OXFORD AQA
INTERNATIONAL QUALIFICATIONS

INTERNATIONAL AS
ECONOMICS
EC02

Unit 2 The National Economy in a Global Environment

Mark scheme

June 2024

Version: 1.0 Final

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.

Further copies of this mark scheme are available from oxfordaqa.com

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.
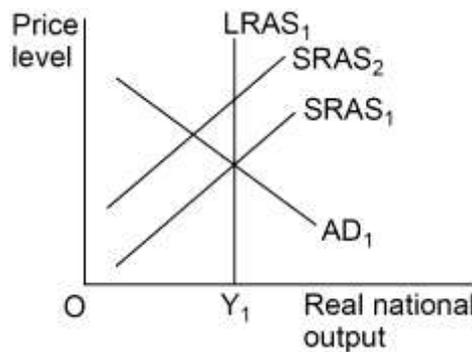
Section A   **Total for this section: 15 marks**

Question	Part	Marking guidance	Total marks
01		Which one of the following is an example of conflicting government policy objectives? Answer: **D** (Reducing unemployment may increase inflation.)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
02		Which one of the following is an example of a supply-side improvement? Answer: **C** (An expansion of capacity due to higher productivity)	**1** **AO1 = 1**

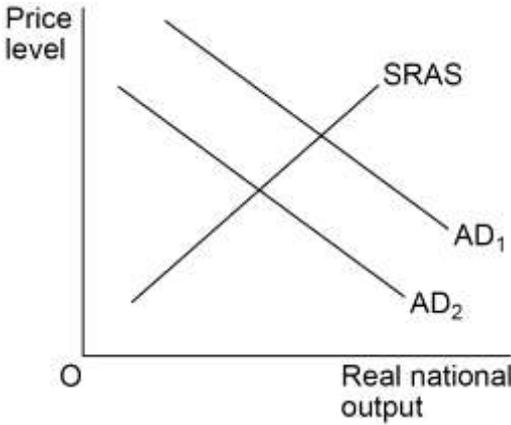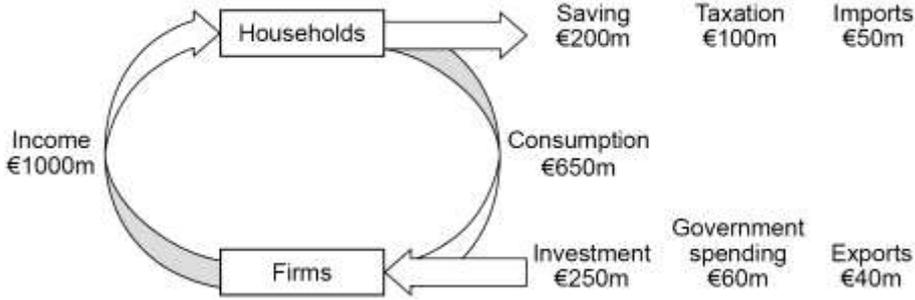| Question	Part	Marking guidance	Total marks
03		The economy was initially operating at Y_1. As a result of a supply-side shock, it now has a negative output gap and unemployment. Which one of the following diagrams shows this change? Answer: **B**	**1** **AO2 = 1**

Question	Part	Marking guidance	Total marks
04		 All other things being equal, in which two years was the country most likely to experience a recession followed by a recovery? Answer: **C** (2018, 2019)	1 AO3 = 1

Question	Part	Marking guidance	Total marks
05		A central bank is using monetary policy to raise the country's exchange rate. The most likely objective of this policy is Answer: **D** (to reduce the rate of inflation.)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
06		 Using the International Labour Organisation (ILO) definition, what percentage of the labour force is unemployed? Answer: **A** (17.1%)	1 AO3 = 1

Question	Part	Marking guidance	Total marks
07		What is the difference between real national income and nominal national income? Answer: **D** (Real national income removes the effects of inflation.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
08		 Which one of the following is most likely to cause the change in aggregate demand? Answer: **A** (An increase in imports of goods)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
09		 The economy's full employment level of national income is €1200 million. The data show that the economy Answer: **D** (is in equilibrium but has some unemployment.)	1 AO3 = 1

Question	Part	Marking guidance	Total marks
10		All other things being equal, which one of the following would be most likely to increase short-run aggregate supply? Answer: **A** (A cut in indirect taxes)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
11		The trend shown in **Figure 5** will affect Country A's balance of payments on current account. Which part of the current account is most likely to be affected negatively? Answer: **A** (Balance of trade in goods)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
12		There is a large rise in the country's exports. Which one of the following is the most likely result in the short run? Answer: **C** (A positive output gap and a rise in demand-pull inflation)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
13		Which one of the following is an example of investment in the circular flow of income? Answer: **A** (Firms buying more machines to increase their capacity)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
14		A rise in interest rates is most likely to cause an increase in Answer: **D** (the amount households save.)	**1** **AO1 = 1**

Question	Part	Marking guidance	Total marks
15			**1** **AO3 = 1**

	2019	**2020**	**2021**	**2022**	**2023**
Country X	105	100	104	100	98
Country Y	85	100	106	100	105
Country Z	98	100	102	108	110

Based on the data in **Table 1**, which one of the following statements must be true?

Answer: **B** (Country Y had the highest average real GDP per capita growth between 2019 and 2023.)

Section B   **Total for this section: 65 marks**

Question	Part	Marking guidance	Total marks
16	**1**	Define 'direct tax' (**Extract B**, line 4). **A full and precise definition is given (3 marks)** Examples: • a tax on income and/or wealth that cannot be passed on to someone else (unlike an indirect tax) • a tax that someone is required/liable to pay based on their income and/or wealth • a tax that a firm is required/liable to pay based on their profits. **The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks)** Examples: • tax on a person's income and/or wealth • tax a person and/or firm is required to pay. **Fragmented points only (1 mark)** Examples: • income tax • wealth tax • corporation tax (or equivalent).	**3** **AO1 = 3**

Question	Part	Marking guidance	Total marks
16	2	Define 'aggregate demand' (**Extract C**, line 3). **A full and precise definition is given (3 marks)** Examples: • total (planned) spending on all goods and services produced in the (domestic) economy • the total spending by households, firms, government and overseas consumers on goods and services produced in an economy. **The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks)** Examples: • total spending on goods and services • total spending by households, firms, government and buyers of exports • consumption + investment + government spending + (exports – imports) or C+I+G+(X-M). **Fragmented points only (1 mark)** Examples: • total spending • total demand.	3 AO1 = 3

MAXIMUM FOR QUESTION 16: 6 MARKS

Question	Part	Marking guidance	Total marks
17	**1**	Use **Extract A (i)** to calculate for 2021 how much **more** tax a worker in Denmark would pay than a worker in Bolivia if they both had $35 000 of income taxed at the top rate. Give your answer in dollars. Calculation: [($35 000 × 0.559) – ($35 000 × 0.13)] = $19 565 – $4550 = $15 015	**3** **AO1 = 1** **AO2 = 2**

Response	Max 3 marks
For the correct answer: $15 015 (with or without working shown)	**3 marks**
For the correct answer but with missing/incorrect unit: eg 15 015 **OR** For the correct elements $19 565 <u>and</u> $4550 but without calculating the difference	**2 marks**
For the correct method but the wrong answer **OR** For one correct element: $19 565 <u>or</u> $4550 **OR** For the correct elements with missing/incorrect units and without calculating the difference: eg 19 565 <u>and</u> 4550	**1 mark**

Question	Part	Marking guidance		Total marks
17	**2**	2017 is the base year for an index that measures changes in the percentage of South Korea's population aged 15 or over who are in the labour force. Use **Extract A (ii)** to calculate the value of the index in 2020. Give your answer to **two** decimal places. Calculation: $\dfrac{62.8}{63.5} \times 100 = 98.8976 = 98.90$ (2dp)		**3** **AO1 = 1** **AO2 = 2**

Response	**Max 3 marks**
For the correct answer: 98.90 (with or without working shown) Allow 'index points' or equivalent	**3 marks**
For the correct answer with incorrect units: eg 98.90% **OR** For the correct answer but not to two decimal places: eg 98.9 **OR** For the correct answer but rounded the wrong way: 98.89	**2 marks**
For the correct method but the wrong answer: ie A/B × 100 <u>and</u> to two decimal places with no added units **OR** For the correct answer with incorrect units <u>and</u> not to two decimal places: eg 98.9% **OR** For the correct answer with incorrect units <u>and</u> rounded the wrong way eg 98.89%	**1 mark**

MAXIMUM FOR QUESTION 17: 6 MARKS

Question	Part	Marking guidance	Total marks
18	1	**Extract B** (lines 9–10) states: 'high income tax rates can affect the size of a country's labour force.' Explain how income tax rates can affect the size of a country's labour force.	**6** AO1 = 2 AO2 = 2 AO3 = 2

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	• 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	• 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	• 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:

• the labour force is the number of people available for work, including those who are employed, self-employed or looking for work
• income tax is a direct tax paid by people on the money they receive from factors of production (for example labour)
• how income tax rates can affect the incentive to work and decisions on when to stop working, for example by retiring
• how high income tax rates may lead to fewer people being willing to work, or existing workers offering fewer hours of work, while low rates could have the opposite effect
• why high income tax rates relative to other countries may cause outward migration, while a low rate could have the opposite effect
• how high income tax rates reduce disposable income and may force an increase in working hours if households are unable to meet their needs and wants.

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	To what extent do the data suggest that income tax rates affect the size of a country's labour force? Use the data in **Extract A** to help support your answer.	**6** **AO2 = 1** **AO3 = 1** **AO4 = 4**

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	• Includes sound evidence that indicates the extent to which income tax rates affect the size of a country's labour force. • Includes a supported overall judgement concerning the extent to which income tax rates affect the size of a country's labour force.
2	3–4	• Includes limited evidence that indicates the extent to which income tax rates affect the size of a country's labour force. • Attempts a judgement concerning the extent to which income tax rates affect the size of a country's labour force.
1	1–2	• Includes evidence that does not clearly indicate the extent to which income tax rates affect the size of a country's labour force. • May include an unsupported judgement concerning the extent to which income tax rates affect the size of a country's labour force.
	0	No creditworthy material

Indicative content:

- Denmark's highest rate of income tax (55.9%) is higher than South Korea's and more than four times Bolivia's highest rate of 13% and the percentage of Denmark's population in the labour force is lower than the other two countries in all five years, eg 62.5% in 2021 compared to South Korea's 63.1%
- South Korea's highest rate of income tax in 2021 (45%) is more than three times Bolivia's highest rate and the percentage of the population in the labour force is lower for South Korea in all five years, eg 63.1% in 2021 compared to Bolivia's 68.1%
- Bolivia's highest rate of income tax stayed at 13% between 2017 and 2021, but the percentage of its population in the labour force fell by 3.7 percentage points (5.2%) between 2018 and 2021
- Denmark's percentage of the population in the labour force rose by 0.8 of a percentage point (1.3%) despite the highest rate of income tax being almost unchanged
- South Korea raised its highest rate from 40% to 45% between 2017 and 2021 and the percentage of people in the labour force dropped from 63.5% to 63.1%
- Denmark's highest rate of income tax stayed at 55.9% between 2018 and 2021, but the percentage of its population in the labour force rose from 61.8% to 62.5%
- the data show the percentage of the population aged 15 or over in the labour force but the overall size of the labour force will also depend on the size of the population
- the data show the top rate of income tax only and additional information on tax bands below the top rate would also be useful as people are likely to enter the labour force at a level of income below the level where the top rate starts
- other factors include the income level where different tax rates start, the extent of participation in higher education and the level of welfare benefits for those not working
- it is reasonable to conclude that income tax rates would have an inverse relationship with the size of a country's labour force but that other factors also have an influence.

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		**Extract C** (lines 9–10) states: 'lower taxes on company profits affect a country's long-run aggregate supply.' With the help of a diagram, explain how lower taxes on company profits affect a country's long-run aggregate supply.	9 AO1 = 2 AO2 = 4 AO3 = 3

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	• 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	• 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	• 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 a vertical long-run aggregate supply (LRAS) curve shifting right (a Keynesian version is acceptable). The diagram may also include an aggregate demand curve(s) but this is not a requirement.
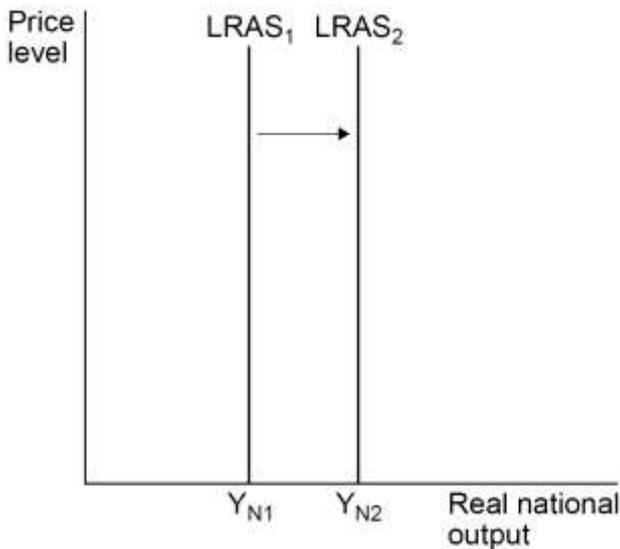
Relevant issues include:

- the meaning of long-run aggregate supply
- how this shows the normal capacity level of output of the economy (eg Y_{N1})
- how lower taxes on company profits can enable firms to invest in more productive capacity
- reference to **Extract C** which explains how lower taxes on company profits make it easier for firms to invest in new technology and improve the quality of capital
- how, in the long run, investment in more or better capital will increase the economy's normal capacity level of real national output (eg from Y_{N1} to Y_{N2})
- how lower taxes on profits also increase the incentive to invest as firms will retain a higher proportion of any future profits generated by the investment
- how lower taxes on company profits encourage enterprise and the setting-up of new businesses
- how lower taxes, compared to other countries, may encourage more investment from abroad
- how higher investment will increase aggregate demand (AD) and may shift short-run aggregate supply to the right which may lead to an accelerator process and further increases in investment
- how this can happen even if there is no change in the quantity or quality of other factors of production as increased/improved capital can result in higher productivity.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		**Extract C** (line 5) states: 'the level of taxation is one reason why consumption may change'. Analyse reasons why consumption in an economy may change.	**12** AO1 = 3 AO2 = 4 AO3 = 5

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	• 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	• 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	• 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 consumption
- why consumption is likely to have a positive relationship with disposable income, meaning that a change in disposable income may cause consumption to change
- analysis of why consumption in an economy may be changed by other factors:
  - rates of taxation that alter households' disposable income
  - household wealth including households' ability to borrow
  - consumer confidence including expectations of future employment prospects
  - changes in the rate of interest
  - the ease with which households can borrow money (availability of credit)
  - expectations of the future price level (altering the timing of spending plans)

- changes in population structure can affect the pattern of consumption, eg South Korea in **Extract C**.

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		**Extract B** (lines 19–20) states: 'fiscal policy can also change the pattern of economic activity.' Use the extracts and your knowledge of economics to assess the likely effectiveness of fiscal policy in changing the pattern of economic activity.	**20** AO1 = 3 AO2 = 4 AO3 = 5 AO4 = 8

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	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	13–16	**Sound, focused analysis and some supported evaluation that:** • 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	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	5–8	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles 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	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- the meanings of fiscal policy and the pattern of economic activity
- recognition that fiscal policy affects the overall level of economic activity and may also affect the pattern of activity (**Extract B**)
- analysis of reasons why fiscal policy may be effective in changing the pattern of economic activity:
  - a government's choice of taxes and the nature of its spending can affect the pattern of activity, for example spending more resources on infrastructure projects (eg Denmark in **Extract B**)
  - governments can alter the distribution of income in the country depending on whether direct and indirect taxes are regressive, progressive or proportional
  - governments can affect the pattern of consumption by targeting taxes on harmful goods or imported goods while subsidising other goods, altering the way factors of production are allocated between different markets
  - governments can increase taxes on goods and services that damage the environment and/or targeting their spending on activities that have low levels of damage to the environment
  - governments can use tax revenue to provide public services (eg Denmark in **Extract B**)
  - governments can change the balance between public sector and private sector in the economy to help reduce a budget deficit (eg South Korea in **Extract C**)
- evaluation of limits on the effectiveness of fiscal policy in changing the pattern of economic activity:
  - the stage in the economic cycle
  - a high or rising government budget deficit
  - other influences on aggregate demand such as consumer confidence, the amount of capacity in the economy and changes in the exchange rate
  - the reaction of households and firms to fiscal policy changes
  - the willingness of investors to lend the government money
  - policy trade-offs, for example a wish to raise taxes from harmful goods may increase inequality
  - the quality of data available to the government
  - the cost of welfare (eg South Korea in **Extract C**)
- an overall assessment of the likely effectiveness of fiscal policy in changing the pattern of economic activity.

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**