

INTERNATIONAL AS
ECONOMICS
EC02

Unit 2 The National Economy in a Global Environment

Mark scheme

January 2025

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

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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.

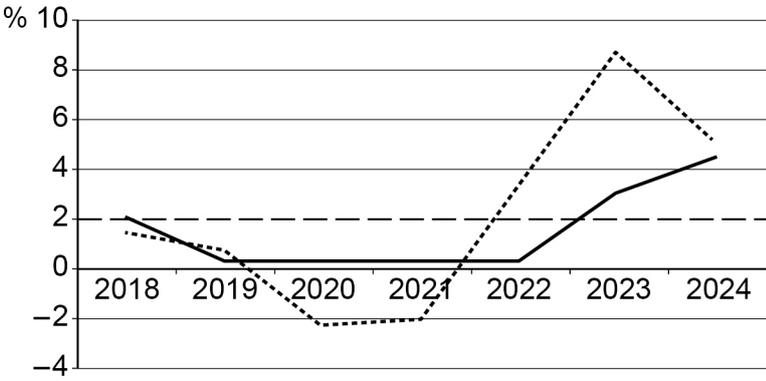
Section A

Total for this section: 15 marks

Question	Part	Marking guidance	Total marks
01		<p>A country has a Gini coefficient close to 0. This means that the country has</p> <p>Answer: A (a very equal income distribution.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
02		<p>All other things being equal, which one of the following is most likely to increase a country's imports?</p> <p>Answer: D (An increase in real incomes in the country)</p>	<p>1</p> <p>AO1 = 1</p>

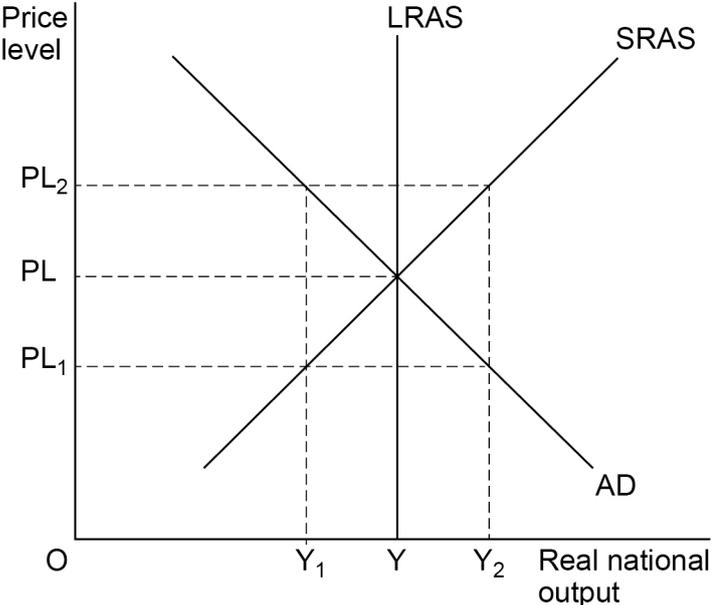
Question	Part	Marking guidance	Total marks														
03		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Budget item</th> <th>Amount (₹ billion)</th> </tr> </thead> <tbody> <tr> <td>Capital spending</td> <td>1450</td> </tr> <tr> <td>Direct tax revenue</td> <td>2500</td> </tr> <tr> <td>Indirect tax revenue</td> <td>1500</td> </tr> <tr> <td>National debt interest payments</td> <td>350</td> </tr> <tr> <td>Other revenue</td> <td>250</td> </tr> <tr> <td>Spending on goods and services</td> <td>3100</td> </tr> </tbody> </table> <p>The government wants to balance the budget.</p> <p>Which one of the following policies is most likely to achieve this objective?</p> <p>Answer: D (Reduce capital spending)</p>	Budget item	Amount (₹ billion)	Capital spending	1450	Direct tax revenue	2500	Indirect tax revenue	1500	National debt interest payments	350	Other revenue	250	Spending on goods and services	3100	<p>1</p> <p>AO3 = 1</p>
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Question	Part	Marking guidance	Total marks
04		 <p>Key ----- Rate of inflation ————— Interest rate</p> <p>Which one of the following shows the most likely set of monetary policies used by the central bank to control inflation between 2018 and 2024?</p> <p>Answer: C (Expansionary interest rate policy, Quantitative easing, Contractionary interest rate policy)</p>	1 AO2 = 1
05		<p>Which one of the following policies could the government use to reduce the country's level of underemployment?</p> <p>Answer: A (Give childcare subsidies to working parents so they can work longer hours)</p>	1 AO2 = 1

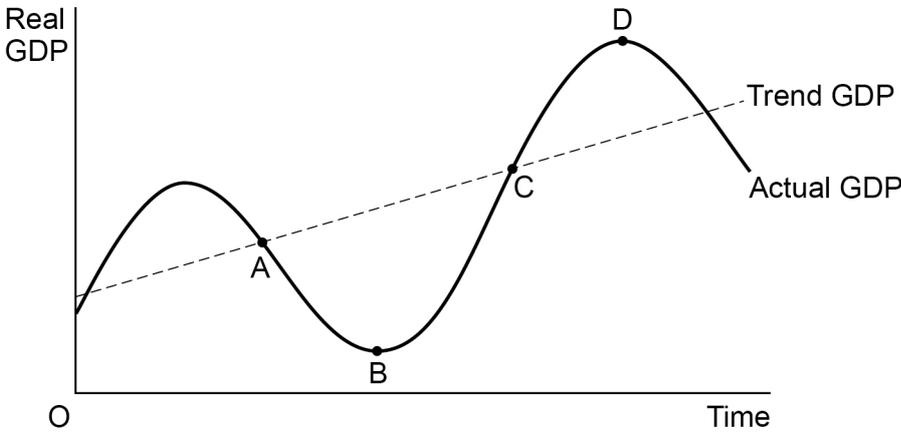
Question	Part	Marking guidance	Total marks																																										
06		<table border="1"> <thead> <tr> <th>Item</th> <th>Price in 2022 (€)</th> <th>Index in 2022</th> <th>Price in 2023 (€)</th> <th>Index in 2023</th> <th>Weight</th> <th>Weighted value in 2023</th> </tr> </thead> <tbody> <tr> <td>Housing</td> <td>2000</td> <td>100</td> <td>3000</td> <td></td> <td>5</td> <td></td> </tr> <tr> <td>Food</td> <td>500</td> <td>100</td> <td>600</td> <td></td> <td>3</td> <td></td> </tr> <tr> <td>Clothes</td> <td>300</td> <td>100</td> <td>270</td> <td></td> <td>2</td> <td></td> </tr> <tr> <td colspan="5">Totals:</td> <td>10</td> <td></td> </tr> <tr> <td colspan="6">Overall price index:</td> <td></td> </tr> </tbody> </table>	Item	Price in 2022 (€)	Index in 2022	Price in 2023 (€)	Index in 2023	Weight	Weighted value in 2023	Housing	2000	100	3000		5		Food	500	100	600		3		Clothes	300	100	270		2		Totals:					10		Overall price index:							<p>1</p> <p>AO3 = 1</p>
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<p>What is the value of the overall price index in 2023?</p>																																													
<p>Answer: B (129)</p>																																													

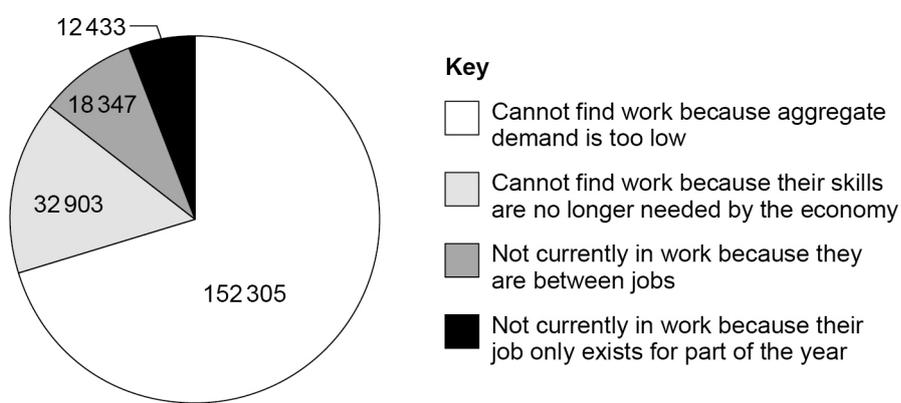
Question	Part	Marking guidance	Total marks
07		<p>Which one of the following is most likely to cause short-run economic growth?</p> <p>Answer: B (A fall in energy costs for businesses)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks															
08		<table border="1"> <caption>Current Account Components (\$ millions)</caption> <thead> <tr> <th>Component</th> <th>2023</th> <th>2024</th> </tr> </thead> <tbody> <tr> <td>Balance of trade in goods</td> <td>-400</td> <td>-500</td> </tr> <tr> <td>Balance of trade in services</td> <td>500</td> <td>600</td> </tr> <tr> <td>Primary income balance</td> <td>130</td> <td>130</td> </tr> <tr> <td>Secondary income balance</td> <td>-250</td> <td>-200</td> </tr> </tbody> </table> <p>Key 2023 2024</p> <p>Between 2023 and 2024, the balance of payments on current account</p> <p>Answer: A (improved by \$50 million.)</p>	Component	2023	2024	Balance of trade in goods	-400	-500	Balance of trade in services	500	600	Primary income balance	130	130	Secondary income balance	-250	-200	<p>1</p> <p>AO2 = 1</p>
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Question	Part	Marking guidance	Total marks
09		 <p>The government raises income tax. Some skilled workers decide to leave the country.</p> <p>All other things being equal, which is the most likely combination of price level and real national output after these changes?</p> <p>Answer: B (PL_1 and Y_1)</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks
10		<p>Workers in a country all have different incomes but they all pay the same amount of income tax, \$1000 per year.</p> <p>What type of tax is this?</p> <p>Answer: D (Regressive)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
11		 <p>At which point in the cycle will the national debt be most likely to fall?</p> <p>Answer: D (Point D)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
12		 <p>Total unemployment = 215 988</p> <p>What is the total percentage of unemployed people who are in either cyclical or frictional unemployment?</p> <p>Answer: C (79.0%)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
13		<p>Which one of the following is an example of deregulation?</p> <p>Answer: B (Reducing the number of rules that businesses have to follow)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
14		<p>The circular flow of income is in equilibrium. The country has a balanced budget and a surplus on its balance of payments on current account.</p> <p>Which one of the following completes the circular flow of income correctly?</p> <p>Answer: C (Taxation ¥5000m, Imports ¥2200m, Consumption ¥8700m)</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks
15		<p>Which one of the following is a determinant of long-run aggregate supply?</p> <p>Answer: C (Technology)</p>	<p>1</p> <p>AO1 = 1</p>

Section B

Total for this section: 65 marks

Question	Part	Marking guidance	Total marks
16	1	<p>Define 'negative output gap' (Extract B, line 3).</p> <p>A full and precise definition is given (3 marks)</p> <p>The definition should include reference to national income equilibrium, less than/below/to the left of, and normal capacity level of output or equivalent.</p> <p>Examples:</p> <ul style="list-style-type: none"> • when the economy's equilibrium level of national income is less than the normal capacity level of national income • aggregate demand and short-run aggregate supply meet at a level of national income to the left of the long-run aggregate supply curve • the distance between the current equilibrium level of real national output and its higher potential level. <p>The substantive content of the definition is correct but there may be some imprecision or inaccuracy (2 marks)</p> <p>The definition should include two of the three required elements.</p> <p>Examples:</p> <ul style="list-style-type: none"> • the equilibrium level of the economy is below normal capacity • national income is below its normal level • where actual GDP is less than trend GDP. <p>Fragmented points only (1 mark)</p> <p>Examples:</p> <ul style="list-style-type: none"> • unemployment/underemployment • low level of national income • spare capacity. 	<p>3</p> <p>AO1 = 3</p>

Question	Part	Marking guidance	Total marks
16	2	<p>Define 'supply-side policies' (Extract C, line 10).</p> <p>A full and precise definition is given (3 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> • measures to increase economic incentives, make markets work better and increase the productive capacity of the economy (shift long-run aggregate supply to the right) • government action to increase long-run aggregate supply by correcting market failure and/or improving the quality and/or quantity of factors of production. <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"> • measures to increase the productive capacity of the economy (shift long-run aggregate supply to the right) • government intervention to shift long-run aggregate supply to the right • government measures to improve the incentives for economic agents in order to increase long-run economic growth. <p>Fragmented points only (1 mark)</p> <p>Examples:</p> <ul style="list-style-type: none"> • increase productive capacity (shift long-run aggregate supply to the right) • increase incentives for economic agents • improve the functioning of markets for factors of production • increased productivity. 	<p>3</p> <p>AO1 = 3</p>

MAXIMUM FOR QUESTION 16: 6 MARKS

Question	Part	Marking guidance	Total marks						
17	1	<p>South Africa's real GDP was US\$353.26 billion in 2021 and US\$360.47 billion in 2022.</p> <p>Use Extract A (i) to calculate the difference between South Africa's government spending as a percentage of GDP in 2021 and its government spending as a percentage of GDP in 2022.</p> <p>Give your answer to two decimal places.</p> <p>Calculation:</p> $2021: \frac{\$70.1\text{bn}}{\$353.26\text{bn}} \times 100 = 19.84374\%$ $2022: \frac{\$70.7\text{bn}}{\$360.47\text{bn}} \times 100 = 19.61328\%$ $19.84374\% - 19.61328\% = 0.23046\% = 0.23\% \text{ (2dp)}$ <p>Accept a % change from 2021 to 2022 of 1.16% (using 2021 as the base year) <u>or</u> 1.18% (using 2022 as the base year)</p> <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: +/-0.23% (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 two decimal places: eg 0.23046% OR For the correct answer rounded the wrong way: 0.24% OR For the correct answer but with missing/incorrect unit: eg 0.23 OR For <u>both</u> correct elements with correct rounding but without calculating the difference: 19.84% <u>and</u> 19.61% </td> <td style="text-align: center;">2 marks</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: +/-0.23% (with or without working shown)	3 marks	For the correct answer but not rounded to two decimal places: eg 0.23046% OR For the correct answer rounded the wrong way: 0.24% OR For the correct answer but with missing/incorrect unit: eg 0.23 OR For <u>both</u> correct elements with correct rounding but without calculating the difference: 19.84% <u>and</u> 19.61%	2 marks	3 AO1 = 1 AO2 = 2
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		<p>For the correct method but the wrong answer</p> <p>OR</p> <p>For one correct element with correct rounding: 19.84% or 19.61%</p> <p>OR</p> <p>For <u>both</u> correct elements with correct rounding but with missing/incorrect units <u>and</u> without calculating the difference: eg 19.84 <u>and</u> 19.61</p> <p>OR</p> <p>For <u>both</u> correct elements without rounding <u>and</u> with correct unit but without calculating the difference: eg 19.84374% <u>and</u> 19.61328%</p>	1 mark									
Question	Part	Marking guidance		Total marks								
17	2	<p>Use Extract A (ii) to calculate Malaysia's mean annual percentage growth in real GDP from 2018 to 2022.</p> <p>Calculation:</p> $\frac{4.8\% + 4.4\% - 5.5\% + 3.1\% + 8.7\%}{5} = 3.1\%$ <table border="1" data-bbox="370 1137 1286 1682"> <thead> <tr> <th>Response</th> <th>Max 3 marks</th> </tr> </thead> <tbody> <tr> <td>For the correct answer: 3.1% (with or without working shown)</td> <td>3 marks</td> </tr> <tr> <td>For the correct answer with missing/incorrect unit: eg 3.1</td> <td>2 marks</td> </tr> <tr> <td>For the correct method but the wrong answer OR For an answer that ignores the negative: 5.3%</td> <td>1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: 3.1% (with or without working shown)	3 marks	For the correct answer with missing/incorrect unit: eg 3.1	2 marks	For the correct method but the wrong answer OR For an answer that ignores the negative: 5.3%	1 mark		<p>3</p> <p>AO1 = 1 AO2 = 2</p>
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MAXIMUM FOR QUESTION 17: 6 MARKS

Question	Part	Marking guidance	Total marks
18	1	<p>Extract C (lines 4–5) states: ‘A change in government spending can lead to a larger change in real national income’.</p> <p>Explain how a change in government spending can lead to a larger change in real national income.</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:

- meanings of government spending and real national income
- examples of government spending
- definition of the multiplier process
- how a rise or fall in government spending changes an injection into the circular flow of income
- how a rise or fall in government spending can affect household income and consumption
- how a rise or fall in government spending can affect firms’ revenue and investment
- how changed consumption and investment can change aggregate demand
- explanation of the role of withdrawals from the circular flow of income in determining the size of the change in aggregate demand
- overall explanation of how a change in government spending can lead to a larger change in real national income.

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 a change in government spending leads to a larger change in real national income? Use the data in Extract A to 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	<ul style="list-style-type: none"> Includes sound evidence that indicates the extent to which a change in government spending leads to a larger change in real national income. Includes a supported overall judgement concerning the extent to which a change in government spending leads to a larger change in real national income.
2	3–4	<ul style="list-style-type: none"> Includes limited evidence that indicates the extent to which a change in government spending leads to a larger change in real national income. Attempts a judgement concerning the extent to which a change in government spending leads to a larger change in real national income.
1	1–2	<ul style="list-style-type: none"> Includes evidence that does not clearly indicate the extent to which a change in government spending leads to a larger change in real national income. May include an unsupported judgement concerning the extent to which a change in government spending leads to a larger change in real national income.
	0	No creditworthy material

Indicative content:

- government spending in Malaysia grew by 1.6% between 2018 and 2019 and by 3.9% between 2021 and 2022 and real GDP grew by a larger amount in 2019 (4.4%) and 2022 (8.7%)
- government spending in South Africa grew by 0.6% between 2020 and 2021 and by 0.9% between 2021 and 2022 and real GDP grew by a larger amount in 2021 (4.9%) and 2022 (2.0%)
- government spending in Malaysia grew by 5.0% between 2019 and 2020 and by 5.4% between 2020 and 2021, however real GDP fell by –5.5% in 2020 and grew by only 3.1% in 2021
- government spending in South Africa grew by 2.1% between 2018 and 2019 and by 0.7% between 2019 and 2020, however real GDP grew by only 0.3% in 2019 and fell by –6.3% in 2020
- government spending is likely to take time to impact on the circular flow of income and comparing the change in government spending with the same or the following year's GDP growth may be misleading
- the impact of the global pandemic on real national income, for example in 2020, makes it difficult to draw firm conclusions from recent data
- many other factors will affect real national income, for example levels of consumer and business confidence, exchange rates, inflation and world demand for a country's exports
- it is reasonable to conclude that a change in government spending has some impact on real national income but in the real world we cannot hold 'all other things equal' and therefore we cannot draw a firm conclusion from **Extract A** on whether this will lead to a larger rise/fall.

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

Credit valid alternative content.

MAXIMUM FOR QUESTION 18: 12 MARKS

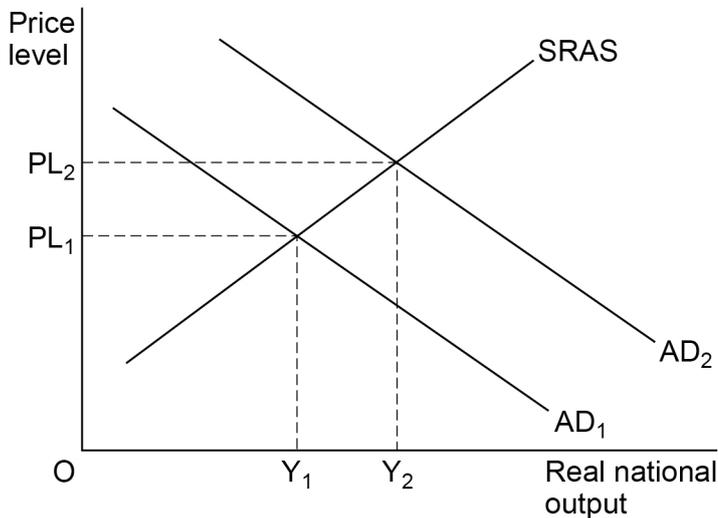
Question	Part	Marking guidance	Total marks
19		<p>Extract B (lines 12–13) states: ‘South Africa suffered from demand-pull inflation after the economy came out of lockdown.’</p> <p>With the help of a diagram, explain the causes of demand-pull inflation.</p>	<p>9</p> <p>AO1 = 2 AO2 = 4 AO3 = 3</p>

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 includes aggregate demand (AD) and short-run aggregate supply (SRAS) curves (a Keynesian aggregate supply curve is acceptable). Students may include a long-run aggregate supply curve, although this is not required.



Relevant issues include:

- the meaning of aggregate demand and (short-run) aggregate supply
- the meaning of inflation/demand-pull inflation
- explanation of factors that could lead to a rise in aggregate demand for example:
 - rising consumption as a result of rising incomes or increased confidence
 - higher investment as a result of higher profits or increased business confidence
 - a rise in government spending
 - a rise in net exports
- reference to **Extract B** and the sudden rise in aggregate demand that many countries experienced as they came out of lockdowns
- how an increase in aggregate demand creates a shortage of supply at the initial price level (PL_1) enabling firms to raise their prices and causing a rise in the price level to PL_2
- how the extension in aggregate supply leads to a rise in real national output from Y_1 to Y_2
- how short-run restrictions on supply, as discussed in **Extract B**, may worsen demand-pull inflation
- how an increase in aggregate demand may take the economy past its normal capacity level of real national output.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		<p>Extract B (lines 14–15) states: ‘South Africa’s real GDP is now back at its 2019 level but the number of jobs is around half a million lower than in 2019.’</p> <p>Analyse the factors that determine the level of employment 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 employment
- how employment may be determined by both demand-side and supply-side factors
- understanding that jobs may not be full-time and that there may be both unemployment and underemployment
- analysis of demand-side factors that determine the level of employment including:
 - the level of aggregate demand
 - factors affecting a country’s exports mentioned in **Extract C** (including competitiveness, the level of world economic activity and any trade restrictions affecting imports or exports)
 - the stage in the economic cycle
 - the confidence level of employers

- analysis of supply-side factors that determine the level of employment including:
 - the number of people working or looking for work, including the impact of out-of-work benefits/the replacement ratio
 - the health of the population, as mentioned in **Extract B**
 - the age structure of the population, including the legal working age
 - the level of education and skills in the population
 - the level of labour productivity (which could have a positive or negative effect on employment)
 - occupational and geographical mobility of labour
 - trade union activity
- technology and the balance between labour and capital in the production process
- the relative cost of labour and capital
- employment legislation and the flexibility of labour markets.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		<p>Extract C (lines 20-21) states: ‘The Malaysian government now aims to encourage growth in exports. It believes this is the best way to increase economic growth.’</p> <p>Use the extracts and your knowledge of economics to assess whether the best way to increase economic growth is to increase exports.</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 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:

- the meaning of economic growth
- exports are a component of aggregate demand
- the role of aggregate demand in achieving economic growth
- the potential multiplier process that a rise in aggregate demand could trigger
- analysis of reasons why increasing exports may be the best way to increase economic growth:
 - exports are a component of aggregate demand and an injection into the circular flow of income
 - evidence in **Extract C** that strong demand for exports enabled Malaysia to be one of the most successful economies in Asia
 - governments may directly target grants and subsidies to export industries to reduce their costs of production and assist with the costs of exporting, allowing them to reduce export prices
 - tight control of monetary policy can help keep interest rates and inflation low, reducing exporters' costs of production, encouraging capital investment and reducing export prices
 - economic stability in a country can help to keep the exchange rate stable, increasing the confidence of exporters and their international customers
 - allows growth while supporting the balance of payments objective
 - governments may be able to reduce regulations to encourage more firms to export
- evaluation of reasons why a policy to increase exports may not be successful:
 - demand for a country's exports depends on economic activity and consumer preferences in other countries
 - government encouragement of growth in exports may cause conflicts with other objectives if it means raising taxation or government borrowing
 - countries that rely on exports to support growth are vulnerable to demand-side shocks, such as the global pandemic, which the government cannot control
 - growth in export demand may increase short-run growth but may not increase long-run growth
 - export demand depends on the productivity and efficiency of firms in competitor countries, which the government cannot control
 - export demand is affected by the exchange rate, which the government cannot fully control
- analysis and evaluation of alternative policies that may be more effective at generating growth:
 - supply-side policies may lead to growth without demand-pull inflation (**Extract B**) and increase the normal capacity level of real national output, especially if a country's productive capacity has been damaged by the global pandemic (**Extract C**)
 - supply-side policies can lead to supply-side improvements that can increase the country's competitiveness and improve exports/make imports less attractive (eg the Malaysian government in **Extract C** is aiming to improve education, training and health to raise productivity levels and improve efficiency)
 - expansionary fiscal policy and/or monetary policy may be more effective at generating growth, especially in the private sector (eg the United States in **Extract C**)
- an overall assessment of whether a policy of increasing exports is the best way to increase economic growth.

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