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Mark Scheme (Results)

January 2017

Pearson Edexcel International
Advanced Subsidiary
in Economics (WEC02)
Paper 01 Macroeconomic Performance
and Policy



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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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Section A: Supported multiple choice

NB: Candidates may achieve up to 3 explanation marks even if the incorrect option is selected.

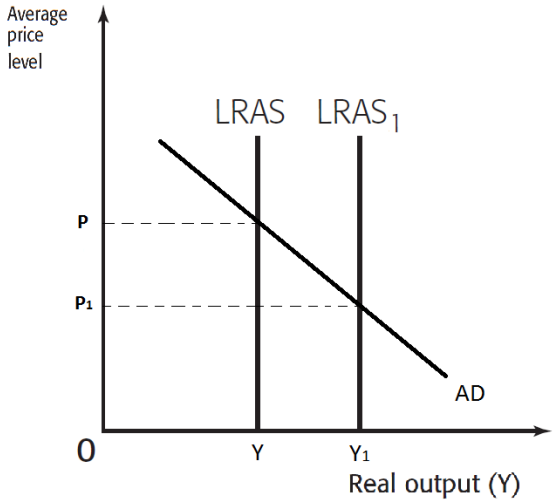
NB: Candidates may achieve up to 3 marks (rejection marks) for explaining three incorrect options (provided three different reasons are offered and each option key is clearly rejected).

Question Number	Answer	Mark
1	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Definition of balance of trade = exports-imports OR net exports (X-M) **(1)** • Exports>imports= surplus OR imports>exports= deficit **(1)** • Examples include: in each year the balance of trade is positive **(1)** • In each year there is a balance of trade surplus **(1)** • EG 2008 €225 billion/2014 €250 billion **(1)** **Rejection marks** • A is incorrect as the balance of trade is positive in each year/not a deficit **(1)** • B is incorrect as this would show a budget deficit **(1)** • D is incorrect as the data does not show the level of savings or investment **(1)**	**(4)**

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Question Number	Answer	Mark
2	**Answer D (1 mark)** **Explanation (up to 3 marks)** • CPI defined as a weighted basket of goods and services **(1)** • Inflation a sustained rise in the average price level **(1)** • Award marks for use of data to support correct answer / conclusion: • In 2012 CPI 3.5%, 2013 2.1%, 2014 -0.1 % **(1)** • CPI Increase 5-6% / decrease -0.1% **(1)** • 2012-2013 disinflation **(1)** • 2014 deflation **(1)** • 2012-2013 inflation greater than 2014 deflation **(1)** • Average prices higher in 2014 than in 2012 as increase in CPI greater than decrease in CPI **(1)** **Rejection marks** • A is incorrect as disinflation/falling rate of average price increase not deflation in 2008-2014/would have to be negative for deflation **(1)** • B is incorrect as inflation in 2010-2012/average prices rising at increasing rate **(1)** • C is incorrect as average price in 2010 were higher than 2009, just increasing at a slower rate **(1)**	**(4)**

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Question Number	Answer	Mark
3	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Technological advances increase efficiency in the economy **(1)** • This leads to higher productivity **(1)** • Higher productivity shifts LRAS outwards/right **(1)** • LRAS potential output of economy **(1)** • LRAS shift (with justification) increases real output and decreases average price level **(1)** Up to 2 marks for correct annotation of diagram showing outward shift in LRAS **(1),** increase in real output and fall in average price level **(1)**  **Rejection marks** • A is incorrect because average price level will fall due to increased productivity/efficiency **(1)** • B is incorrect because average price level will fall and real output rise due to increased productivity/efficiency **(1)** • D is incorrect because real output will rise due to increased productivity/efficiency **(1)**	**(4)**

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Question Number	Answer	Mark
4	**Answer B (1 mark)** **Explanation (up to 3 marks)** • Minimum reserve ratios are an example of monetary policy **(1)** • Increase in the amount of cash reserves banks have to maintain/keep in reserve with the central bank **(1)** • Increase in minimum reserve ratios will decrease money supply **(1)** • Increased minimum reserve ratios will reduce funds for borrowing **(1)** • Impact of reduced borrowing may be lower AD (C + I) **(1)** • Lower AD mean lower real output and price level **(1)** • Up to 2 marks for accurate diagram showing inward shift in AD, lower real output and average price level **Rejection marks** • A is incorrect because increased reserve ratios likely to decrease AD and thus decrease price level/likely to happen if reserve ratio decreased **(1)** • C is incorrect because increased reserve ratios likely to decrease AD and this decrease real output **(1)** • D is incorrect because increased reserve ratios likely to decrease AD, decrease real output and increase unemployment **(1)**	**(4)**

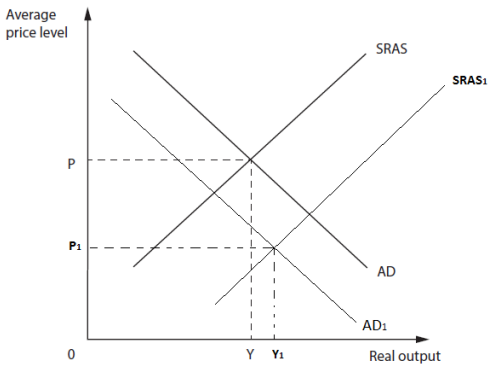
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Question Number	Answer	Mark
5	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Definition of per capita GDP as GDP/population **(1)** • If GDP grows more rapidly than population then per capita GDP will increase **(1)** • 2014 Per capita GDP growth because GDP growth is positive and population growth is negative **(1)** • Award 1 mark for any other accurate comparison • In all other years per capita GDP growth negative **(1)** • **Up to 2 marks for accurate calculation(s) used to support the correct answer** • **e.g. In 2014 GDP growth is 101.3 / population growth of 99.5 = 1.01809 (increase of 1.809%)** **Rejection marks** • **A** as incorrect as per capita GDP growth was negative in all years except 2014/positive in 2014 **(1)** • **B** as incorrect as per capita GDP growth was negative in 2011 and 2012 **(1)** • **D** as incorrect as GDP growth was negative in all years except 2014 thus total GDP was lower in 2014 than in 2011 **(1)**	**(4)**

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Question Number	Answer	Mark
6	**Answer A (1 mark)** **Explanation (up to 3 marks)** • PPI measures changes in the costs of production / index used to measure input prices / prices charged by manufacturers for finished goods **(1)** • The producer (wholesale) price index shows changes in costs **(1)** which are likely to be represented in future output prices **(1)** • Rising producer (wholesale) price index suggests increase in CPI in the future **OR** falling producer (wholesale) price index suggests decrease in CPI in the future **(1)** **Rejection marks** • B is incorrect as marginal propensity to import (MPM) measures relationship between changes income and demand for imports **(1)** • C is incorrect as it is more effected by output and incomes than wholesale prices/no direct link between PPI and tax revenues **(1)** • D is incorrect as this is more determined by government policies than wholesale prices/PPI no direct link to government spending **(1)**	**(4)**

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Question Number	Answer	Mark
7	**Answer B (1 mark)** **Explanation (up to 3 marks)** • Exchange rate defined as value of one currency in terms of another (1) • Increase in exchange rate most likely to increase export prices and decrease import prices/decrease net exports **(1)** • Falling import prices likely to lower costs for business (raw materials and wages). This may shift SRAS curve to the right (outwards) **(1)** • Fall in demand for (more expensive) exports and rise in demand for (cheaper) imports decreases AD and shift curve to the left (inwards) **(1)** • New equilibrium will therefore outcome of shift of AD curve to the left <u>and</u> SRAS curve to the right **(1)** NB: 2 marks for correct annotation on given diagram or their own diagram showing right shift of SRAS **<u>and</u>** left shift of AD, impact on price level and real output.  **Rejection marks** • A is incorrect as AD curve likely to shift left	

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	due to falling net exports **(1)** • C is incorrect as there will be a change in SRAS and AD **(1)** • D is incorrect as SRAS likely to shift right due to lower input costs **(1)**	**(4)**

Question Number	Answer	Mark
8	**Answer D (1 mark)** **Explanation (up to 3 marks)** • Definition of fiscal/budget surplus: tax receipts exceed government spending **(1)** • Taxation is a withdrawal from the circular flow of income **OR** government spending is an injection into the circular flow of income **(1)** • Net withdrawal occurs when taxation exceeds government spending **(1)** • Net withdrawal of 319 billion Krone in year ending April 2014 **(1)** • Likely to reduce AD as G is a component of AD **(1)** • Likely to reduce real output and average price level **(1)** **Rejection marks** • A is incorrect – as fiscal/budget surplus is a net withdrawal and not an injection **(1)** • B is incorrect – because AD and AS are influenced by other factors too/cannot determine from this data on its own **(1)** • C is incorrect - as this would be the balance of trade surplus not a fiscal surplus **(1)**	**(4)**

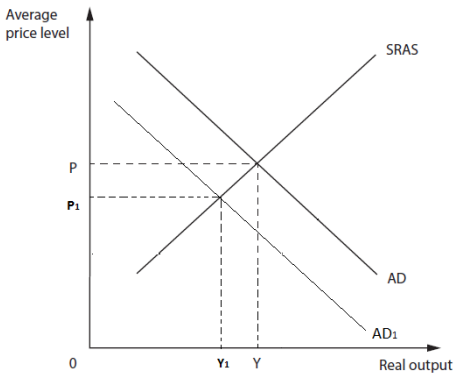
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Section B: Data response

Question Number	Answer	Mark
9 (a)	**Knowledge (up to 2 marks):** • Balance of payments on current account defined: • Current account includes net exports of goods **(1)** • Current account includes net exports of services **(1)** • Net transfers of income/profits **(1)** • Current account includes net transfers **(1)** • Deficit is withdrawal from circular flow of income **(1)** • Surplus is injection into circular flow of income **(1)** • Net exports (X-M) major determinant of BofP **(1)** • If value of imports exceed value of imports then likely that BofP deficit/ If value of exports exceed value of imports then likely that BofP surplus **(1)** • If net exports negative then growth likely to be lower **(1)** **Application (up to 2 marks):** Reference(s) to data: EG • 2010-2012 exports exceeded imports as % of GDP (Figure 2) **(1)** • 2013-2014 imports exceed exports as % of GDP (Figure 2) **(1)** • Falling exports 2013 and 2104 at a time of decreasing growth (Figure 2) **(1)** • Exports falling more rapidly than imports	

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	suggest increasing deficit on BofP **(1)** • Helps improve the BP current account each year between 2010-2012 **(1)** • Worsens BP current account in 2013-2014 **(1)**	**(4)**

Question Number	Answer	Mark
9 (b)	**Knowledge and application (up to 6 marks):** Identifying possible causes/reasons: • Falling consumption (C) **(1)** due to income tax rates high for low earners (Extract 1)**(1)** lower AD and growth **(1)** • Falling investment (I) **(1)** due to high corporation tax meaning low investment (Extract 1) **(1)** and lower AD and growth **(1)** • Higher inflation **(1)** leading to higher costs for firms, lower SRAS **(1)** and lower growth (Figure 1) **(1)** • Falling net exports (X-M) as a percentage of GDP **(1)** reducing AD and lowering growth **(1)** supported by data from Figure 2 **(1)** • Infrastructure limitations/supply constraints evident due to railway building (Extract 2) **(1)**, constraining growth **(1)** and inhibiting trade links **(1)** Award up to 2 marks for an accurate diagram showing left shift in AD, decrease in average price level and real output. Award up to a maximum of three marks per reason  	**(6)**

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Question Number		Mark
9 (c)		**(10)**
Knowledge, application and analysis – indicative content		
	Macroeconomic objectives include: • Increased economic growth, control of inflation, a reduction in unemployment, equilibrium of the Balance of Payments, balanced budgets, redistribution of income, protection of the environment • Analysis of why there is likely to be a trade-off between growth and inflation • Data in Figure 1 suggests lower growth and higher inflation/higher growth and lower inflation • 2010 growth of 8.5% and inflation of 1.5% • 2014 growth of 2.2% and inflation of 3.2% • Evidence shows slowing growth so less goods and services produced to meet consumer demand with resulting inflation and low economic growth • Reasons – falling exports and rising imports (lower growth) and 'imported inflation' • Stagflation – low growth and h**i**gh inflation • Falling exports may reduce value of currency and increase price of imports causing higher inflation • Diagram showing decrease in SRAS and fall in real output and increase average price level One view may be presented as KAA and the other viewpoint may be accepted as evaluation.	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-2	Shows some awareness of conflicts **or** data references
2	3-4	Understanding of conflicts **or** some awareness of conflicts and data references
3	5-6	Clear understanding of conflicts **and** linking to data

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Evaluation – indicative content		
	• Inflation still relatively low at 3.2% • Demand-led growth may contribute to inflation so positive correlation between growth and inflation • Long term will depend upon exports and imports • If the fall in growth is short-term, inflation may fall again in the future • If the fall in growth is long-term, inflation may continue to rise • Impact upon inflation will depend upon magnitude of change in imports and exports • Some inflation is considered beneficial to an economy Supply side shock likely to have reduced inflationary pressure	

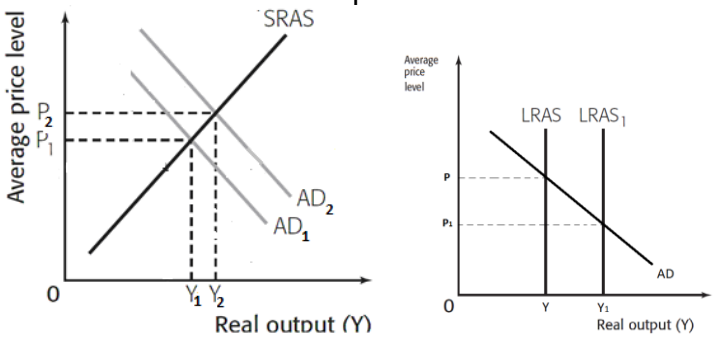
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation
2	3-4	For evaluative comments supported by relevant reasoning

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<table>
<tr><th>Question Number</th><th></th><th>Mark</th></tr>
<tr><td>9 (d)</td><td></td><td>(14)</td></tr>
<tr><td colspan="3">Knowledge, application and analysis – indicative content</td></tr>
<tr><td></td><td colspan="2">

Investment is included in GDP measure
C + I + G + (X-M)
Investment is important component of AD and LRAS and productive potential
Thus rising investment increases AD in the short term
In the long term increased investment may increase output potential of economy shifting LRAS right (outwards)
Investment in infrastructure may require investment in human capital (EG training and education) and increase employment directly in construction
Relate to GDP growth
Multiplier effect upon AD
Railway may reduce costs of transportation, increasing SRAS (lower costs) and LRAS (potential output)
Accurate diagram showing increase in AD/LRAS annotated and explained



Accurate diagram showing increase in LRAS
Accurate PPF/PPC showing outward shift annotated and explained

Economics benefits may be presented as KAA but the costs may be accepted as evaluation or vice versa
</td></tr>
<tr><td>Level</td><td>Marks</td><td>Descriptor</td></tr>
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<tr><td>1</td><td>1-3</td><td>Shows some awareness of possible benefits or identification of one or more benefits. Understanding of benefits <u>or</u> data references
Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.</td></tr>
<tr><td>2</td><td>4-6</td><td>Identification and some explanation of benefits</td></tr>
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		identified along with some development of analysis **or** some identification of possible benefits and data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the benefits **and** data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• As AD increases (perhaps due to increasing demand for exports) then inflation may result • Railway may increase reliance upon commodity exports and reliance upon China as export destination • Impact upon AD will depend upon size of the multiplier • Outcome may be even higher imports as incomes are spent on imported goods and services • Impact upon employment will depend upon how many jobs are created and for how long in Peru • Many construction jobs may be low skills/low pay reducing impact upon AD • Environment costs EG during construction and day-to-day running • Much depends on extent of movement of LRAS curve	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

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Question Number		Mark
9(e)		**(14)**
Knowledge, application and analysis – indicative content		
	• Fiscal policies relate to taxation and government spending • Fiscal policy may be contractionary or expansionary • Taxation is withdrawal from circular flow of income • Peru expansionary policy - lower income tax (Extract 1) and cuts in tax on business profits (Extract 1) • Increasing tax on dividends (Extract 1) to provide an incentive to spend and invest in the 'real' economy • Fiscal policy (demand management) may be popular and easy to implement when tax is being reduced • Fiscal policy can be used to manage AD • Cuts in tax on business profits may increase SRAS • Cuts in tax on business profits may promote investment (AD) • Cuts in tax on business profits may promote capital investment (LRAS) • Accurate diagram showing increase in AD annotated and explained • Accurate diagram showing increase in SRAS One view may be presented as KAA and the other viewpoint may be accepted as evaluation.	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible benefits or identification of one or more impacts. Understanding of benefits **or** data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of benefits identified along with some development of analysis **or** some identification of possible benefits and data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.

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3	7-8	Clear understanding and analysis of the benefits **and** data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• Impact will depend upon the magnitude of the fiscal changes – size of tax cuts • Impact will depend upon the length of time the policy is implemented • If long term, more effect than short term • Impact of income tax cuts will depend MPC and MPS • Fiscal policies may be difficult to implement when contractionary (monetary policy may be less unpopular) • Impact will depend upon efficient tax collection system(s)/level of tax avoidance • Impact will depend upon the size of the unofficial economy	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

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Question Number	Answer	Mark
10 (a)	**Knowledge (up to 2 marks):** • Recession is 2 consecutive quarters of negative economic growth/GDP growth **(1)** • Sustained fall in real output **(1)** • Then, identification of characteristics of a recession as part of explanation such as: rising unemployment; lower consumer spending; lower business investment **(1)** **Application (up to 2 marks):** • Italy experienced negative annual growth in 2009, 2010,2013 and 2014 (Figure 1) **(1)** • Negative real GDP growth was more than -5% by the end of 2009 or start of 2010 (Figure 1) • Falling real output was sustained for more than 2 consecutive quarters in every year except 2008, 2011 and 2012 (Figure 1)**(1)** • Unemployment (characteristic of recession) increased in all years except 2011 **(1)** • Diagram showing falling AD (or SRAS), falling real output **(1)** and falling (rising) average price level **(1)** **NB Examples do not have to relate to Italy to be rewarded**	**(4)**

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Question Number	Answer	Mark
10 (b)	**Knowledge and application (up to 6 marks)** • Definition of unemployment rate such as: the percentage of the population of working age actively seeking work but unable to find suitable employment/any other suitable definition / Youth unemployment in Extract 2 is defined as 15-29 years old **(1)** (NB UN definition is 14-28) • Youth unemployment is 42% and average unemployment is 12.9% **(1)** • Lack of job security for younger workers (Extract 2) **(1)** means higher youth unemployment **(1)** compared to average rate **(1)** • Temporary contracts for younger workers (Extract 2) **(1)** means youth unemployment is higher **(1)** compared to average rate **(1)** • Younger workers likely to be less skilled **(1)** therefore find it harder to find employment **(1)** and are more likely to be unemployed **(1)** • Rising average unemployment (Figure 2) **(1)** means that youth unemployment reflects this general trend **(1)** so although high it is reflective of Italy's labour market **(1)** • High costs of making older workers redundant **(1)** means it is more likely that younger workers will be made redundant **(1)** meaning more likely that youth unemployment high **(1)** • Easier and less costly for firms to fire younger workers **(1)** as they are more likely to be on short-term contracts **(1)** resulting in higher youth unemployment **(1)** • Younger workers may be less skilled/experienced and therefore less productive **(1)** so may be easier to remove from workforce and reduce labour costs **(1)** without affecting output **(1)** • Younger workers have less incentive to find employment **(1)** due to lower pay and less good conditions compared to older workers **(1)** therefore higher youth unemployment **(1)**	**(6)**

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	Award up to a maximum of three marks per reason **Examples do not have to relate to Italy to be rewarded**	

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Question Number		Mark
10 (c)		**(10)**
Knowledge, application and analysis – indicative content		
	• Youth unemployment 15-29 year olds (Extract 2) willing and able to work/actively seeking work • Waste of resources (42% 15-29 year old) in 2015) • Rising poverty/inequality • Rising government budget deficit • Decreased tax receipts (direct and indirect) • Increased government spending • Social effects (e.g. increased crime, increased suicide, net migration) with explanation of their negative impact on the economy • Risk of deflation (demand deficiency) and stagflation (low/negative growth with high inflation) • Loss of potential output • Loss of skills or human capital • 'Lost generation' Economics costs may be presented as KAA but the benefits may be accepted as evaluation or vice versa	

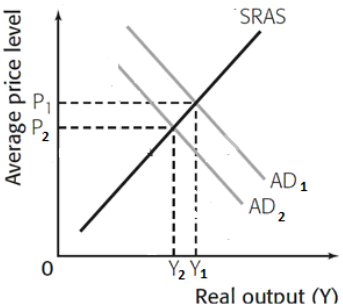
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-2	Shows some awareness of costs **or** data references
2	3-4	Understanding of costs **or** some awareness of reasons and data references
3	5-6	Clear understanding of costs **and** linking to data

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Evaluation – indicative content		
	Requires evidence of awareness of possible benefits of youth unemployment (answer is **not** one sided) • Higher unemployment may reduce inflation thus make economy more competitive internationally • Higher unemployment may reduce wages and costs for business • Impact upon AD may depend upon size of (negative) multiplier • Reference to the magnitude of youth unemployment – 42% in 2015 – and how time period determines costs • Comparison with other economies • Firms may benefit from an increasingly flexible labour market creating an increased pool of labour	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

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Question Number		Mark
10 (d)		**(14)**
Knowledge, application and analysis – indicative content		
	• Government spending (G) component of AD • Falling government spending reduces AD, creating fall in average price level and real output • Multiplier effect of reduced government spending • Impact on unemployment • Impact on output gap • If government spending reduced in education and training then may reduce potential output (LRAS) • Accurate diagram showing fall in AD annotated and explained  • Accurate diagram showing fall in LRAS • Accurate PPF/PPC showing inward shift annotated and explained Negative economic effects may be presented as KAA but the other viewpoint may be accepted as evaluation.	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible costs or identification of one or more impacts. Understanding of costs **or** data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of costs identified along with some development of analysis **or** some identification of possible costs and data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.

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3	7-8	Clear understanding and analysis of the costs **and** data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• Here we are looking for development and evidence of judgement as to the most significant effects with possible negative consequences • Impact will depend upon magnitude of government spending cuts • Impact will depend upon length of time government spending cuts are implemented • Reduced 'crowding-out' of private sector with possible efficiency increases • Impact on rate of inflation • Lower inflation may lead to increased international competitiveness	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

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Question Number		Mark
10 (e)		**(14)**
Knowledge, application and analysis – indicative content		
	Interventionist policies including: • Education and training to raise levels of human capital/make labour more flexible to cope with changing structure of economy • Research and development (R&D) to develop new technologies or production techniques to improve efficiency • Improved infrastructure to allow for better transportation linkages in the economy; better telecommunications linkages in the economy; • Infrastructure is what enables economic activity to take place • Improved conditions/contracts/job security for younger employees may raise employment and productivity in the long term as longer time in job may raise skills of employees *Market-oriented* policies including: • Reduction in direct taxes • Reduction in direct taxes on (small) firms may reduce income/wealth gap • Labour market reform may including reduction in trade union power/reduction in minimum • wages/reduction in unemployment benefits • Deregulation • Privatisation and competition policy • Higher productivity may reduce inflation • May create sustainable growth in the long-term • Increased efficiency may improve balance of payments • Less likely to create conflicts between objectives such as growth and low inflation Positive economic effects may be presented as KAA but the other viewpoint may be accepted as evaluation.	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible benefits or identification of one or more benefits. Understanding of benefits **or** data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.

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2	4-6	Identification and some explanation of benefits identified along with some development of analysis **or** some identification of possible benefits and data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the benefits **and** data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content			
	• Time lags – supply-side policies may take a long time to produce desired outcomes • Combination of supply-side and demand side policies may be more effective in promoting growth • Fiscal and monetary policies have to be mutually supporting policies to be effective EG investment incentives may require low interest rates • May increase income and wealth inequality if tax on highest incomes is reduced • Impact depends upon size of the multiplier • Education and training may be very costly • Industrial unrest may result from reducing power of trade unions and deregulation • Increasing competition from deregulation or lower taxes for small firms may reduce the profits of existing firms and reduce investment • Lower tax may boost consumer spending and increase inflation • Improved conditions of employment for younger employees may mean firms are less willing to employ them, resulting in higher unemployment in this demographic	
Level	Marks	Descriptor	
0	0	No evaluative comments.	
1	1-2	For identifying evaluative comments without explanation.	
2	3-4	For evaluative comments supported by some reasoning and relevant examples.	
3	5-6	For evaluative comments supported by relevant	

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		reasoning and relevant examples.

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