

INTERNATIONAL AS
ECONOMICS
EC02

Unit 2 The National Economy in a Global Environment

Mark scheme

June 2025

Version: 0.1 Pre-Standardisation



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

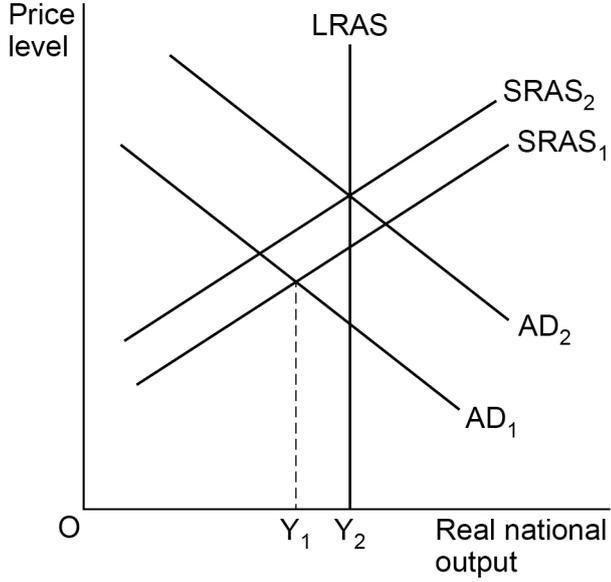
Question	Part	Marking guidance	Total marks
01		A central bank using quantitative easing would be most likely to Answer: A (buy more government and corporate bonds.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
02		Which one of the following means a country is experiencing deflation? Answer: D (The general price level is falling.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks								
03		<table border="1" style="margin-left: auto; margin-right: auto;"> <tbody> <tr> <td>GDP</td> <td>€54 000m</td> </tr> <tr> <td>Trade in goods</td> <td>€4 200m</td> </tr> <tr> <td>Trade in services</td> <td>–€3 800m</td> </tr> <tr> <td>Primary income</td> <td>€1 100m</td> </tr> </tbody> </table> <p>The country has a current account deficit equal to 2% of GDP. What is the value of secondary income?</p> <p>Answer: C (–€2580 million)</p>	GDP	€54 000m	Trade in goods	€4 200m	Trade in services	–€3 800m	Primary income	€1 100m	1 AO3 = 1
GDP	€54 000m										
Trade in goods	€4 200m										
Trade in services	–€3 800m										
Primary income	€1 100m										

Question	Part	Marking guidance	Total marks
04		<p>Key: — Country A - - - - - Country B</p> <p>Which one of the following can be concluded from the data?</p> <p>Answer: B (Country A's GDP per capita was 15% higher in 2024 than in 2020.)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
05		<p>All other things being equal, which one of the following would be most likely to increase a country's normal capacity level of output?</p> <p>Answer: D (An increase in the capital stock)</p>	<p>1</p> <p>AO1 = 1</p>

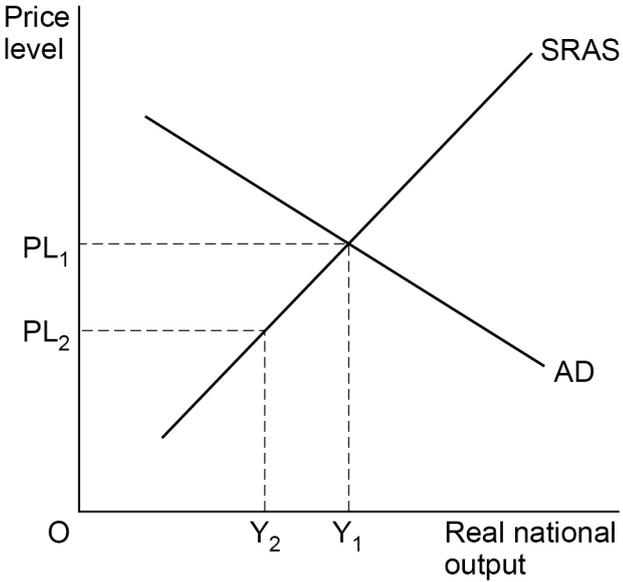
Question	Part	Marking guidance	Total marks
06		 <p data-bbox="368 952 1233 1021">All other things being equal, which one of the following could have caused the shift from Y_1 to Y_2?</p> <p data-bbox="368 1055 1251 1090">Answer: A (A rise in consumer income and a rise in indirect taxes)</p>	<p data-bbox="1318 304 1337 331">1</p> <p data-bbox="1318 383 1433 409">AO3 = 1</p>

Question	Part	Marking guidance	Total marks
07		<p data-bbox="368 1218 1246 1288">A government provides more information about jobs to help reduce unemployment.</p> <p data-bbox="368 1319 1294 1388">Which one of the following types of unemployment is this most likely to affect?</p> <p data-bbox="368 1420 675 1456">Answer: B (Frictional)</p>	<p data-bbox="1318 1218 1337 1245">1</p> <p data-bbox="1318 1296 1433 1323">AO1 = 1</p>

Question	Part	Marking guidance	Total marks														
08		<p>World oil price (\$)</p> <table border="1"> <caption>World oil price (\$)</caption> <thead> <tr> <th>Month</th> <th>Price (\$)</th> </tr> </thead> <tbody> <tr> <td>Jun</td> <td>70</td> </tr> <tr> <td>Jul</td> <td>71</td> </tr> <tr> <td>Aug</td> <td>81</td> </tr> <tr> <td>Sep</td> <td>85</td> </tr> <tr> <td>Oct</td> <td>88</td> </tr> <tr> <td>Nov</td> <td>90</td> </tr> </tbody> </table> <p>A country imports most of the oil used in its economy.</p> <p>All other things being equal, which one of the following is most likely to increase as a result of the price changes?</p> <p>Answer: A (Cost-push inflation)</p>	Month	Price (\$)	Jun	70	Jul	71	Aug	81	Sep	85	Oct	88	Nov	90	<p>1</p> <p>AO2 = 1</p>
Month	Price (\$)																
Jun	70																
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Question	Part	Marking guidance	Total marks
09		<p>Each extra £1 of income in a country leads to £0.65 more consumption, £0.15 more savings, £0.18 more tax payments and £0.02 more spending on imports.</p> <p>What is the value of the multiplier to two decimal places?</p> <p>Answer: C (2.86)</p>	<p>1</p> <p>AO3 = 1</p>

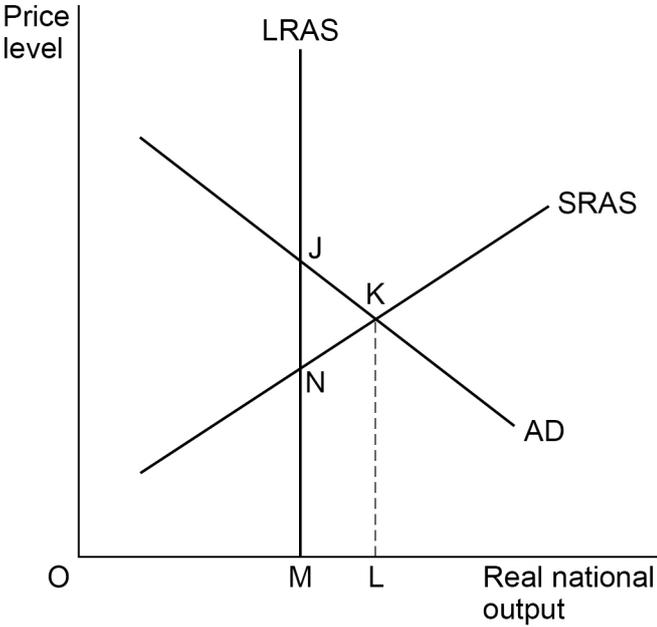
Question	Part	Marking guidance	Total marks
10		<p>A government reduces the rate of tax on company profits as an incentive for firms to increase investment.</p> <p>This is an example of</p> <p>Answer: D (supply-side policy.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
11		 <p>The economy was originally in equilibrium at $PL_1 Y_1$ but has now moved to a new equilibrium at $PL_2 Y_2$.</p> <p>Which one of the following is most likely to have caused this change?</p> <p>Answer: D (Negative economic growth in a country that buys the economy's exports)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
12		<p style="text-align: center;">2014</p> <p style="text-align: center;">2024</p> <p>Key</p> <p>■ Direct tax ■ Indirect tax ■ Other revenue □ Borrowing</p> <p>Direct tax in the country is progressive.</p> <p>All other things being equal, which one of the following is the most likely result of the change?</p> <p>Answer: C (A less equal distribution of income)</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks
13		<p>Which one of the following is a main determinant of short-run aggregate supply?</p> <p>Answer: C (Production costs)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
14		<p>All other things being equal, which one of the following is most likely to increase savings in an economy?</p> <p>Answer: B (A rise in disposable income)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
15		<div style="text-align: center;">  </div> <p>The economy has</p> <p>Answer: C (a positive output gap from M to L.)</p>	<p>1</p> <p>AO2 = 1</p>

Section B

Total for this section: 65 marks

Question	Part	Marking guidance	Total marks
16	1	<p>Define 'national debt' (Extract B, line 16).</p> <p>A full and precise definition is given (3 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> • the total amount the government owes • the accumulated total amount borrowed by the country's government in previous years • the stock of outstanding government debt. <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"> • the total amount of debt accumulated over time • total government borrowing. <p>Fragmented points only (1 mark)</p> <p>Examples:</p> <ul style="list-style-type: none"> • debt owed to other countries • government debt. 	<p>3</p> <p>AO1 = 3</p>

Question	Part	Marking guidance	Total marks
16	2	<p>Define 'national income' (Extract C, line 16).</p> <p>A full and precise definition is given (3 marks)</p> <p>Examples:</p> <ul style="list-style-type: none"> • the monetary value of all the goods and services that are produced by an economy in a given time period • the total value of all income received by the owners of factors of production in an economy in a given time period • the total value of all expenditure on goods and services produced in an economy in a given time period. <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"> • the monetary value of all goods and services produced by an economy • all income received in an economy in a given time period. <p>Fragmented points only (1 mark)</p> <p>Examples:</p> <ul style="list-style-type: none"> • total income • total output • total expenditure. 	<p>3</p> <p>AO1 = 3</p>

MAXIMUM FOR QUESTION 16: 6 MARKS

Question	Part	Marking guidance	Total marks								
17	1	<p>Ethiopia’s nominal GDP was \$111.3bn in 2021.</p> <p>Use Extract A (i) to calculate how much more investment would be needed to bring Ethiopia’s investment as a percentage of nominal GDP up to the same percentage as China’s.</p> <p>Give your answer in \$bn to two decimal places.</p> <p>Calculation:</p> <p>$\\$111.3\text{bn} \times 43.3\% = \\48.1929bn $\\$111.3\text{bn} \times 31.3\% = \\34.8369bn</p> <p>$\\$48.1929\text{bn} - \\$34.8369\text{bn} = \\$13.356\text{bn} = \\13.36bn (2dp)</p> <table border="1"> <thead> <tr> <th>Response</th> <th>Max marks</th> </tr> </thead> <tbody> <tr> <td>For the correct answer: \$13.36bn (with or without working shown)</td> <td>3 marks</td> </tr> <tr> <td>For the correct answer but not rounded to two decimal places: eg \$13.356bn OR For the correct answer rounded the wrong way: \$13.35bn OR For the correct answer but with missing/incorrect units: eg 13.36bn OR For <u>both</u> correct elements with correct rounding but without calculating the difference: \$48.19bn <u>and</u> \$34.84bn</td> <td>2 marks</td> </tr> <tr> <td>For the correct method but the wrong answer OR For the correct answer but with <u>two</u> errors from ‘not to two decimal places’, ‘rounded the wrong way’ and ‘with missing/incorrect units’: eg 13.356 OR For one correct element with correct rounding but without calculating the difference: eg \$48.19bn OR For <u>both</u> correct elements but neither rounded or both rounded the wrong way: eg \$48.1929bn <u>and</u> \$34.8369bn</td> <td>1 mark</td> </tr> </tbody> </table>	Response	Max marks	For the correct answer: \$13.36bn (with or without working shown)	3 marks	For the correct answer but not rounded to two decimal places: eg \$13.356bn OR For the correct answer rounded the wrong way: \$13.35bn OR For the correct answer but with missing/incorrect units: eg 13.36bn OR For <u>both</u> correct elements with correct rounding but without calculating the difference: \$48.19bn <u>and</u> \$34.84bn	2 marks	For the correct method but the wrong answer OR For the correct answer but with <u>two</u> errors from ‘not to two decimal places’, ‘rounded the wrong way’ and ‘with missing/incorrect units’: eg 13.356 OR For one correct element with correct rounding but without calculating the difference: eg \$48.19bn OR For <u>both</u> correct elements but neither rounded or both rounded the wrong way: eg \$48.1929bn <u>and</u> \$34.8369bn	1 mark	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
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Question	Part	Marking guidance	Total marks								
17	2	<p>Use Extract C (lines 8–10) to calculate the percentage change in real GDP per capita in Ethiopia between 2021 and 2022.</p> <p>Give your answer to one decimal place.</p> <p>Calculation:</p> $2021: \frac{\$100.435 \text{ billion}}{120.3 \text{ million}} = \834.8711554 $2022: \frac{\$105.776 \text{ billion}}{123.4 \text{ million}} = \857.1799028 $\frac{(\$857.1799028 - \$834.8711554)}{\$834.8711554} \times 100 = 2.6721186\% = 2.7\% \text{ (1dp)}$ <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: 2.7% (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 2.67% OR For the correct answer rounded the wrong way: 2.6% OR For the correct answer but with missing/incorrect units: eg 2.7 OR For the correct figures for real per capita GDP in both years but no percentage change: \$834.87115 <u>and</u> \$857.1799</td> <td style="text-align: center;">2 marks</td> </tr> <tr> <td>For the correct method but the wrong answer OR For the correct figure for real per capita GDP in one year but no percentage change (not necessarily to 2dp): \$834.87115 <u>or</u> \$857.1799 OR For the correct change expressed as an absolute value: \$22.31 OR For the correct answer rounded the wrong way <u>and</u> with missing/incorrect units: 2.6</td> <td style="text-align: center;">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: 2.7% (with or without working shown)	3 marks	For the correct answer but not rounded to one decimal place: eg 2.67% OR For the correct answer rounded the wrong way: 2.6% OR For the correct answer but with missing/incorrect units: eg 2.7 OR For the correct figures for real per capita GDP in both years but no percentage change: \$834.87115 <u>and</u> \$857.1799	2 marks	For the correct method but the wrong answer OR For the correct figure for real per capita GDP in one year but no percentage change (not necessarily to 2dp): \$834.87115 <u>or</u> \$857.1799 OR For the correct change expressed as an absolute value: \$22.31 OR For the correct answer rounded the wrong way <u>and</u> with missing/incorrect units: 2.6	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 B (line 6) states: 'China's strong growth has been based on high investment (as a percentage of GDP)'.</p> <p>Explain how high investment, as a percentage of GDP, can lead to high future economic growth.</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 investment and economic growth
- explanation of high investment as a percentage of GDP
- examples of investment that can lead to high future growth
- distinction between short-run and long-run economic growth
- understanding of the multiplier and/or accelerator process
- how investment is an injection into the circular flow of income
- how high investment can increase aggregate demand leading to short-run growth
- how investment increases productivity and the capital stock, leading to an increase in aggregate supply and long-run growth
- how investment can increase the normal capacity level of output for the economy.

Note: Some students may support their answer with a diagram 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 high investment, as a percentage of GDP, leads to high future economic growth? 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 high investment, as a percentage of GDP, leads to high future economic growth. Includes a supported overall judgement concerning the extent to which high investment, as a percentage of GDP, leads to high future economic growth.
2	3–4	<ul style="list-style-type: none"> Includes limited evidence that indicates the extent to which high investment, as a percentage of GDP, leads to high future economic growth. Attempts a judgement concerning the extent to which high investment, as a percentage of GDP, leads to high future economic growth.
1	1–2	<ul style="list-style-type: none"> Includes evidence that does not clearly indicate the extent to which high investment, as a percentage of GDP, leads to high future economic growth. May include an unsupported judgement concerning the extent to which high investment, as a percentage of GDP, leads to high future economic growth.
	0	No creditworthy material

Indicative content:

- Ethiopia has the second highest level of investment as a percentage of GDP (31.3%) and has the highest predicted rate of economic growth (between 6.1% and 6.8%)
- China has the highest level of investment as a percentage of GDP (43.3%) and has the second highest predicted rate of economic growth (between 3.7% and 5.0%)
- United States has the lowest level of investment as a percentage of GDP (21.2%) and has the lowest predicted rate of economic growth (between 1.5% and 2.1%)
- China's level of investment as a percentage of GDP between 2019 and 2021 was more than one-and-a-half times the world average but its economic growth rate is predicted to fall close to the world average by 2027
- United States' investment as a percentage of GDP between 2019 and 2021 was 5.5 percentage points below the world average and its predicted growth rate is below the world average for the whole period from 2023 to 2027
- the investment data are based on one three-year period that may not be typical or reliable
- the growth figures are a prediction, which may not be accurate
- there is a gap between the time periods of the two datasets and the benefits of investment may take a long time to impact on growth figures, meaning the gap may not be long enough for high investment to have an effect
- countries were affected by the global pandemic in different ways between 2019 and 2021
- it would be reasonable to conclude that a high level of investment as a percentage of GDP can lead to high future economic growth but that other factors, eg government policy, are also involved.

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 countries.

Credit valid alternative content.

MAXIMUM FOR QUESTION 18: 12 MARKS

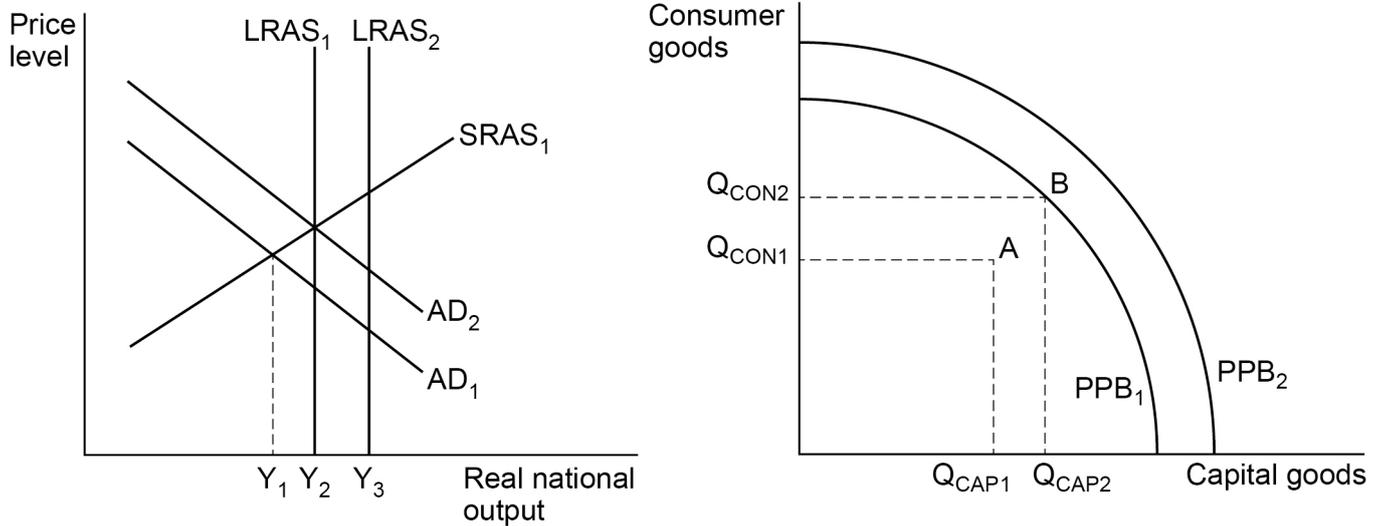
Question	Part	Marking guidance	Total marks
19		<p>Extract B (line 9) states: ‘The Chinese government believes that investment creates long-run economic growth’.</p> <p>With the help of a diagram(s), explain the difference between short-run and long-run economic growth.</p>	<p>9</p> <p>AO1 = 2 AO2 = 4 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(s) shows aggregate demand (AD), short-run aggregate supply (SRAS) and long-run aggregate supply (LRAS) curves (a Keynesian aggregate supply curve is acceptable) or a production possibility diagram with any macroeconomic labels.



Relevant issues include:

- the meaning of short-run economic growth
- explanation of how short-run economic growth involves making better use of existing factors of production/spare capacity (for example Y_1 to Y_2 in the left-hand diagram or A to B in the right-hand diagram)
- explanation of the limits to short-run growth unless there is also an increase in the normal capacity level of output
- the meaning of long-run economic growth
- explanation of the link between the supply-side performance of the economy and long-run growth
- how long-run economic growth increases the normal capacity level of output in the economy (for example Y_2 to Y_3 in the left-hand diagram or PPB_1 to PPB_2 in the right-hand diagram)
- the difference between short-run growth, caused by an increase in a component of aggregate demand (for example consumption in **Extract B** or investment in **Extract C**), and long-run growth, resulting from more or better factors of production (for example capital investment in **Extract C**)
- why sustained economic growth will require both short-run and long-run growth.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		<p>Extract C (lines 16–17) states: ‘Ethiopia has had a current account deficit of around 4% of GDP.’</p> <p>Analyse the factors that influence a country’s balance of payments on current account.</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 the balance of payments on current account
- understanding of the elements that comprise the current account
- relevant examples of these elements
- the meaning of a deficit and a surplus on the current account
- analysis of factors that influence a country’s balance of trade in goods and services on the current account including:
 - productivity relative to other countries and its effect on relative prices
 - inflation relative to other countries and its effect on relative prices
 - the exchange rate (eg **Extract C** depreciation of the Ethiopian birr)

- non-price factors including technology, reputation and political relations between countries
- the level of domestic economic activity (affecting the demand for imports)
- the level of economic activity in countries that buy the country's exports (eg **Extract C** world demand for gold and coffee)
- changes in world prices for a country's exports or imports (**Extract C**)
- analysis of factors that affect a country's primary income balance including:
 - the ownership by domestic residents or firms of assets in other countries
 - the ownership of assets in the domestic economy by residents or firms of other countries
- analysis of factors that affect a country's secondary income including:
 - the level of transfers into and out of the country by governments and other economic agents that do not involve goods or services in return.

Note: While good answers may consider all the elements that comprise the current account, it is possible to achieve the highest level by considering factors that impact on trade only.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		<p>Extract C (lines 22–23) refers to: ‘potential conflicts between economic growth and other macroeconomic policy objectives.’</p> <p>Use the extracts and your knowledge of economics to discuss how economic growth may affect other macroeconomic policy objectives.</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
- understanding of other main objectives of government macroeconomic policy including:
 - price stability
 - minimising unemployment and increasing employment
 - a stable balance of payments on current account
- understanding of additional possible objectives including:
 - balancing the budget
 - achieving a more equitable distribution of income and wealth
 - protecting the environment
- analysis and evaluation of ways in which economic growth can support the achievement of other macroeconomic objectives:
 - increasing aggregate supply to allow aggregate demand to rise without upward pressure on the price level
 - providing additional jobs and opportunities to develop new skills (**Extract C**)
 - making it easier for firms to improve productivity and engage in exports
 - reducing a country's dependency on imports
 - increasing income levels (**Extract B**) and reducing poverty (**Extract C**)
 - increasing tax revenue to allow a government to invest in infrastructure and public goods
 - increasing spending on research and development to protect the environment
 - achieving a balance between short-run and long-run growth to help economic stability (**Extract B**)
- analysis and evaluation of ways in which economic growth may conflict with the achievement of other macroeconomic objectives:
 - short-run growth, for example using fiscal policy (**Extract B**), may create a positive output gap and cause inflation
 - growth may be based on capital investment and technological change that leads to structural unemployment
 - growth in incomes may lead to increased import demand causing a deficit on the current account
 - growth based on government investment (**Extract B**) may lead to a budget deficit, increased borrowing and higher interest rates
 - the distribution of income and wealth may become less equitable as a result of growth if the ownership of factors of production is unequal
 - rapid economic growth, such as that experienced in China (**Extract B**) may harm the environment
- an overall assessment of how economic growth may affect other macroeconomic policy objectives.

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