Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2**
4(b) and **5(b)**.

Level	Description
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.
0	No creditable response.

Question	Answer
1(d)	**Assess whether the costs of inflation are always likely to be greater than the benefits of inflation for the US.** **Up to 4 marks MAX for analysis of both benefits and costs** **Up to 3 marks for analysis of** the possible benefits of inflation, e.g., it may be a sign of economic growth and may encourage businesses to produce more and therefore reduce levels of unemployment etc. if the inflation rate is low and stable. Also, borrowers may gain. **Up to 3 marks for analysis of** the possible costs of inflation, e.g., menu and shoe leather costs, lenders may lose, fiscal drag, reduced international competitiveness etc., if the inflation rate is high or becomes prolonged. This may result in reduced investment due to uncertainty. **Up to 2 marks for evaluation of positive and negative effects**, e.g., it will depend on the level of inflation and whether it is likely to be prolonged. It also may depend on the rate of inflation in other countries. **Reserve 1 mark for a justified conclusion.** **Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less due to rising costs of production. Any valid evaluation must reflect this.
1(e)	**Assess the extent to which maintaining interest rates at a high level will be the best policy for the US to control inflation.** **Up to 4 marks MAX for analysis of both advantages and disadvantages** **Up to 3 marks for analysis of** the possible advantages of maintaining interest rates at a high level, e.g., it is a contractionary demand policy that will reduce AD by reducing consumer expenditure and investment. This should lower inflationary pressure and keep inflation rates lower. **Up to 3 marks for analysis** of the possible disadvantages, e.g., it may reduce economic growth and increase unemployment if the policy is maintained for a long period of time. It may reduce international competitiveness if it leads to an increase in exchange rates. It may also not be appropriate if the cause of inflation is due to cost push factors, **Up to 2 marks for evaluation of the** advantages and disadvantages of maintaining interest rates at a high level to control inflation in the US. This may also include an assessment (although this is not essential) of other policies such as supply-side policy may be less damaging and fiscal policy. It also depends on the timescale. **Reserve 1 mark for a justified conclusion.** **Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less rising costs of production. Any valid evaluation must reflect this.

Question	Answer
2(a)	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

A-Level Economics: **w25 24**

Question	Answer
2(b)	**Assess the extent to which a government should subsidise the production of merit goods to increase the consumption of these goods.** 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** • An understanding of what is meant by a merit good and a subsidy and how this might increase the consumption of merit goods. • An analysis of the advantages and disadvantages (effectiveness) of using a subsidy (including the limitations, e.g., imperfect information.) • Advantages include the fact that subsidies lead to lower costs for producers which should lead to lower prices for consumers and therefore increased consumption **whereas:** • Disadvantages include the cost to the government and imperfect information which may mean that consumption does not increase despite lower prices • An analysis of the advantages and disadvantages of at least **one** alternative policy that may be used, e.g., information provision, direct provision, (together with their limitations.) **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or or mainly lacking in relevance to the question. **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** That considers the extent to which a government should subsidise the production of merit goods to increase their consumption and arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.
	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

Question	Answer
OR	
3(a)	**Explain what determines elastic and inelastic price elasticity of supply (PES) <u>and</u> consider the extent to which the value of PES may differ between an agricultural good and a manufactured good.** 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)** • For an accurate definition (with reference to the responsiveness of supply to a % change in price) **or** formula for PES **(1)** • For an explanation of what is meant by **both** an elastic and an inelastic PES (with reference to the responsiveness of supply to a % change in price) **(1)** • An explanation of at least **one** factor that determines whether a good has an elastic or inelastic PES, e.g., time, stock levels, perishability **(1)** **AO2 Analysis (max 3 marks)** • An explanation of the factors that explain the PES for agricultural goods, e.g., an explanation that they are more likely to be inelastic due to, e.g. time taken to produce, the difficulty of holding stocks etc. **(up to 2 marks)** • An explanation of the factors that explain the PES for manufactured goods, e.g., an explanation that the value may be more elastic due to, e.g. spare capacity, ability to store unfinished and finished goods, time taken to produce. **(Up to 2 marks).** **AO3 Evaluation (max 2 marks)** For an evaluation as to the extent that the value may differ, e.g., due to their perishable nature, agricultural goods may be more PES inelastic unless better ways can be found to store them. **Note: the second mark is reserved for a justified conclusion.**
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

Question	Answer
3(b)	**Firms will often try to estimate elasticity values to judge the possible success of decisions to change prices or to introduce new products.** **Assess the extent to which an understanding of income elasticity of demand (YED) may be more useful than cross elasticity of demand (XED) in increasing the income from sales for a firm.** 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** • An understanding of the concepts of YED and XED. • YED can be used to predict the demand for different categories of goods depending on changes in income. • It can therefore be used to predict changes in possible sales revenue. • XED can be used to predict changes in revenue depending on whether it is a complement or a substitute and the closeness of the relationship. • It can then be used to predict sales revenue depending upon the actions of other businesses in setting their prices. • An assessment of the limitations of both measures, e.g., they are estimates and will change over time. **Level 1 responses** will be assertive and lacking in explanations / mainly descriptive and/or or mainly lacking in relevance to the question. **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. **Unless the answer is directly related to increasing the income from sales for a firm, then award a maximum of mid-Level 2 marks.** **AO3 Evaluation** Of the extent to which the knowledge of YED is more useful than XED in increasing sales revenue and arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.
	AO1 Knowledge and understanding and AO2 Analysis

Question	Answer
3(b)	AO3 Evaluation

4(a)	**Using two tools of protection, explain what is meant by protectionism and consider the extent to which these two tools may benefit an economy.** 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)** • Protectionism is when governments seek to protect domestic industries from foreign competition. **(1)** • Two examples of protectionism from import tariffs, import quotas, export subsidies, embargoes, and excessive administrative burdens **(1)** • With some explanation as to how both tools protect domestic industries. **(1)** **AO2 Analysis (max 3 marks)** • For an explanation of the possible benefits of the selected tools to an economy, e.g., improve the current account, preserve strategic industries, maintain employment **(1 per selected tool MAX 2 marks)** • For an explanation of the possible drawbacks of the selected tools to an economy, e.g., the policies may not work, e.g., because of elasticity values, retaliation by other countries. **(1 per selected tool MAX 2 marks)** **3 marks maximum for analysis.** **Note: If only 1 tool is considered then 2 marks maximum.** **AO3 Evaluation (max 2 marks)** For an assessment of the extent to which the selected examples may benefit an economy **including** possible drawbacks, e.g., retaliation. **Note: the second mark is reserved for a justified conclusion.** **Please use a text box to show the mark split, e.g., 2,2,1**
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

4(b)	**Assess the extent to which the principle of comparative advantage should be the main factor to consider when countries decide to trade with each other.** 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** • Knowledge and understanding of the principle of comparative advantage. • An explanation of the main benefits, e.g., an efficient allocation of resources, an increase in world output and employment, lower world prices and better and a wider choice of products all derive from specialisation due to comparative advantage. • An explanation of the limitations of the theory, e.g., the danger of over specialisation, high transport costs offsetting the benefits, possible increase in unemployment, maybe strategic problems. **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or or mainly lacking in relevance to the question. **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** Of the extent to which comparative advantage should be the main determinant for international trade between countries, considering the importance of other factors, e.g. strategic, that arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.
	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

Multiple Choice Answers

Q12: D

Multiple Choice Answers

Q4: A

Q11: C

Q20: C

Q28: D

5(a)	**Explain what is meant by a deficit on the current account of an economy's balance of payments <u>and</u> consider whether a high rate of inflation will always lead to a deficit on the current account of an economy's balance of payments.** 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)** • Identification of the components of the current account of the balance of payments. **(1)** • The meaning of a deficit on the current account of the balance of payments. **(1)** • The meaning of a high rate of inflation. **(1)** **AO2 Analysis (max 3 marks)** An explanation of how a high rate of inflation will affect the relative price of exports **(1)** and imports **(1)** and how this will affect the competitiveness of the goods and services produced in this economy and the current account of the balance of payments. **(1)** **AO3 Evaluation (max 2 marks)** Considers one reason why a high rate of inflation might not lead to a deficit in the current account of the balance of payments in an economy **(1)** leading to a conclusion on whether it will always lead to a deficit. **(1)**
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

5(b)	**Assess whether a high rate of inflation or a deficit on the current account of the balance of payments is the more serious problem for an economy.** 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** The problems that arise from a deficit on the current account of the balance of payments. These might include: • falling Aggregate Demand • declining employment • downward pressure on the exchange rate • imported inflation. The problems that arise from a high rate of inflation. These might include: • income redistribution • menu costs (or the costs to firms of having to change their prices frequently) • shoe leather costs (the inconvenience of having to hold smaller quantities of cash) • uncertainty in transactions • a decline in the competitiveness of exports. **AO3 Evaluation** • Considers the relative seriousness of a deficit on the current account and a high rate of inflation. • arrives at a conclusion on which problem is the more serious. Accept all valid responses.
	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation