Solutions

Economics answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

Each answer shows the steps, then the **result**.

2.1

- a situation where improving one objective comes at the cost of doing worse on another (2 for a clear definition; 1 for a partial idea)

2.2

- any one of: growth vs inflation; growth vs the current account; growth vs the environment; growth vs equality (1)

2.3

- the Phillips curve (1)

3.1 B

- Higher incomes from growth pull in more imports, worsening the current account

3.2

- *[6]* AO1 1 + AO3 up to 5 — as growth raises incomes, consumers spend more, including on imports
- the import bill rises faster than exports
- net exports fall
- the current account moves towards (or deeper into) deficit

3.3

- *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Eased by:** supply-side policy can raise growth *and* lower inflation, easing the unemployment–inflation and growth–inflation clashes; targeted measures can protect the environment or the poor. **But:** trade-offs rarely vanish — demand policy still faces them, and supply-side policy is slow. Judgement: a smart policy mix can soften the trade-offs, especially via supply-side measures, but cannot remove them entirely — the result depends on the policies chosen and the time horizon