

New
Specification



ADVANCED
General Certificate of Education
2018

Economics

Assessment Unit A2 2

assessing

Managing the Economy in a Global World

[AEC21]

TUESDAY 12 JUNE, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

This mark scheme is intended to ensure that the A2 examinations are marked consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidate responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses. The mark schemes should be read in conjunction with these general marking instructions which apply to all papers.

Quality of candidates' responses

In marking the examination paper, examiners will be looking for a quality of response reflecting the level of maturity which may reasonably be expected of 18-year-olds, which is the age at which the majority of candidates sit their A2 examinations.

Flexibility in marking

The mark scheme is not intended to be totally prescriptive. For many questions, there may be a number of equally legitimate responses and different methods by which the candidates may achieve good marks. No mark scheme can cover all the answers which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner for the paper concerned.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for valid responses rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected for 18-year-old candidates. Conversely, marks should only be awarded for valid responses and not given for an attempt which is completely incorrect and inappropriate.

Types of mark schemes

Mark schemes for questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication. These questions are indicated on the cover of the examination paper. Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided. Some material may be included in the mark scheme for the benefit of teachers and pupils preparing for future examinations. Candidates are not expected to have provided this information. Such material is printed in the mark scheme in italics.

Levels of response

Questions requiring candidates to respond in extended writing are marked in terms of levels of response. In deciding which level of response to award, examiners should look for the "best fit" bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement. The following guidance is provided to assist examiners.

Threshold performance: Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.

Intermediate performance: Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.

High performance: Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Marking calculations

In marking answers involving calculations, examiners should apply the “own figure rule” so that candidates are not penalised more than once for a computational error.

Quality of written communication

Quality of written communication is taken into account in assessing candidates’ responses to all questions that require them to respond in extended written form. These questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication. Where the quality of candidates’ economics is not matched by the quality of written communication, marks awarded will not exceed the maximum for Level 2 in questions which have three levels of response or the maximum for Level 3 in those which have four levels of response.

For conciseness, quality of written communication is distinguished within levels of response as follows:

Level 1: Quality of written communication is limited.

Level 2: Quality of written communication is satisfactory.

Level 3: Quality of written communication is of a high standard.

Level 4: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Limited): The candidate makes only a limited attempt to select and use an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Satisfactory): The candidate makes a reasonable attempt to select and use an appropriate form and style of writing, supported with appropriate use of diagrams as required. Relevant material is organised with some clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning evident.

Level 3 (High Standard): The candidate successfully selects and uses an appropriate form and style of writing, supported with the effective use of diagrams where appropriate. Relevant material is organised with a high degree of clarity and coherence. There is widespread use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning clear.

Level 4 (Excellent): The candidate successfully selects and uses the most appropriate form and style of writing, supported with precise and accurate use of diagrams where appropriate. Relevant material is extremely well organised with the highest degree of clarity and coherence. There is extensive and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of the highest standard and ensure that meaning is absolutely clear.

- 1 (a) For a simple statement that an absolute advantage occurs whenever a country can produce a good more efficiently than another country [1] mark. For use of data identifying Carniva as the more efficient beef producer or Tronica as the more efficient producer of computers [1] mark. [2]
- (b) Continuing the table as shown below is one way to answer this question.

Country	Computers	Beef (tonnes)
C post-specialisation	–	600 million
T post-specialisation	800 million	–
Carniva post-trade	250 million	350 million
Tronica post-trade	550 million	250 million
Carniva gains	+25.0%	+16.7%
Tronica gains	+37.5%	+25.0%

For something like the above, illustrating potential benefits by showing and explaining greater potential consumption of both categories of goods in both countries, [5] marks.

(Detailed and accurate explanation does not need to be in tabular form.)

Analysing relative opportunity costs would be another valid approach:

Carniva would sell 1 tonne of beef for more than $\frac{2}{3}$ of a computer.

Carniva would buy 1 computer for less than $1\frac{1}{2}$ tonnes of beef.

Tronica would sell 1 computer for more than $\frac{1}{2}$ a ton of beef.

Tronica would buy 1 tonne of beef for less than 2 computers.

For linking this analysis to recognition that an exchange rate of 1:1 enables both countries to benefit, [5].

For an accurate but entirely theoretical account of Ricardo's theory without incorporating data, maximum [2]. Constrained maximum, [5] [5]

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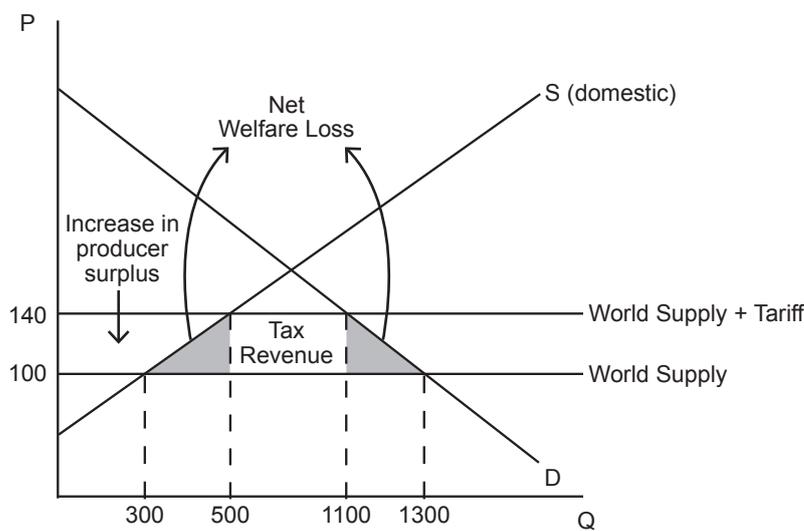
- 2 (a) The table shows quantities demanded and supplied in the country at prices \$100 and \$140. Of the 1.1 million microwave ovens sold at the new, tariff-inclusive price, only 500 000 will have been produced domestically. Thus 600 000 will have been imported, and the tariff of \$40 per unit will have raised revenue for the government of \$24 million.

For the figure \$24 million alone, [2],
for an attempted answer showing correct method but with calculation error, [1].

[2]

- (b) Up to [3] for an accurately drawn diagram highlighting the impact on community surplus.
Up to [3] for a clear explanation of the impact on community surplus, supporting the diagram
Constrained max of [5].

[5]



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3 There are two important clues for candidates to pick up on:

- The change in the ERI indicates change in the relative prices of imports and exports of about 10% in each case
- Price elasticities in each case are approximately $-0,4$ (-4% / $+10\%$ and $+4\%$ / -10%)

and one important conclusion to be derived:

- In assessing the Marshall-Lerner condition, the “minus” signs are generally disregarded so the sum of these elasticities (0.8) can be seen to be less than 1.0. This means that the devaluation will only serve to worsen the country's balance of payments on current account

Level 1 ([1]–[2])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts and models to the context of the question.
- Some limited use of data and, where relevant, diagrams to address the issues in the question.
- Basic analysis – may lack focus.
- A low quality of written communication.

Level 2 ([3]–[4])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts and models to the context of the question.
- Where relevant, data and diagrams are used reasonably to address the issues in the question.
- Good analysis in relation to the impact on economic agents.
- Analysis may not be developed fully or may have some inaccuracy at times.
- A good quality of written communication.

Level 3 ([5]–[6])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question.
- Where relevant, data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant analysis used accurately and appropriately in relation to the impact on economic agents.
- An excellent quality of written communication.

All other valid responses will be given credit.

[6]

Section A

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4 (a) Various significant points include:

- The highest base rate was 14.875% (accept variation of up to 0.25%) at the start of the period shown
- The trend in interest rate was consistently downward until mid-1992
- Cuts in the interest rate only began to reverse contraction in GDP in mid-1991
- Between 1990 and 2007 there is a broadly inverse relationship with a slight time lag
- The two low points in change in UK GDP were in Q2 1991 (–2%) and Q1 2009 (–5.9%)
- The sharpest fall in base rate was between Q3 2008 and Q1 2009
- After the 2008 plunge there seems to be no strong relationship between the variables
- The base rate is held at 0.5% from Q1 2009 until Q2 2016
- From Q2 2009 the rate of change in GDP on 12 months previously fluctuates around 2%, with highs of 2.8% in 2013 and lows of 1% in 2012
- Other valid observations are possible and should be credited appropriately

For a purely descriptive answer with no reference to the changing relationships max [2].

[4]

(b) Answers may include:

- (As a starting-point) recognition that the base rate will have a knock-on effect on all other interest rates in the economy
- Savers and those who depend on saved funds will suffer relative to borrowers
- The yields on government bonds will fall, and, since these are an important element of pension funds, this will put pressure on firms with pension schemes to cut costs elsewhere – possibly by laying off current staff
- The intention of the rate cut is to make householders less inclined to hold on to lower-value savings and more inclined to borrow to fund consumption
- People with variable-rate mortgages would have lower monthly repayments and thus more disposable income – (but very well-informed candidates may know that fixed-rate mortgages have become the most common way to fund house-buying)
- It is also hoped that, with the cost of borrowing reduced, firms will expect a better cost to return ratio on investment and thus increase that component of Aggregate Demand as well
- Speculators will be motivated to move money out of the UK to economies where there is likely to be a higher return; this will increase the supply of £ in international currency markets and cause depreciation of the UK pound
- There may well be an increase in exports and possibly an improvement in the balance of payments on current account (but possibly not!)
- Imported goods and foreign travel will all become more expensive
- Commercial banks will earn a lower return on funds deposited with the Central Bank, and thus (it is hoped) will be more inclined to lend funds to preserve profitability
- Appropriate diagrams
- Reference to possible negative effects of interest rate cuts – inflation, excessive debt, etc.

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Level 1 ([1]–[3])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts and models to the context of the question; some limited use of data and, where relevant, diagrams to address the issues in the question.
- Basic analysis; may lack focus.
- A low quality of written communication.

Level 2 ([4]–[6])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used reasonably to address the issues in the question.
- Good analysis in relation to the impact on economic agents; analysis may not be developed fully or may have some inaccuracy at times.
- A good quality of written communication.

Level 3 ([7]–[9])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant analysis used accurately and appropriately in relation to the impact on economic agents.
- An excellent quality of written communication.

All other valid responses will be given credit.

[9]

(c) Answers may include:

- Uncertainty was widespread after the referendum result – many economic agents felt that the UK government had not planned for a brexit vote
- There was general consensus that, with the UK no longer being in the European Union, Aggregate Demand in the UK would decrease – at least initially – particularly as a result of the shrinkage in the “exports” component
- *The initial impact on share prices did not seem catastrophic. This could have been because many of the very largest firms earn revenue in export markets, and the fall in the value of the pound would have increased their overseas demand.* UK firms’ continuing profitability in the longer term was less certain
- The fall in value of sterling, particularly against the two most important currencies in the trade-weighted sterling exchange rate index – the US dollar (\$) and the euro (€) – might also have negative effects. Raw material costs might rise and the effect on prices of imports could have a further negative impact on consumer confidence

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- The UK's growth rate since the worldwide banking crisis had been slow with stagnation in the Eurozone and general sluggishness in the markets in which the UK trades. Prospects of having to reorganise the economy and undertake international negotiations with no guarantees about outcomes undermined confidence even more
- Neo-classicists consider all forms of "shock" to be destabilising for an economy
- Reference to possible impacts associated with the likely changes in migration
- Although disputed, there had been fears that 'Brexit' would result in reduction in foreign direct investment or even relocation of UK branches of foreign businesses
- Negative impacts might not be confined to the UK, so that, even if trade was still possible on favourable terms, total trade volumes might still be threatened
- Appropriate diagrams
- Appropriate examples

Level 1 ([1]–[4])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts, and models to the context of the question; some limited use of data and, where relevant, diagrams in relation to the context of the question.
- Basic analysis; may lack focus.
- Basic evaluation; evaluation may lack focus.
- A low quality of written communication.

Level 2 ([5]–[8])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts, and models to the context of the question; where relevant, some reasonable use of data and diagrams in relation to the context of the question.
- Good analysis in relation to the impact on economic agents; analysis may not be developed fully or may have some inaccuracy at times.
- Good evaluation in relation to the impact on economic agents; evaluation may not be developed fully or may have inaccuracies at times.
- A good quality of written communication.

Level 3 ([9]–[12])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant analysis used accurately and appropriately in relation to the impact on economic agents.

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- Well focused, relevant evaluation used accurately and appropriately in relation to the impact on economic agents.
- An excellent quality of written communication.

All other valid responses will be given credit.

[12]

(d) Answers may include:

- The idea of the liquidity trap suggests that expectations may be a more important factor in people's decisions about whether or not to spend than current interest rates
- The weight of expert opinion quoted in the sources must be significant. Even the Governor of the Bank of England is quoted as asserting that "monetary policy (has) limited power to solve Britain's economic problems"
- Historical evidence suggests that there have always been doubts about the ability of central banks to stimulate demand by cutting interest rates when rates are already low
- **Figure 1** does, however, provide evidence that cuts in interest rates when they had been relatively high were accompanied by real economic growth
- While the experience of Japan and the Eurozone suggests that recent application of monetary policy has not resulted in increased growth, **figure 1** supports a view that GDP in the UK may have been kept relatively stable by maintaining the 0.5% base rate
- Banks have not significantly increased their lending - some economists question why the institutions which caused financial crisis should be trusted to lead us out of it
- The increased spending power generated by quantitative easing may end up mainly in the hands of those on higher incomes - apart from issues of unfairness, these are the people who are less likely to spend any new income they receive
- The circumstances in which monetary policy seems least effective may be those in which it is less risky to introduce fiscal measures
- Although it cannot be verified, without the monetary measures already taken, the situation as of mid-2016 might have been even worse
- QE may cause "hidden" (or real) inflation
- Quantitative easing doesn't have to be funded by increases in taxation or government borrowing
- Fiscal policies may be more efficient in delivering the investment necessary for sustained economic recovery
- Attempts to change the relative burden of taxation don't always succeed in the way Chancellors have hoped
- An increased fiscal deficit may reduce the confidence of economic agents in other countries about the UK's economic prospects and raise the cost of government borrowing
- Running a continuous budget deficit may be a more dangerous option – if fiscal stimuli do not work, even more debt might be loaded onto a stagnant or shrinking economy
- Unless curtailed, the cost of repaying government debt may account for an unacceptably high proportion of GDP in the future
- Demand management might not be the answer at all; solutions to the UK's economic ills may involve focusing on the supply side to improve competitiveness and productivity

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- It may be justifiable to reach a conclusion that it is unwise for a government to restrict itself to only one kind of economic management policy

***The range of possible points illustrated here is much more extensive than would be required in an excellent response.**

Level 1 ([1]–[5])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts, and models to the context of the question; some limited use of data and, where relevant, diagrams in relation to the context of the question.
- Basic examination of the issues; examination may lack focus
- Judgement(s) unsupported.
- A low quality of written communication.

Level 2 ([6]–[10])

A good response provides an answer that demonstrates:

- Good knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts, and models to the context of the question; where relevant, some reasonable use of data and diagrams in relation to the context of the question.
- Good critical examination in relation to the impact on economic agents; examination may not be developed fully or may have inaccuracies at times.
- Reasonably valid judgements linked to the issues in the question and partially reasoned conclusions.
- A good quality of written communication.

Level 3 ([11]–[15])

An excellent response provides an answer that demonstrates:

- Excellent accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Excellent application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Well focused, relevant critical examination of the issues, used accurately and appropriately in relation to the impact on economic agents.
- Informed judgements that directly address the issues in the question and reach clear conclusions built on sound critical examination.
- An excellent quality of written communication.

All other valid responses will be given credit.

[15]

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5 Answers may include:

- Explanation of the components of the balance of payments and their interrelationship
- Explanation of the components of the current account
- Some explanation of the historic situation as regards current account balance
- Consideration of the size of the deficit in relation to GDP
- Consideration of whether the deficit is growing or fluctuating and for how long the current balance has been in deficit
- Examination of how the deficit is structured, e.g. if the transfers element was quite a high negative value, but the differences between credits and debits on trade in goods and services was positive, there might be no indicators that the economy was not performing quite strongly
- The ease with which it can be financed by the capital and financial accounts
- The possibility that the main contributory factor has been an over-valued exchange rate
- The possibility that improvements in national rates of productivity may lead to future improvements in the current balance
- The possibility that an excess of imports over exports may be a healthy leakage in terms of limiting inflation ...

But

- Failure of domestic industries to provide goods and services for domestic production may limit the nation's prospects for growth and restrict employment
- Like many other economic phenomena, there may not seem to be a problem with something people have got used to until suddenly some adverse combination of circumstances turn a simmering slight problem into a serious acute one
- Questioning of whether "balancing" deficits on current account with surpluses on the financial account are really in the national interest
- Investigation of some of possible negative consequences of control of British firms passing out of British control ...
- Reference to relative importance of balance of payments in comparison to other macroeconomic objectives

Judgement

- Should probably err on the side of caution
- May deal with issues of severity and ease of correction if that becomes necessary
- May recognise that true severity of problem may only be revealed when economic conditions change in some other way

*** The range of possible points illustrated here is much more extensive than would be required in an excellent response.**

Level 1 ([1]–[7])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts, and models to the context of the question; some limited use of data and, where relevant, diagrams in relation to the context of the question.

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- Basic examination of the issues; examination may lack focus.
- Judgement(s) unsupported.
- A low quality of written communication.

Level 2 ([8]–[15])

A reasonable response provides an answer that demonstrates:

- Reasonable knowledge and understanding of relevant terminology, concepts, principles and models.
- Reasonable application of relevant economic principles, terminology, concepts, and models to the context of the question; where relevant, some reasonable use of data and diagrams in relation to the context of the question.
- Reasonable critical examination of the issues, in relation to the impact on economic agents; critical examination may not be developed fully or may have inaccuracies at times.
- Reasonably valid judgements linked to the issues in the question and partially reasoned conclusions.
- A reasonable quality of written communication.

Level 3 ([16]–[23])

A good response provides an answer that demonstrates:

- Good accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Relevant critical examination of the issues, used accurately and appropriately in relation to the impact on economic agents.
- Informed judgements that directly address the issues in the question and reach clear conclusions built on critical examination.
- A good quality of written communication.

Level 4 ([24]–[30])

An excellent response provides an answer that demonstrates:

- Comprehensive knowledge and understanding of relevant terminology, concepts, principles and models.
- Comprehensive application of relevant economic principles, terminology, concepts and models to the context of the question; relevant data is used effectively to address the issues in the question.
- Well focused, relevant analysis used accurately and appropriately in relation to the impact on economic agents.
- Well informed judgements that directly address the issues in the question and reach clear conclusions built on analysis.
- An excellent quality of written communication.

All other valid responses will be given credit.

[30]

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6 Answers may include:

- Discussion of concepts of necessity and sufficiency
- Recognition of why aid may not be sufficient:
 - Contradictory policies – money may be put into projects which are doomed to failure because of, for example, undismantled tariffs or subsidies to firms in MDCs
 - Officials, insurgents or paramilitary groups may seize money or supplies intended to help needy populations
 - Charities or aid agencies may misunderstand which are the areas of greatest need
 - Conditions may be attached to aid - for example, if contracts in building programmes must be awarded to the donor country, there may be much less wealth creation in the recipient country
 - Ineffectiveness of aid. Africa has received over \$500 billion dollars of aid but many nations remain mired in poverty
 - There may be some other hidden military, ideological or commercial agenda
 - Political considerations may actually call for replacement of some less-than-perfect systems in LDCs with imposed systems which are even less efficient locally
 - Cultural or religious differences between countries, besides blocking the sending of appropriate aid, may also get in the way of implementing aid programmes in the way the donor country intended
 - Richer governments may want to be seen to be taking action in the aftermath of natural disasters, and rush to do so, but, for example, perishable goods may rot when there are no roads on which to distribute them
- Recognition of why aid might not be necessary:
 - Theory of comparative advantage
 - The potential benefits from genuine trade liberalisation which far exceed the aid programmes of the donor states
 - Aid played little or no part in development of countries like China, Thailand and India

But

- Not all governments in less developed countries are corrupt
- Some aid, especially that channelled through non-governmental organisations, funds beneficial projects
- Emergency aid may be a humanitarian duty
- Possibility that trade would not benefit the poorest African countries who might lack a comparative advantage in agriculture
- Possibility of formal trade deals retarding development in lower-income countries
- Infant industry considerations
- Aid has helped to increase agricultural productivity through training
- Raising living standards in LDCs may ease immigration pressures in MDCs ...

Judgement

- Likely conclusion that aid may not always lead to development in LDCs but that does not make it unnecessary
- Consideration of positive role of trade, with due consideration of its possible drawbacks
- Recognition of importance of aid provided by MDCs being sensitively adapted to the real needs of countries receiving it

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* The range of possible points illustrated here is much more extensive than would be required in an excellent response.

Level 1 ([1]–[7])

A basic response provides an answer that demonstrates:

- Basic knowledge and understanding of relevant terminology, concepts, principles and models.
- Basic application of relevant economic principles, terminology, concepts, and models to the context of the question; some limited use of data and, where relevant, diagrams in relation to the context of the question.
- Basic examination of the issues; examination may lack focus.
- Judgement(s) unsupported.
- A low quality of written communication.

Level 2 ([8]–[15])

A reasonable response provides an answer that demonstrates:

- Reasonable knowledge and understanding of relevant terminology, concepts, principles and models.
- Reasonable application of relevant economic principles, terminology, concepts, and models to the context of the question; where relevant, some reasonable use of data and diagrams in relation to the context of the question.
- Reasonable critical examination of the issues, in relation to the impact on economic agents; critical examination may not be developed fully or may have inaccuracies at times.
- Reasonably valid judgements linked to the issues in the question and partially reasoned conclusions.
- A reasonable quality of written communication.

Level 3 ([16]–[23])

A good response provides an answer that demonstrates:

- Good accurate knowledge and understanding of relevant terminology, concepts, principles and models.
- Good application of relevant economic principles, terminology, concepts and models to the context of the question; where relevant, data and diagrams are used effectively to address the issues in the question.
- Relevant critical examination of the issues, used accurately and appropriately in relation to the impact on economic agents.
- Informed judgements that directly address the issues in the question and reach clear conclusions built on critical examination.
- A good quality of written communication.

Level 4 ([24]–[30])

An excellent response provides an answer that demonstrates:

- Comprehensive knowledge and understanding of relevant terminology, concepts, principles and models.
- Comprehensive application of relevant economic principles, terminology, concepts and models to the context of the question; relevant data is used effectively to address the issues in the question.
- Well focused, relevant analysis used accurately and appropriately in relation to the impact on economic agents.
- Well informed judgements that directly address the issues in the question and reach clear conclusions built on analysis.
- An excellent quality of written communication.

All other valid responses will be given credit.

[30]

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Total

90