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 policy that moves spending away from imports towards domestically produced goods, e.g. a tariff or a lower exchange rate (2 for a clear definition; 1 for a partial idea)

2.2

- any one of: higher taxes; higher interest rates (1)

2.3

- any one of: slower economic growth; higher unemployment (1)

3.1 B

- A depreciation switches spending to home goods, so it is expenditure-switching

3.2

- *[6]* AO1 1 + AO3 up to 5 — a depreciation (or tariff) makes imports dearer and exports cheaper
- consumers switch from imports to home goods and foreigners buy more exports
- imports fall and exports rise
- the deficit narrows (if demand is elastic enough)

3.3

- *[12]* AO1/AO2/AO3 up to 8 + AO4 up to 4. **Expenditure-reducing:** cuts imports fast but harms growth and jobs. **Expenditure-switching:** a depreciation or tariff helps if demand is elastic but risks inflation/retaliation. **Supply-side:** raises competitiveness for a lasting fix but is slow and costly. Judgement: the best mix depends on the cause and size of the deficit and the time available — supply-side measures give the most durable solution, but short-run support may be needed first