

4(a)	<p>Explain <u>two</u> causes of economic growth <u>and</u> consider the extent to which their impact can be measured.</p> <p>Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation.</p> <p>AO1 Knowledge and Understanding (max 3 marks)</p> <ul style="list-style-type: none"> Economic growth is the increase in the real value of goods and services produced in an economy over time (1). Explanation of two causes of protection – e.g. Increase in AD – higher real wages, direct tax cuts, lower interest rates; increases in LRAS – increased investment, increased productivity (1+1). <p>AO2 Analysis (max 3 marks)</p> <ul style="list-style-type: none"> An explanation of how each cause increases economic growth (1+1). For example, reductions in income tax will reduce disposable income thereby increasing AD and economic growth. However, if high levels of job insecurity exists then the increase in consumption/AD/economic growth may be less (1). Alternatively, the ability to measure the impact will be affected by the size of the hidden/informal economy (1). <p>AO3 Evaluation (max 2 marks)</p> <ul style="list-style-type: none"> Evaluation should consider the extent to which the causes can be measured – size of hidden/informal economy. 1 mark reserved for a justified conclusion. 	8
------	---	---

4(b)	<p>Assess the extent to which economic growth is always beneficial for the people and government in an economy.</p> <p>Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.</p> <p>AO1 and AO2 out of 8 marks. AO3 out of 4 marks.</p> <p>Indicative content</p> <p>Responses may include:</p> <p>AO1 Knowledge and understanding and AO2 Analysis</p> <p>Potential benefits of increasing economic growth. For example:</p> <ul style="list-style-type: none"> Economic growth often leads to increased real GDP per capita, allowing consumers to enjoy more goods and services and improve their quality of life. As output increases, firms typically need more workers, leading to more job opportunities and reduced unemployment. Higher incomes and spending generate more tax revenue without raising tax rates, enabling governments to invest in public services like healthcare and education. Sustained growth can boost investment and consumption as expectations about future income and profits rise. 	12
------	---	----

	<p>Potential costs of increasing economic growth include:</p> <ul style="list-style-type: none"> • Economic growth can disproportionately benefit the wealthy, leading to a widening gap between rich and poor, with some groups not experiencing the same level of improvement. • Increased production and consumption associated with growth can lead to higher pollution levels, depletion of natural resources, and other environmental harm. • If growth is too rapid, it can lead to inflationary pressures, demand-pull inflation, and potential economic instability. • As economies grow, the demand for resources (such as raw materials, energy, and land) increases, which can lead to shortages, higher prices, and the over-exploitation of finite resources. <p>Level 1 responses will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.</p> <p>Level 2 responses may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question.</p> <p>Level 3 responses will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.</p>	
--	--	--

4(b)	<p>AO3 Evaluation</p> <p>Requires an assessment of the benefits and costs of increased economic growth (which may refer to specific groups) which leads to a justified conclusion as to whether or not economic growth is always beneficial</p> <p>Accept all valid responses.</p> <p>A one-sided response cannot gain any marks for evaluation.</p>	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

4(a)	<p>Explain <u>two</u> possible causes of economic growth <u>and</u> consider whether the consequences of economic growth for an economy will always be positive.</p> <p>Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding, up to 3 marks for AO2 Analysis, and up to 2 marks for AO3 Evaluation.</p> <p>AO1 Knowledge and understanding (max 3 marks)</p> <p>A knowledge and understanding of what is meant by economic growth (1) and two possible causes of economic growth, such as:</p> <ul style="list-style-type: none"> • an increase in the number of workers • an improvement in the quality of workers, e.g. in terms an increase in education and/or training • a greater commitment to research and development • an improvement in the state of technology • investment in capital stock • increased mobility/flexibility of factors of production • development of new export markets. <p>(Up to 2 marks)</p>	8
------	---	---

AO2 Analysis (max 3 marks)

An analysis of the possible consequences of economic growth for an economy, both positive and negative, such as:

- leads to an increase in the standard of living
- could lead to a decrease in unemployment
- may lead to a depletion of resources and to environmental damage
- there could be a reduction in the quality of life, e.g. less leisure time.

AO3 Evaluation (max 2 marks)

Offers a valid judgement on whether the consequences of economic growth for an economy will always be positive **(1)** to reach a conclusion. **(1)**

4(b)

Assess whether a government should always aim for an expansionary fiscal policy rather than a contractionary fiscal policy.

12

Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.
AO1 and AO2 out of 8 marks. AO3 out of 4 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding and AO2 Analysis

Explanation of when an **expansionary** fiscal policy would be appropriate, and how such a policy would work, such as:

- to increase aggregate demand (AD)
- to increase economic growth
- to increase employment
- to increase inflation
- to encourage exports and imports.

Explanation of when a **contractionary** fiscal policy would be appropriate, and how such a policy would work, such as:

- to reduce aggregate demand (AD)
- to reduce economic growth
- to reduce employment
- to reduce inflation
- to discourage exports and imports.

Level 1 responses will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question.

Level 2 responses may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question.

Level 3 responses will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.

AO3 Evaluation

- Consideration of when a government should aim for an expansionary policy and when a government should aim for a contractionary one.
- In conclusion, which approach will be better for particular economic situations.

Accept all valid responses.

A one-sided response cannot gain any marks for evaluation.