Solutions

Marking: **K** = knowledge, **App** = using the data or case, **An** = analysis (explaining each step: cause, then effect), **Ev** = evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer. Longer answers are marked in levels: the top level needs clear analysis **and** a judgement with a reason.

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

2.1

- $2.4/(27.6 + 2.4) \times 100$
- **8**%

2.2

- car worker: structural
- ski instructor: seasonal

3.1

- the claimant count includes only people receiving unemployment benefits (K)
- the survey asks people whether they are without work and looking for it (K)
- some unemployed people cannot claim, or choose not to, such as young people or those whose partner works, so the count is lower (An)

3.2

Any three (K each): lost output, as the economy is inside its PPC; lower tax revenue; higher spending on benefits; skills are lost the longer people are out of work; lower spending hurts firms; social costs such as poor health and crime

3.3

(a) 5% × 20 million; **1** million

(b) in a recession aggregate demand falls (An); firms sell less, so they need fewer workers (An); this is cyclical unemployment, caused by too little demand (An); lower incomes cut spending further, so more jobs are lost (An)

(c) points to include:

- the cause is low demand, so policy should raise AD: lower interest rates, more government spending or tax cuts (An)
- fiscal policy acts directly on spending and can be aimed at areas with most job losses (An)
- but it raises borrowing; monetary policy may not work if confidence is low (An)
- supply-side policies, such as training, help structural unemployment but are slow for cyclical unemployment (An)
- judgement: demand-side policy is the best choice for a recession; add training if the recession leaves long-term unemployment (Ev)

Levels: **top** (6–8) clear analysis, each step explained, and a judgement with a reason; **middle** (3–5) some analysis, judgement weak or missing; **bottom** (1–2) relevant points, little explanation.