A-Level Economics: **w25 11**

Multiple Choice Answers

Q29: B

A-Level Economics: **w25 14**

Multiple Choice Answers

Q20: D

A-Level Economics: **w25 23**

5(a)	**Explain two reasons why an economy may have a deficit on the current account of its balance of payments and consider whether its government is likely to be concerned about this deficit.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** The current account records trade in goods and services, primary income, and secondary income between countries/A current account deficit occurs when the value of imports of goods or services, primary and secondary income exceeds the value of exports (1). Two marks for an accurate explanation of two reasons–e.g., low international competitiveness, (1) - if the country experiences strong domestic growth. (1) **AO2 Analysis (max 3 marks)** An explanation of why the government is likely to be concerned at about this deficit. For example, a current account deficit could lead to downward pressure on the exchange rate, making imports more expensive and potentially causing inflation (1). Persistent deficits may reduce confidence among foreign investors, limiting inflows of capital needed to finance growth (1). However, the government may not be concerned if the deficit is temporary or caused by for example, high investment imports that may boost future productive capacity (1) **A max of 2 marks for either perspective**. **AO3 Evaluation (max 2 marks)** An assessment of the extent that the government is likely to be concerned. For example, the level of concern will depend on the size, duration and cause of the deficit and how it is financed (1).
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

5(b)	**Assess whether it is better to use protectionist policies or contractionary policies to reduce a deficit on the current account of the balance of payments.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** **Possible reasons why protectionist policies are the best way to reduce a deficit on the current account of the balance of payments.** • They may reduce the value of imports, which helps to lower the current account deficit by limiting the outflow of money from the economy. • They may protect domestic industries from foreign competition, allowing local firms to grow and potentially increase exports in the future. **However** • They can raise prices for consumers, as tariffs or quotas make imported goods more expensive, reducing consumer welfare. • Other countries may retaliate with their own trade barriers, which could reduce exports and harm the economy further. **Possible reasons why contractionary policies are the best way to reduce a deficit on the current account of the balance of payments.** • They can reduce domestic demand, which lowers imports and helps decrease the current account deficit. • They may help control inflation by reducing spending in the economy, which can stabilise the exchange rate and make exports more competitive. **However** • They can slow economic growth and increase unemployment, as lower demand reduces output in domestic industries. • They may reduce consumer and business confidence, which can further decrease spending and investment, worsening the economic slowdown. **Guidance:** The assessment of both perspectives **must be in the context of the reducing a current account deficit** and not a general explanation of both policies. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question.

5(b)	**Level 2 responses** may contain some inaccuracies and may be one sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies / concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** Requires an assessment of whether it is better to use protectionist policies or contractionary policies to reduce a deficit on the current account of the balance of payments. For example–Protectionist policies may work more quickly to reduce imports and protect domestic industries, but they risk retaliation from other countries and higher prices for consumers. Alternatively, contractionary policies may take longer to reduce the deficit but may help control inflation, though they may slow economic growth and increase unemployment. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.
	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

A-Level Economics: **s25 11**

Multiple Choice Answers

Q11: C