CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/21**

Paper 2 AS Level Data Response and Essays **May/June 2025**

MARK SCHEME

Maximum Mark: 60

Published

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the May/June 2025 series for most Cambridge IGCSE, Cambridge International A and AS Level components, and some Cambridge O Level components.

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Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptions for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently, e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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Social Science-Specific Marking Principles (for point-based marking)

1 Components using point-based marking:

- Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion.

From this it follows that we:

a DO credit answers which are worded differently from the mark scheme if they clearly convey the same meaning (unless the mark scheme requires a specific term)

b DO credit alternative answers/examples which are not written in the mark scheme if they are correct

c DO credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons …).

d DO NOT credit answers simply for using a 'key term' unless that is all that is required. (Check for evidence it is understood and not used wrongly.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities

f DO NOT give further credit for what is effectively repetition of a correct point already credited unless the language itself is being tested. This applies equally to 'mirror statements' (i.e. polluted/not polluted).

g DO NOT require spellings to be correct, unless this is part of the test. However spellings of syllabus terms must allow for clear and unambiguous separation from other syllabus terms with which they may be confused (e.g. Corrasion/Corrosion)

2 Presentation of mark scheme:

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information/context to clarify the marking but is not required to earn the mark (except Accounting syllabuses where they indicate negative numbers).

3 Calculation questions:

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

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4 Annotation:

- For point marking, ticks can be used to indicate correct answers and crosses can be used to indicate wrong answers. There is no direct relationship between ticks and marks. Ticks have no defined meaning for levels of response marking.
- For levels of response marking, the level awarded should be annotated on the script.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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Annotations guidance for centres

Examiners use a system of annotations as a shorthand for communicating their marking decisions to one another. Examiners are trained during the standardisation process on how and when to use annotations. The purpose of annotations is to inform the standardisation and monitoring processes and guide the supervising examiners when they are checking the work of examiners within their team. The meaning of annotations and how they are used is specific to each component and is understood by all examiners who mark the component.

We publish annotations in our mark schemes to help centres understand the annotations they may see on copies of scripts. Note that there may not be a direct correlation between the number of annotations on a script and the mark awarded. Similarly, the use of an annotation may not be an indication of the quality of the response.

The annotations listed below were available to examiners marking this component in this series.

Annotation	Use
	Correct point
	Incorrect point
	Unclear response
	Key information missing from response
	Indicates knowledge and understanding of the concepts and issues relating to the question.
	Indicates where the answer has demonstrated analysis.
	Indicates appropriate reference to the information provided
	Expansion of point already made in response
	Indicates where the answer has demonstrated evaluation
	Indicates where the answer has demonstrated particularly strong/justified evaluation
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
	For use on questions 2,3,4 and 5. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
	Used when the benefit of the doubt is given in order to reward a response.
	Used when the answer or parts of the answer do not answer the question asked.
	Indicates that the page or content has been seen by examiner, but no credit given.

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Annotation	Use
TV	Used when parts of the answer are considered to be too vague to be given credit.

Assessment objectives

AO1 Knowledge and understanding
- Show knowledge of syllabus content, recalling facts, formulae and definitions.
- Demonstrate understanding of syllabus content, giving appropriate explanations and examples.
- Apply knowledge and understanding to economic information using written, numerical and diagrammatic forms.

AO2 Analysis
- Examine economic issues and relationships, using relevant economic concepts, theories and information.
- Select, interpret and organise economic information in written, numerical and diagrammatic form.
- Use economic information to recognise patterns, relationships, causes and effects.
- Explain the impacts and consequences of changes in economic variables.

AO3 Evaluation
- Recognise assumptions and limitations of economic information and models.
- Assess economic information and the strengths and weaknesses of arguments.
- Recognise that some economic decisions involve consideration of factors such as priorities and value judgements.
- Communicate reasoned judgements, conclusions and decisions, based on the arguments.

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Table A: AO1 Knowledge and understanding and AO2 Analysis

Use this table to give marks for each candidate response for AO1 Knowledge and understanding and AO2 Analysis for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
3	• A detailed knowledge and understanding of relevant economic concepts is included, using relevant explanations. Explanations are supported by examples, where appropriate. • The response clearly addresses the requirements of the question and explains economic issues, and fully develops these explanations. • Analysis is developed and detailed and makes accurate and relevant use of economic concepts and theories. Where necessary, there is accurate and relevant use of analytical tools such as diagrams and formulae, and these are fully explained. • Responses are well-organised, well-focused and presented in a logical and coherent manner.	6–8
2	• Knowledge and understanding of some relevant economic concepts is included, using explanations and examples that are limited, over-generalised or contain inaccuracies. • The response addresses the general theme of the question and the relevant economic issues, with limited development. • Analysis is generally accurate with some development but little detail. Uses analytical tools such as diagrams and formulae where necessary. Use of these tools is partially accurate or not fully explained. • Responses are generally logical and coherent but are sometimes lacking in focus or organisation.	3–5
1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.	1–2
0	• No creditable response.	0

Table B: AO3 Evaluation

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2(b)**, **3(b)**, **4(b)** and **5(b)**.

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	3–4
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.	1–2
0	No creditable response.	0

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Section A Data response

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Using the data in Table 1.1, compare changes in the inflation rate and changes in the interest rate in the US.** • The inflation rate rose and then fell, while the interest rate rose continuously. **(1)** • The proportionate changes in the interest rate were always greater than that of the inflation rate. **(1)** Marks should be awarded for an explicit comparison between changes in the inflation rate and changes in the interest rate in the US, not for a description of those changes in each of the three months.	**2**
1(b)	**Explain one reason why using the Consumer Price Index (CPI) to measure the inflation rate in the US may not produce an accurate result.** • The CPI is supposed to be based on the average basket of products bought by all households **(1)**, but as buying patterns change the basket used in the CPI may no longer be typical of all households. **(1)** **OR** • The weights and products are usually updated every two or three years to reflect changes in buying patterns **(1)**, but this may not be frequent enough if there is a rapid change in the products being bought and/or the proportion of income spent on them. **(1)**	**2**

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Question	Answer	Marks
1(c)	**'In an attempt to bring about disinflation, the Federal Reserve used a contractionary monetary policy.' Consider whether disinflation is more harmful than deflation.** • **Disinflation** is a fall in the rate of inflation (in an economy over a period of time) **(1)**, so although this means that the problems caused by inflation will be less they will still be in existence, such as the effect on the distribution of income, purchasing power, the competitiveness of exports, menu costs, shoe leather costs and the impact on investment planning. **(1)** • **Deflation** is a fall in the average or general level of prices (in an economy over a period of time) **(1)**, but this too can bring problems such as when a substantial fall in aggregate demand leads to a recession with lower output and higher unemployment and so has a potentially negative effect on the investment decisions of firms. **(1)** **Max 3 marks.** **There will be a max mark of 2 if a candidate only considers disinflation or deflation and they will not, in this case, be able to gain any evaluation marks.** **Evaluation** • What is the extent of the disinflation, i.e. by how much is the inflation rate falling? **(1)** • How long is the disinflation and deflation expected to last? **(1)** • To what extent are other countries experiencing disinflation or deflation? **(1)** **Max 1 mark**	**4**

Question	Answer	Marks
1(d)	**Assess whether increases in the interest rate make a recession in the US inevitable?** **Up to 4 marks for explanation/analysis:** • **Inevitable**: higher interest rates (0.25% in January 2022, 1.50% in June 2022, 4.50% in December 2022) make borrowing more expensive for both consumers and firms, so that there is a fall in both AD and AS, leading to higher unemployment and a recession. **(Up to 3 marks)** • **Not inevitable**: demand and supply may not be interest elastic and there are other factors that can influence AD and AS apart from interest rates. **(Up to 3 marks)** **Up to 2 marks for evaluation:** • Relevant evaluation which considers both the potential likelihood of recession and the possibility of there not being a recession in the US and weighs up the factors involved. **(1)** • Reserve 1 mark for a conclusion on whether increases in the interest rate make a recession in the US inevitable. **(1)**	**6**
1(e)	**Assess whether the Federal Reserve setting an inflation target as part of its monetary policy is likely to be helpful for the US economy.** **Up to 4 marks for explanation/analysis:** • **Possibly helpful**: it can help to create and maintain a degree of stability and confidence in the US economy at a time of significant price increases, informing consumers and firms that appropriate action will be taken to prevent the rate of inflation from becoming too high. It can influence inflation expectations; if these remain stable, it may help to prevent (or limit) a wage-price spiral. **(Up to 3 marks)** • **Possibly unhelpful**: the establishment of a target may not be particularly helpful as the Federal Reserve may not be willing to take the necessary measures to keep inflation at a particular level; it is aware that there is a delicate balancing act between keeping the rate of inflation close to a particular target and the risk of bringing about an economic downturn. **(Up to 3 marks)** **Up to 2 marks for evaluation:** • Relevant evaluation such as in relation to the particular inflation target adopted by the Federal Reserve. **(1)** • Reserve 1 mark for a conclusion on whether it is helpful for the Federal Reserve to set an inflation target for the US economy. **(1)**	**6**

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Section B Microeconomics essay

Question	Answer	Marks
EITHER		
2(a)	**With the help of a diagram, explain the reasons for a movement within a production possibility curve (PPC) and a shift of a PPC and consider the extent to which opportunity cost determines the shape of a PPC.** 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)** A knowledge and understanding of a PPC diagram: • Vertical axis correctly labelled, e.g. Good Y, Consumer Goods, Agricultural Goods. **(1)** • Horizontal axis correctly labelled, e.g. Good X, Capital Goods, Manufactured Goods. **(1)** • PPC touches both axes. **(1)** **AO2 Analysis (max 3 marks)** An analysis of the reasons for a movement within a PPC and a shift of a PPC: • Movement within a PPC is caused by a reallocation of existing resources. **(1)** • A shift of a PPC is the result of an increase in the quantity and/or quality of resources or the impact of an improvement in technology. **(1)** • A shift of a PPC does not involve the concept of opportunity cost because with the use of additional resources, more of two goods could be produced. **(1)** **AO3 Evaluation (max 2 marks)** Offers a valid judgement on the extent to which opportunity cost determines the shape of a PPC, distinguishing between constant opportunity costs (a straight line) and increasing opportunity costs (a curve) **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess whether a shift to the right of a PPC is only caused by an increase in the quantity of resources.** 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 increase in the quantity of resources**: an increase in the quantity of land, labour, capital or enterprise would enable an economy to produce more of all goods and so the PPC shifts outwards. • **An increase in the quality of resources**: it is not only an increase in the quantity of resources that can cause a shift to the right of a PPC; if there is an increase in the quality and productivity of the factors of production, this will also lead to a shift to the right of a PPC. • **Technological change**: this could be a cause of a shift to the right of a PPC. **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/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. Accept all valid responses. **AO3 Evaluation** • Evaluation of the influence of both the quantity and the quality of resources/factors of production in bringing about a shift to the right of a PPC. • Evaluation of the potential influence of both the quantity and quality of resources in expanding an economy's productive capacity through the increased availability and quality of inputs.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
3(a)	**With the help of a diagram, explain how changes in a subsidy can influence the price and quantity sold of a product in a market and consider how expenditure on a subsidy is affected by the price elasticity of demand for the product.** 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)** A knowledge and understanding of a subsidy diagram: • Axes correctly labelled (vertical axis: Price, horizontal axis: Quantity) and demand and supply curves correctly labelled. **(1)** • An increase in a subsidy causing the supply curve to shift to the right bringing about a fall in price and a rise in quantity with new equilibrium positions (for price and for quantity) clearly shown. **(1)** • A decrease in a subsidy would cause the supply curve to shift to the left, raising price and lowering quantity with new equilibrium positions (for price and for quantity) clearly shown. **(1)** **AO2 Analysis (max 3 marks)** An analysis of the impact of a subsidy in a market: • A subsidy is a sum of money paid by a government to a producer. **(1)** • The effect of an increase in a subsidy is that the price charged to a consumer will be lower than it would otherwise have been, leading to an increase in quantity; this may be done to keep down the price, and encourage the consumption, of certain products. **(1)** • The effect of a decrease in a subsidy would have the opposite effect. **(1)** **AO3 Evaluation (max 2 marks)** Offers a valid judgement on how expenditure on a subsidy is affected by the price elasticity of demand for the product **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
3(b)	**Assess whether an increase in the tax on a demerit good is always the best way to reduce the consumption of such a product.** 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** Explanation of the potential **advantages** and **benefits** of an increase in the tax on a demerit good: • The increase in the indirect tax will increase the price of the product. • The increase in price is likely to decrease the consumption of the product. Explanation of the potential **disadvantages** and **limitations** of an increase in the tax on a demerit good: • The demand for the demerit good may be relatively inelastic meaning that the increase in tax will only have a relatively slight impact. • Other methods may be more effective in decreasing consumption, such as an information campaign to make consumers more aware of the potential disadvantages of consuming a demerit good or the establishment of a minimum price for a demerit good. **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/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. Accept all valid responses. **AO3 Evaluation** • Evaluation of the potential effectiveness of an increase in the tax on a demerit good. • Evaluation of whether other methods, such as an information/education campaign, might be more effective. • In conclusion, whether an increase in the tax on a demerit good is always the best way to decrease the consumption of such a good. Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Section C Macroeconomics essay

Question	Answer	Marks
EITHER		
4(a)	**Explain how the circular flow of income in an economy changes when that economy moves from a closed to an open economy <u>and</u> consider what determines the extent of this change.** 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)** A knowledge and understanding of the meaning of the **circular flow of income** in an economy: • The way in which income flows around an economy, from firms to households and back to firms in a continuous process. **(1)** • Payments are made to factors of production in the form of income, profit and rent. **(1)** • Payments from all these sources are spent on goods and services.**(1)** **AO2 Analysis (max 3 marks)** An analysis of injections and withdrawals/leakages as an economy moves from a closed economy to an open economy: • **CLOSED ECONOMY** – **Injections**: Investment (I) and Government spending (G) • **Withdrawals/leakages:** Savings (S) and Taxes (T) • **OPEN ECONOMY** – **Injections**: Spending on exports (X) is added to I and G • **Withdrawals/leakages**: Spending on imports (M) is added to S and T **There will be a max mark of 2 if a candidate only considers a closed economy or an open economy, and they will not, in this case, be able to gain any evaluation marks.** **AO3 Evaluation (max 2 marks)** Offers a valid judgement on what determines the extent of the change from a closed to an open economy **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether the potential benefits of free trade always outweigh the arguments for protectionism.** 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** Explanation of the potential **benefits of free trade**: • Increase in world output. • Resources are allocated more efficiently as a result of specialisation. • Production can be at lower cost. • Consumers can have a wider range of products to choose from. • There can be a substantial increase in economic growth. • There can be an improved standard of living. Explanation of the **arguments for protectionism**: • Infant industry argument: infant or sunrise industries are protected to allow them to be able to compete with already established firms. • Declining or sunset industries: these can be protected to give time for the factors of production to be transferred to alternative uses. • Strategic industries: these can be protected because of their importance to an economy. • Current account deficit: protectionism may be used to reduce a deficit. • Anti-dumping: protection against firms selling at a price below cost. **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/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. Accept all valid responses.	**12**

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Question	Answer	Marks
4(b)	**AO3 Evaluation** • Consideration of the relative strength of the two sets of arguments. • Consideration of who may benefit from free trade and protectionism. • In conclusion, whether the potential benefits of free trade always outweigh the arguments for protectionism. Accept all valid responses	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	**Explain the difference between a budget surplus and a budget deficit <u>and</u> consider the extent to which a budget surplus is better than a budget 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)** A knowledge and understanding of a government budget. **(1)** A knowledge and understanding of a budget surplus. **(1)** A knowledge and understanding of a budget deficit. **(1)** **AO2 Analysis (max 3 marks)** An analysis of the budget position: • The benefits and limitations of a **budget surplus**. **(2)** • The benefits and limitations of a **budget deficit**. **(2)** **There will be a max mark of 2 if a candidate only considers a budget surplus or a budget deficit, and they will not, in this case, be able to gain any evaluation marks.** **Note:** The question is NOT about a current account of the balance of payments. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on the extent to which a budget surplus is better than a budget deficit **(1)** to reach a conclusion. **(1)**	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	**Assess whether expansionary fiscal policy always benefits 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** Potential **advantages** of an expansionary fiscal policy: • Lower taxes/higher government spending will increase AD in an economy. • Higher AD could lead to lower unemployment. Potential **disadvantages** of an expansionary fiscal policy: • The budget deficit will need to be financed, which will increase the national debt. • The increase in AD could be inflationary. **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/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. Accept all valid responses. **AO3 Evaluation** • The effect on an economy will depend on the extent of the expansionary fiscal policy. • A recognition that expansionary fiscal policy can have both advantages and disadvantages. • In conclusion, whether an expansionary fiscal policy is always beneficial to an economy. Accept all valid responses. **(Up to 4 marks)**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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