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Mark Scheme (Results)

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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.

## Section A

Question	Quantitative skills assessed	Answer	Mark
1	<b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is B</b> <i>A is not correct because net investment is gross investment minus capital depreciation</i> <i>C is not correct because net investment is gross investment minus capital depreciation</i> <i>D is not correct because net investment is gross investment minus capital depreciation</i>	(1)
2	<b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is C</b> <i>A is not correct as this occurs when people move between jobs</i> <i>B is not correct as this occurs when wages are set above the equilibrium wage rate</i> <i>D is not correct as this occurs when there is a mismatch between the skills that workers have and the skills demanded by employers</i>	(1)
3	<b>QS1:</b> Calculate, use and understand ratios and fractions <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is A</b> <i>B is not correct as this is the ratio of Qatar's GNI in 2020 to its GNI in 2022</i> <i>C is not correct as this is 1 : percentage change in GNI</i> <i>D is not correct as this is 1 : difference between the GNI values</i>	(1)
4	<b>QS4:</b> Construct and interpret a range of standard graphical forms <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is C</b> <i>A is not correct as this will increase aggregate demand</i> <i>B is not correct as this will cause a rightward shift in the SRAS curve</i> <i>D is not correct as this will increase aggregate demand /shift the LRAS curve to the right</i>	(1)
5	<b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is D</b> <i>A is not correct as house prices are likely to fall</i> <i>B is not correct as the rate of inflation is likely to fall</i> <i>C is not correct as business confidence is likely to fall</i>	(1)
6	<b>QS5:</b> Calculate and interpret index numbers <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is D</b> <i>A is not correct as this will be a result of a fall in consumer confidence</i> <i>B is not correct as the price level will rise</i> <i>C is not correct as real output will rise</i>	(1)

## Section B

Question	<p>Between quarter 2 2022 and quarter 2 2023 average house prices in Canada decreased by 8.5%.</p> <p>With reference to the information above, explain <b>one</b> likely macroeconomic impact of this decrease in house prices on existing homeowners.</p>	Mark
7	<p><b>Knowledge 1, Analysis 2, Application 1</b></p> <p><b>Quantitative skills assessed:</b>  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge</b>            1 knowledge mark for:</p> <ul style="list-style-type: none"> <li>• Decrease in consumption/                Decrease in consumer spending/                Decrease in AD <b>(1)</b></li> </ul> <p><b>Analysis</b>            Up to 2 analysis marks for linked development, e.g.:</p> <ul style="list-style-type: none"> <li>• Identification of negative wealth effects <b>(1)</b></li> <li>• Decrease in confidence of existing homeowners <b>(1)</b></li> <li>• Decrease in real output and/or price level (this may be shown with an accurately labelled AD/AS diagram showing a leftward shift of AD) <b>(1)</b></li> </ul> <p><b>Application</b>            1 mark for appropriate reference to Canada house prices, e.g.:</p> <ul style="list-style-type: none"> <li>• Between quarter 2 2022 and quarter 2 2023 average house prices in Canada decreased by 8.5% <b>(1)</b></li> </ul>	(4)

Question	Draw an AD/AS diagram to show a positive output gap.	Mark
<p><b>8</b></p> <p><b>Knowledge 1, Application 3</b></p> <p><b>Quantitative skills assessed:</b>  <b>QS4:</b> Construct and interpret a range of standard graphical forms  <b>QS9:</b> Interpret, apply and analyse information in written, graphical and tabular forms</p> <div data-bbox="608 456 912 869" style="text-align: center;"> </div> <p><b>Knowledge</b>  Correctly drawn SRAS and AD curves with correctly labelled axes <b>(1)</b></p> <p><b>Application</b>  Up to 3 marks for the following information included on the diagram:</p> <ul style="list-style-type: none"> <li>• Drawing LRAS to the left of short-run equilibrium <b>(1)</b></li> <li>• Labelling the short-run equilibrium (Y) and full employment level of output (Y*) <b>(1)</b></li> <li>• Correct labelling of the positive output gap <b>(1)</b></li> </ul>	<p style="text-align: right;"><b>(4)</b></p>	

Question	Calculate the value of consumption for this economy in 2023. Show your workings.	Mark
<p><b>9</b></p> <p><b>Knowledge 1, Application 3</b></p> <p><b>Quantitative skills assessed:</b>  <b>QS9:</b> Interpret, apply and analyse information in written, graphical and tabular forms</p> <p><b>Knowledge</b>  1 mark for correct definition or formula for AD / consumption:</p> <ul style="list-style-type: none"> <li>• <math>AD = C + I + G + (X - M)</math> / <math>C = AD - (I + G + (X - M))</math> <b>(1)</b></li> </ul> <p><b>Application</b>  Up to 3 marks for correct application:</p> <ul style="list-style-type: none"> <li>• <math>\\$32.91\text{bn} - (\\$4.57\text{bn} + \\$9.22\text{bn} + (\\$7.64\text{bn} - \\$5.89\text{bn}))</math> <b>(1)</b></li> <li>• <math>\\$32.91\text{bn} - (\\$13.79\text{bn} + (\\$1.75\text{bn}))</math> <b>(1)</b></li> <li>• <math>= \\$17.37</math> billion <b>(1)</b></li> </ul> <p><b>NB If the correct answer is given (\$17.37 billion/\$17.4 billion /\$17 billion), award full marks regardless of working</b>  <b>NB If the answer is given as \$17.37/\$17.4/\$17 without the billion sign, award only 3 marks</b></p>	<p style="text-align: right;"><b>(4)</b></p>	

<b>Question</b>	<p>In the USA 11.2% of graduates were working in low-skilled jobs in June 2023. At the same time, 25.7 million people were working part-time. Many of these part-time employees wanted to work more hours.</p> <p>With reference to the information above, explain the term 'underemployment'.</p>	<b>Mark</b>
<b>10</b>	<p><b>Knowledge 2, Application 2</b></p> <p><b>Quantitative skills assessed:</b>  <b>QS9:</b> Interpret, apply and analyse information in written, graphical and tabular forms</p> <p><b>Knowledge</b>  Up to 2 marks for defining 'underemployment', e.g.:</p> <ul style="list-style-type: none"> <li>• Occurs when people are in work/employment/have a job <b>(1)</b> but want to work more hours/or in a more skilled job <b>(1)</b></li> </ul> <p><b>Application</b>  Up to 2 marks for applying to the USA, e.g.:</p> <ul style="list-style-type: none"> <li>• 11.2% of graduates were working in low-skilled jobs <b>(1)</b></li> <li>• 25.7 million people were working part-time <b>(1)</b></li> </ul>	<b>(4)</b>

<b>Question</b>	With reference to the chart, explain <b>one</b> likely cause of the deficit in Colombia's balance of trade in goods and services.	<b>Mark</b>
<b>11</b>	<p><b>Knowledge 1, Analysis 2, Application 1</b></p> <p><b>Quantitative skills assessed:</b>  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge</b>  1 mark for identification of a reason, e.g.</p> <ul style="list-style-type: none"> <li>• Relatively low productivity/</li> <li>• Relatively high rate of inflation/</li> <li>• Appreciation of the exchange rate/</li> <li>• Increasing real incomes/increase in economic growth/</li> <li>• Deterioration in quality of Colombia's goods/services <b>(1)</b></li> </ul> <p><b>Analysis</b>  Up to 2 marks for linked expansion of one reason, e.g.</p> <ul style="list-style-type: none"> <li>• Low productivity increases cost per unit <b>(1)</b> makes exports relatively expensive/reducing the demand for Colombian goods and services <b>(1)</b></li> <li>• High rate of inflation makes export prices relatively more expensive <b>(1)</b> and reduces the value of exports/demand for exports <b>(1)</b></li> <li>• Increase in the external value of Colombia's currency will make exports relatively more expensive/reduce demand for its exports <b>(1)</b> and its imports relatively cheaper/increase demand for its imports <b>(1)</b></li> <li>• Demand for imports increases <b>(1)</b> as the marginal propensity to import indicates that changes in imports are dependent on changes in income <b>(1)</b></li> <li>• Lower quality of Colombia's goods or services will reduce the demand for its exports <b>(1)</b> and increase the demand for its imports <b>(1)</b></li> </ul> <p><b>Application</b>  1 mark for appropriate use of the chart, e.g.:</p> <ul style="list-style-type: none"> <li>• In 2014 there was a trade deficit of around \$20 billion <b>(1)</b></li> <li>• Trade deficit was lowest in 2010 / was highest in 2022 <b>(1)</b></li> <li>• There was a trade deficit every year from 2010 to 2022 <b>(1)</b></li> </ul>	<b>(4)</b>

### Section C

Question	Define the term 'living standards'.	Mark
12 (a)	<p><b>Knowledge 2</b></p> <ul style="list-style-type: none"> <li>• Subjective happiness / quality of life <b>(1)</b> which includes health, education, relationships, environment, comfort, wealth, etc <b>(1)</b></li> <li>• The quantity and quality of material goods and services <b>(1)</b> available to a population of a country <b>(1)</b></li> <li>• Physical/psychological <b>(1)</b> wellbeing/welfare of people <b>(1)</b></li> </ul>	<b>(2)</b>

Question	With reference to Figure 2, explain the difference between disinflation and inflation.	Mark
12 (b)	<p><b>Knowledge 2, Application 2</b></p> <p><b>Quantitative Skill Assessed</b>  <b>QS2:</b> Calculate, use and understand percentages, percentage changes and percentage point changes  <b>QS9:</b> Interpret, apply and analyse information in written, graphical and tabular forms  <b>QS10:</b> Distinguish between changes in the level of a variable, and the rate of change</p> <p><b>Knowledge</b>            1 mark for defining disinflation:  <ul style="list-style-type: none"> <li>• Disinflation occurs when the average price level rises but at a decreasing rate/                The rate of inflation falls but is still positive <b>(1)</b></li> </ul>           1 mark for defining inflation:  <ul style="list-style-type: none"> <li>• Inflation occurs when the average price level increases <b>(1)</b></li> </ul> </p> <p><b>Application</b>            1 mark for correctly identifying a period when Brazil was experiencing disinflation, e.g.:  <ul style="list-style-type: none"> <li>• There was disinflation between July 2022 and December 2022 <b>(1)</b></li> </ul>           1 mark for correctly identifying a period when Brazil was experiencing inflation, e.g.:  <ul style="list-style-type: none"> <li>• There was inflation over the whole period January 2021 to January 2023 / There was inflation between January 2021 and July 2021 <b>(1)</b></li> </ul> </p>	<b>(4)</b>

Question	With reference to Figure 2 and Extract A, examine <b>two</b> ways by which the increase in the base interest rate could reduce the rate of inflation.	Mark
12 (c)	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <p>Quantitative skills assessed:</p> <p><b>QS2:</b> Calculate, use and understand percentages, percentage changes and percentage point changes</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>QS10:</b> Distinguish between changes in the level of a variable, and the rate of change</p> <p><b>Knowledge and Analysis</b></p> <p>Up to 2 marks for identifying two ways and up to 2 marks for linked explanations, e.g.:</p> <ul style="list-style-type: none"> <li>• Decrease in consumption/increase in saving <b>(1K)</b> as consumer confidence falls/the reward for saving increases <b>(1AN)</b></li> <li>• Decrease in investment <b>(1K)</b> as the cost of borrowing for firms rises imply higher cost of production/more expensive to borrow money from banks <b>(1AN)</b></li> </ul> <p><b>Application</b></p> <p>1 mark for application to Extract A, e.g.:</p> <ul style="list-style-type: none"> <li>• Base interest rate increased from an all-time low of 2% in Jan 2021 to 13.25% in June 2022/significantly affected consumer spending and business investment, both of which are major contributors to economic growth <b>(1)</b></li> </ul> <p><i>AND</i></p> <p>1 mark for application to Figure 2, e.g.:</p> <ul style="list-style-type: none"> <li>• Between January 2021 and June 2022, Brazil’s rate of inflation increased from 4.5% to 12% / by 7.5 percentage points / From June 2022 to January 2023 Brazil’s rate of inflation fell from 12% to 5.9% / by 6.1 percentage points <b>(1)</b></li> </ul> <p><b>Evaluation</b></p> <p>Up to 2 marks for evaluative comments (2+0 or 1+1), e.g.:</p> <ul style="list-style-type: none"> <li>• 11.25 percentage points increase in the base interest rate is very significant/magnitude is large <b>(1)</b> and thus will have a <i>significant impact on reducing the rate of inflation</i> <b>(1)</b></li> <li>• Time lags: monetary policy does not have immediate effect on behaviour <b>(1)</b> for example, people with fixed mortgage rates or traders who have fixed contracts – small impact on inflation <b>(1)</b></li> <li>• Commercial banks may not pass on the increase in interest rate to consumers/firms <b>(1)</b> so ineffective in reducing inflation <b>(1)</b></li> <li>• Increase in interest rate is unlikely to have an impact if consumer and business confidence is high <b>(1)</b> and therefore any downward multiplier effects may be small <b>(1)</b></li> </ul>	(8)

Question	With reference to Extract A, examine the impact of a deflationary fiscal policy on Brazil's circular flow of income.	Mark
12 (d)	<p><b>Knowledge 2, Application 2, Analysis 2</b></p> <p><b>Quantitative Skill Assessed</b></p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge and analysis</b></p> <p>1 mark for understanding of circular flow of income, e.g.</p> <ul style="list-style-type: none"> <li>• Explanation of how money flows into and out of the economy (this may be shown diagrammatically) <b>(1K)</b></li> </ul> <p>OR</p> <p>1 knowledge mark for understanding of a policy and 1 analysis mark for linked development of each policy, e.g.:</p> <ul style="list-style-type: none"> <li>• Reduced government expenditure <b>(1K)</b> is likely to result in <i>lower</i> injections into Brazil's circular flow of income <b>(1AN)</b></li> <li>• Increased taxes <b>(1K)</b> are likely to result in <i>greater</i> withdrawals from Brazil's circular flow of income <b>(1AN)</b></li> </ul> <p><b>Application</b></p> <p>Up to 2 marks for reference to Extract A:</p> <ul style="list-style-type: none"> <li>• Increase in tax revenues by <i>R\$190 billion</i> <b>(1)</b></li> <li>• Reduction in government expenditure by <i>R\$50 billion</i> <b>(1)</b></li> </ul>	<b>(6)</b>

<b>Question</b>	With reference to the information provided, discuss the likely effects on living standards of the supply-side policies proposed by President Lula.	
<b>12(e)</b>	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.</p> <p>The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Quantitative Skill Assessed</b></p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge, Application and Analysis (8 marks) – indicative content</b></p> <p>“In mid-2022 President Lula had promised to raise the real incomes of the country’s population and create new jobs.”</p> <p>Policies include:</p> <ul style="list-style-type: none"> <li>• Increasing investment in healthcare – would improve the health of workers and hence reduce absence from work; would raise productivity making Brazil’s workers more employable; gives them higher income and therefore improve living standards</li> <li>• Increasing investment in infrastructure development (e.g. roads, rail or broadband) – creates new jobs/reduce industry costs/improve access to markets/allows workers to move for work, giving them higher incomes and therefore improve living standards</li> <li>• Increasing investment on education, training and skills – this would increase human capital and raise productivity; workers become more employable and this gives them higher income and therefore improve living standards</li> </ul>	
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
<b>Level 2</b>	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
<b>Level 3</b>	7–8	Demonstrates an accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.

		<p>Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question.</p> <p>Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.</p>
	<p><b>Evaluation (6 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Magnitude of spending/investment: will R\$92.75 billion per year be enough to increase living standards through all four policies?</li> <li>• The increase in welfare payments might act as a disincentive to work and so not increase living standards</li> <li>• Brazil’s Government has already been running a budget deficit (Figure 3) since February 2022; how will it finance its spending/investment?</li> <li>• Significant time lags and implementation lags for supply-side policies</li> <li>• Creates an opportunity cost for the Brazilian Government: these funds may not be spent in areas that can contribute to higher living standards (asymmetric information) – “R\$371 billion over four years”</li> <li>• There is no guarantee that these policies will work – “many large-scale investments in similar projects were not successful and represented a waste of resources.”</li> <li>• Consideration of the effectiveness of supply-side policies such as education and infrastructure at improving living standards</li> <li>• Depends on the areas of healthcare where the Government of Brazil has invested in</li> <li>• Depends on the quality of education, training and infrastructure projects</li> <li>• Only if a combination of these policies is introduced, will it have a greater impact on living standards</li> <li>• The deflationary fiscal policy may offset improvements in living standards</li> </ul>	
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–2	<p>Identification of generic evaluative comments.</p> <p>No supporting evidence/reference to context.</p> <p>No evidence of a logical chain of reasoning.</p>
<b>Level 2</b>	3–4	<p>Evidence of evaluation of alternative approaches.</p> <p>Some supporting evidence/reference to context.</p> <p>Evaluation is supported by a partially-developed chain of reasoning.</p>
<b>Level 3</b>	5–6	<p>Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context.</p> <p>Evaluation is supported by a logical chain of reasoning.</p>

## Section D

Question	Evaluate the likely effects of an increase in the unemployment rate on workers and public finances. Refer to a country of your choice in your answer.
13	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.</p> <p>The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Knowledge, Application and Analysis (12 marks) – indicative content</b></p> <ul style="list-style-type: none"><li>• Understanding of unemployment/unemployment rate</li><li>• Unemployment has increased from 7.1% to 8.5%/increase of 1.4 pp</li></ul> <p>Workers:</p> <ul style="list-style-type: none"><li>• Workers may fear losing their job and may increase savings, thus reducing consumption, aggregate demand and subsequently leading to a fall in real output and a fall in the price level</li><li>• Workers may take jobs that are below their skill levels leading to underemployment</li><li>• Workers who lose their jobs may spend a long time unemployed and become deskilled – they will be less employable and less attractive to employers</li><li>• Workers who lose their job will see a reduction in earnings/living standards/ability to meet their basic needs</li><li>• Social effects of unemployment – divorce, crime rate, health impacts</li><li>• Long term effects of intergenerational unemployment</li></ul> <p>Public finances:</p> <ul style="list-style-type: none"><li>• As more become unemployed they may qualify for unemployment benefits. This will cause an increase in government spending</li><li>• As people move from employment to unemployment, they may move from being income taxpayers to non-income taxpayers reducing income tax revenue</li><li>• With higher unemployment consumer expenditure will fall resulting in a decrease in revenues from expenditure taxes</li><li>• Higher unemployment suggests lower output, thus lower profits for private firms and lower corporation tax revenue for government</li><li>• With lower tax revenue and higher government expenditure the fiscal position will worsen</li><li>• Government may need to provide training to workers, or support to private firms – once again increasing spending and worsening fiscal position</li></ul> <p><b>NB Award a maximum of Level 3 for answers with no reference to a country in their answer</b></p> <p><b>NB Award a maximum of Level 3 for answers that consider only workers or public finances</b></p>

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1-3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
<b>Level 2</b>	4-6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
<b>Level 3</b>	7-9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
<b>Level 4</b>	10-12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p><b>Evaluation (8 marks) – indicative content</b></p> <p>Workers:</p> <ul style="list-style-type: none"> <li>• Unemployment may fall again in short/medium-term, reducing the effects on workers and public finances</li> <li>• Some of those unemployed may be employed in the informal sector meaning incomes may not reduce, although impact on public finances may continue</li> <li>• Workers may have savings that can help reduce the effects of being unemployed</li> </ul> <p>Public finances:</p> <ul style="list-style-type: none"> <li>• Some increase in unemployment may be due to more capital-intensive output replacing workers, so the overall output may not fall, helping to maintain level of AD</li> <li>• Government revenue from corporation tax may not fall if the level of AD is maintained</li> <li>• May be possible to postpone or delay some government expenditure, so there will be less immediate effect on the fiscal deficit</li> </ul>		

	<i>Other evaluative comments:</i> <ul style="list-style-type: none"> <li>• Impact depends on the magnitude of the increase: 1.4 percentage points</li> <li>• Unemployment is a lagging indicator, so effects may not be immediately seen – SR vs LR arguments</li> </ul>	
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially developed chain of reasoning.
<b>Level 3</b>	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

<b>Question</b>	Evaluate the likely effects of a recession. Refer to a country of your choice in your answer.	
<b>14</b>	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.</p> <p>The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Knowledge, Application and Analysis (12 marks) – indicative content</b></p> <p>Understanding of recession: negative economic growth for two or more consecutive/successive quarters or six months</p> <p>Negative effects include:</p> <ul style="list-style-type: none"> <li>• Consumers will receive lower average incomes and they will not be able to afford more goods and services nor increase their standard of living; consumers may find it more difficult to meet basic needs; a decrease in subjective happiness</li> <li>• With lower real GDP, firms employ significantly fewer workers creating unemployment; wages fall and create greater inequality</li> <li>• Firms are likely to make lower profits as consumer spending falls; less profit implies lower future investment into R&amp;D/innovation; firms delay spending on capital or technological advancements</li> <li>• Reduction in government tax revenues and higher government spending on unemployment/welfare benefits; deterioration of public finances</li> <li>• With lower GDP, fewer resources can be devoted to promoting the use of renewable resources</li> <li>• High social dislocation/crime/civil unrest/stress issues/high divorce rates; worsens health; lower life expectancy</li> <li>• May result in a fall in house prices leading to negative wealth effects</li> </ul> <p><b>NB Candidates may use negative effects as KAA and positive effects as evaluation (or vice versa)</b></p> <p><b>NB Award a maximum of Level 3 for answers with no reference to a country in their answer</b></p>	
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
<b>Level 2</b>	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context.

		A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
<b>Level 3</b>	7-9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
<b>Level 4</b>	10-12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p><b>Evaluation (8 marks) – indicative content</b></p> <p>Positive effects include:</p> <ul style="list-style-type: none"> <li>• The lower aggregate demand may reduce both demand-pull and cost-push inflationary pressures</li> <li>• Lower external costs of production due to less output produced by firms; less exploitation of finite resources and less depletion of non-renewable resources</li> <li>• Lower spending on imports would cause an improvement in the current account position of the BOP</li> <li>• Reduction in inequality: those with assets may have a proportionally smaller increase in the market value of their income on their wealth</li> <li>• Lower house prices may make houses more affordable</li> </ul> <p><i>Other evaluative comments:</i></p> <ul style="list-style-type: none"> <li>• The size and length of the recession is important in terms of the effect, e.g. As Germany had a relatively small contraction, it may have limited impact on the economy</li> </ul>		
Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1-3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4-6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

