> • firms buying machines and equipment • spending on education and training/human capital • increasing productive capacity. <p>Fragmented points only (1 mark)</p> <p>Examples:</p> <ul style="list-style-type: none"> • capital • injection(into the circular flow of income) • spending on human resources. 	<p>3</p> <p>AO1 = 3</p>

MAXIMUM FOR QUESTION 16: 6 MARKS

Question	Part	Marking guidance	Total marks								
17	1	<p>Extract A shows the balance of payments on current account, as a percentage of GDP, and productivity for selected countries.</p> <p>You are advised to show your working for the calculations.</p> <p>In 2020, Argentina’s GDP was \$389.59bn.</p> <p>Use Extract A (i) to calculate the value of Argentina’s balance of payments on current account in 2020.</p> <p>Give your answer in \$bn to two decimal places.</p> <p>Calculation:</p> $\$389.59 \text{ billion} \times \left(\frac{0.85}{100}\right) = \$3.311515 \text{ billion} = \$3.31 \text{ billion (to 2dp)}$ <table border="1" data-bbox="368 916 1302 2022"> <thead> <tr> <th data-bbox="368 916 1145 1003">Response</th> <th data-bbox="1145 916 1302 1003">Max 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="368 1003 1145 1117">For the correct answer: \$3.31 billion (with or without working shown)</td> <td data-bbox="1145 1003 1302 1117">3 marks</td> </tr> <tr> <td data-bbox="368 1117 1145 1648"> For the correct answer but not rounded to one decimal place: eg \$3.3111515 billion OR For the correct answer rounded the wrong way: \$3.32 billion OR For the correct answer but with one missing/incorrect unit: eg 3.31 billion OR For the correct answer expressed in \$ millions: \$3311 millions </td> <td data-bbox="1145 1117 1302 1648">2 marks</td> </tr> <tr> <td data-bbox="368 1648 1145 2022"> For the correct answer expressed in \$ millions: \$3300 million OR For the correct value but with both units missing/incorrect: eg 3.31 OR For the correct (whole) method but the wrong answer (Showing how to calculate index numbers) </td> <td data-bbox="1145 1648 1302 2022">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: \$3.31 billion (with or without working shown)	3 marks	For the correct answer but not rounded to one decimal place: eg \$3.3111515 billion OR For the correct answer rounded the wrong way: \$3.32 billion OR For the correct answer but with one missing/incorrect unit: eg 3.31 billion OR For the correct answer expressed in \$ millions: \$3311 millions	2 marks	For the correct answer expressed in \$ millions: \$3300 million OR For the correct value but with both units missing/incorrect: eg 3.31 OR For the correct (whole) method but the wrong answer (Showing how to calculate index numbers)	1 mark	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
Response	Max 3 marks										
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Question	Part	Marking guidance	Total marks								
17	2	<p>An index of productivity for Kenya has 2016 as the base year.</p> <p>Use Extract A (ii) to calculate the value of this index in 2018.</p> <p>Give your answer to one decimal place.</p> <p>Calculation:</p> $\frac{9833}{9244} \times 100 = 106.3717006 = 106.4 \text{ (1dp)}$ <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 70%;">Response</th> <th style="width: 30%;">Max 3 marks</th> </tr> </thead> <tbody> <tr> <td>For the correct answer (allow reference to index/index points): 106.4 (with or without working shown)</td> <td style="text-align: center;">3 marks</td> </tr> <tr> <td>For the correct answer but not rounded to one decimal place: eg 106.37 OR For the correct answer rounded the wrong way: 106.3 OR For the correct answer but with an incorrect unit: eg 106.4%</td> <td style="text-align: center;">2 marks</td> </tr> <tr> <td>For the correct value, not rounded to one decimal place and with added/incorrect units: eg 106.37% OR For the correct method but the wrong answer: eg incorrect year(s) used</td> <td style="text-align: center;">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer (allow reference to index/index points): 106.4 (with or without working shown)	3 marks	For the correct answer but not rounded to one decimal place: eg 106.37 OR For the correct answer rounded the wrong way: 106.3 OR For the correct answer but with an incorrect unit: eg 106.4%	2 marks	For the correct value, not rounded to one decimal place and with added/incorrect units: eg 106.37% OR For the correct method but the wrong answer: eg incorrect year(s) used	1 mark	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
Response	Max 3 marks										
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For the correct value, not rounded to one decimal place and with added/incorrect units: eg 106.37% OR For the correct method but the wrong answer: eg incorrect year(s) used	1 mark										

MAXIMUM FOR QUESTION 17: 6 MARKS

Question	Part	Marking guidance	Total marks
18	1	<p>Extract B (lines 3–4) states: 'Higher productivity can improve a country's balance of payments on current account.'</p> <p>Explain how higher productivity can lead to an improvement in a country's balance of payments on current account.</p>	<p>6</p> <p>AO1 = 2 AO2 = 2 AO3 = 2</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles to support the response. Includes well-focused analysis with a clear, logical chain of reasoning.
2	3–4	<ul style="list-style-type: none"> Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable application of relevant economic principles to the question. Includes some reasonable analysis but it might not be adequately developed and may be confused in places.
1	1–2	<ul style="list-style-type: none"> Shows limited knowledge and understanding of relevant economic terminology, concepts and principles. Includes limited application of relevant economic principles to the question. May include some limited analysis but the analysis lacks focus and/or becomes confused.
	0	No creditworthy material

Indicative content:

- understanding of productivity and the balance of payments on current account
- understanding that higher productivity could increase the value of exports and/or decrease the value of imports which contribute to the overall balance of payments on current account if other things remain equal
- recognition that higher productivity can reduce the cost per unit for a country's firms and therefore enable them to reduce their prices
- recognition that higher productivity could increase the competitiveness of a country's exports
- recognition that higher productivity could increase the competitiveness of domestic products against imports
- recognition that higher productivity can increase profit margins, supporting the costs of exporting
- understanding of the impact of improved competitiveness on the current account
- recognition that an improvement in relative productivity would be required.

Note: Some students may support their answer with a diagram(s) but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
18	2	<p>To what extent do the data suggest that higher productivity leads to an improvement in a country's balance of payments on current account?</p> <p>Use the data in Extract A to help support your answer.</p>	<p>6</p> <p>AO2 = 1 AO3 = 1 AO4 = 4</p>

Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> Includes sound evidence that indicates the extent to which higher productivity leads to an improvement in a country's balance of payments on current account. Includes a supported overall judgement concerning the extent to which higher productivity leads to an improvement in a country's balance of payments on current account.
2	3–4	<ul style="list-style-type: none"> Includes limited evidence that indicates the extent to which higher productivity leads to an improvement in a country's balance of payments on current account. Attempts a judgement concerning the extent to which higher productivity leads to an improvement in a country's balance of payments on current account.
1	1–2	<ul style="list-style-type: none"> Includes evidence that does not clearly indicate the extent to which higher productivity leads to an improvement in a country's balance of payments on current account. May include an unsupported judgement concerning the extent to which higher productivity leads to an improvement in a country's balance of payments on current account.
	0	No creditworthy material

Indicative content:

Argentina:

- the overall pattern for Argentina does not support the view that higher productivity can lead to an improvement in the balance of payments on current account, as productivity per worker fell in each year shown (an overall decrease of 8.9% from \$57 897 to \$52 736 between 2012 and 2020), yet Argentina moved from a current account deficit of 0.39% of GDP in 2012 to a surplus of 0.85% of GDP in 2020
- the period from 2012 to 2018 is consistent with a link between lower productivity and a deterioration in the current account balance as productivity fell in each of those years and the current account worsened from –0.39% of GDP in 2012 to around –5.2% in 2018
- 2018 to 2020 saw the biggest fall in Argentina's productivity (around 6%) yet the current account improved in 2019 and 2020, which is not consistent with a positive relationship between higher productivity and an improvement in the current account.

India:

- over the period, India's productivity per worker increased from \$13 399 to \$20 047, while the balance of payments on current account improved from a deficit of 5% of GDP to a surplus of 1.23% which supports the view that higher productivity can lead to an improvement in a country's balance of payments
- India's productivity rose in each year, with an overall increase of 49.6% between 2012 and 2020, while the current account moved from a deficit of –5% of GDP to a surplus of 1.23%

- India's current account improved in six of the years shown, worsening only in two (2017 and 2018).

Kenya:

- although there is an inconsistent pattern for Kenya overall productivity rose from \$8 527 to \$9 974 between 2012 and 2020 while the current account deficit improved from –7.48% of GDP to –4.75% of GDP, which supports the view that higher productivity can lead to an improvement in a country's balance of payments
- Kenya's productivity rose each year with an overall increase of 17.0% between 2012 and 2020 and Kenya's current account improved in five of the years shown, worsening only in three
- despite recent improvements, Kenya has the lowest level of productivity of the three countries and it is the only one that still had a current account deficit in 2020, which is consistent with a positive relationship between higher productivity and an improvement in the current account balance.

General evaluative comments:

- there is some evidence to support the view that higher productivity can lead to an improvement in a country's balance of payments on current account, for example India's consistent rise in productivity contrasts with Argentina's consistent fall and India has moved from having a worse current account deficit than Argentina in 2012 to having a greater surplus in 2020
- changes in productivity cannot explain all the movements in each country's balance of payments on current account nor explain some of the differences between the three countries
- this suggests that other factors may also contribute to changes in the current account balance, for example changes in the productivity of other factors of production, exchange rates and relative rates of inflation
- productivity can influence the balance of trade in goods and services, but other factors are more likely to affect the primary and secondary income figures within the current account balance
- changes in the balance of payments on current account as a % of GDP could be explained by changes in GDP rather than the value of exports and imports
- international trade contracts take time to agree and it would be reasonable to expect that higher productivity would only impact on the current account balance after a time lag
- productivity data are only available for every other year
- data are only presented for three countries and there may have been unusual circumstances influencing some of the countries.

Note: While good answers are likely to draw on the data for more than one country, it is possible to achieve the highest level by considering data for only one of the three countries.

Credit valid alternative content.

MAXIMUM FOR QUESTION 18: 12 MARKS

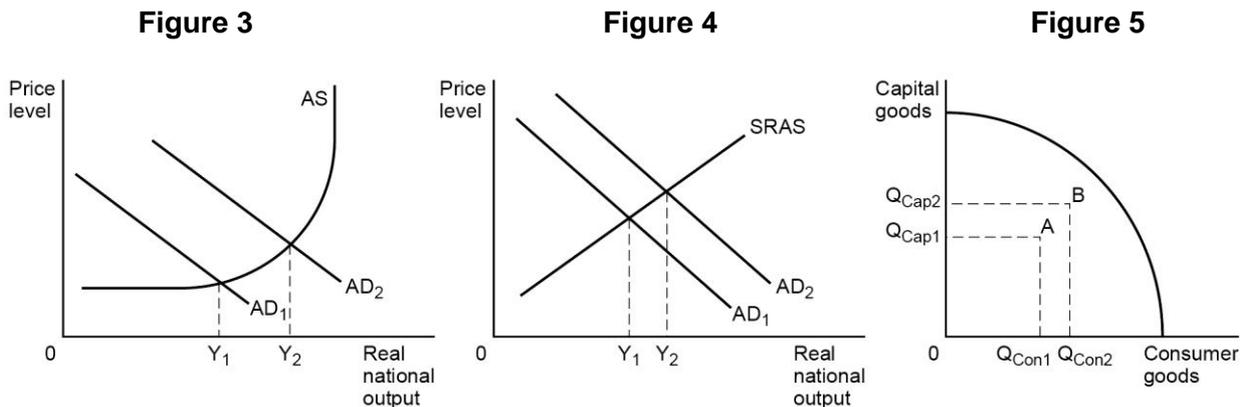
Question	Part	Marking guidance	Total marks
19		<p>Extract B (lines 1–2) states: ‘Argentina’s 10 years of fast economic growth at the start of this century was helped by high demand for the country’s farm exports’.</p> <p>With the help of a diagram, explain how rising exports could increase a country’s short-run economic growth.</p>	<p>9</p> <p>AO1 = 2 AO2 = 4 AO3 = 3</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
3	7–9	<ul style="list-style-type: none"> Is well organised and develops one or more of the key issues that are relevant to the question. Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles and/or good use of data to support the response. Includes well-focused analysis with a clear, logical chain of reasoning. Includes a relevant diagram, that will, at the top of this level, be accurate and used appropriately to support their explanation.
2	4–6	<ul style="list-style-type: none"> Includes one or more issues that are relevant to the question. Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable application of relevant economic principles and/or data to the question. Includes some reasonable analysis but it might not be adequately developed and may be confused in places. May include a relevant diagram to support their explanation.
1	1–3	<ul style="list-style-type: none"> Is very brief and/or lacks coherence. Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. Demonstrates very limited ability to apply relevant economic principles and/or data to the question. May include some very limited analysis but the analysis lacks focus and/or becomes confused. May include a diagram but the diagram is likely to be inappropriate or inaccurate in some respects, or not used.
	0	No creditworthy material

Indicative content:

The expected diagram is an AD/AS diagram (**Figure 3** or **Figure 4**), showing a rightwards shift (increase) in AD to move the level of real national output to the right. Alternatively, students could use a production possibility diagram (**Figure 5**) which should have appropriate macroeconomic axis labels. As exports shift AD and the question specifies short-run economic growth, this diagram would have to show a movement towards the existing production possibility boundary rather than a shift of the curve.



Relevant issues include:

- the meaning of exports
- the meaning of short-run economic growth
- how rising demand for exports increases AD, since net exports is a component of AD
- how an increase in AD would cause an extension in AS (or movement towards a production possibility boundary)
- exports as an injection into the circular flow of income
- possible multiplier and accelerator effects
- how a rise in AD could help to close a negative output gap
- the impact of a rise in net exports on employment and people's income
- the impact of increased export demand on the profits of exporters.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		<p>Extract C (lines 6–7) states: ‘Higher saving can provide more funds for businesses to borrow and invest.’</p> <p>Analyse the determinants of saving in an economy.</p>	<p>12</p> <p>AO1 = 3 AO2 = 4 AO3 = 5</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives.

Level	Marks	Descriptor
3	9–12	<ul style="list-style-type: none"> Is well organised and develops one or more of the key issues that are relevant to the question. Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles and/or good use of data to support the response. Includes well-focused analysis with a clear, logical chain of reasoning. May include a relevant diagram that is accurate and used appropriately to support their explanation.
2	5–8	<ul style="list-style-type: none"> Includes one or more issues that are relevant to the question. Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable application of relevant economic principles and/or data to the question. Includes some reasonable analysis but it might not be adequately developed and may be confused in places. May include a relevant diagram to support their explanation.
1	1–4	<ul style="list-style-type: none"> Is very brief and/or lacks coherence. Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. Demonstrates very limited ability to apply relevant economic principles and/or data to the question. May include some very limited analysis but the analysis lacks focus and/or becomes confused. May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.
	0	No creditworthy material

Indicative content:

- the meaning of saving
- understanding of saving as a withdrawal from the circular flow of income
- the level of household (disposable) income
- income distribution within the economy
- age distribution of the population
- the rewards for saving (including the rate of interest)
- confidence about the future
- expectation of future inflation
- external shocks
- the availability of credit
- current levels of household debt

- the development of long-term saving options including pensions
- personal tax and welfare levels
- social and cultural attitudes towards consumption and saving
- the effectiveness of the country's financial system
- actions different economic agents could take to influence the determinants of saving, for example, central banks, governments and financial institutions.

Some students may support their answer with a diagram(s), but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		<p>Extract C (lines 14–15) states: ‘However, governments can use supply-side policies to improve an economy’s macroeconomic performance’.</p> <p>Use the extracts and your knowledge of economics to assess the extent to which supply-side policies are likely to improve an economy’s macroeconomic performance.</p>	<p>20</p> <p>AO1 = 3 AO2 = 4 AO3 = 5 AO4 = 8</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
5	17–20	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response includes well-focused analysis with clear, logical chains of reasoning includes supported evaluation throughout the response and in a final conclusion.
4	13–16	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response includes some well-focused analysis with clear, logical chains of reasoning includes some reasonable, supported evaluation.
3	9–12	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response includes some reasonable analysis but which might not be adequately developed or becomes confused in places includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren’t well-supported by arguments and/or data.
2	5–8	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely includes some limited application of relevant economic principles to the given context and/or data to the question includes some limited analysis but it may lack focus and/or become confused includes some evaluation which is weak and unsupported.
1	1–4	<p>A very weak response that:</p> <ul style="list-style-type: none"> includes little relevant knowledge and understanding of economic terminology, concepts and principles includes application to the given context which is, at best, very weak includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- meaning and nature of supply-side policy
- objectives of supply-side policies
- consideration of a range of measures of macroeconomic performance, for example:
 - economic growth
 - price stability
 - minimising unemployment
 - a stable balance of payments on current account
- examples of supply-side policies and analysis of their macroeconomic impact, for example:
 - cutting taxes to increase incentives (Extract C)
 - reducing business regulations (Extract C)
 - measures to increase labour market flexibility
 - subsidies to encourage investment in specific industries (Extract B)
 - investment in transport and other infrastructure (Extract B and Extract C)
 - investment in new ports to encourage exporting (Extract B)
 - investment in housing (Extract C)
 - investment in education and training to improve human capital
 - investment in state-owned enterprises in key sectors of the economy
- evaluation of the effectiveness of supply-side policies, for example:
 - time before the benefits of supply-side measures take effect
 - uncertainty over the impact of measures on different economic agents
 - opportunity cost of some supply-side policies for example large infrastructure projects (Extract B and Extract C)
 - potential for government failure and unintended consequences
- trade-offs between different objectives of macroeconomic performance
- variation in impact of policies depending on the phase of the economic cycle
- other economic policies may be more effective or supply-side policy may work better if used together with other policies
- knowledge of the impact of supply-side policies in particular countries
- an overall assessment of the extent to which supply-side policies are likely to improve an economy's macroeconomic performance.

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

Credit valid alternative content.

Assessment Objectives Grid

	AO1	AO2	AO3	AO4	Total
Section A					
01	1				1
02	1				1
03			1		1
04			1		1
05	1				1
06		1			1
07	1				1
08			1		1
09		1			1
10		1			1
11		1			1
12		1			1
13	1				1
14	1				1
15			1		1
Section B					
16.1	3				3
16.2	3				3
17.1	1	2			3
17.2	1	2			3
18.1	2	2	2		6
18.2		1	1	4	6
19	2	4	3		9
20	3	4	5		12
21	3	4	5	8	20
Unit total	24	24	20	12	80