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ECONOMICS **9708/22**

Paper 2 AS Level Data Response and Essays **October/November 2024**

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.

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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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Guidance on using levels-based mark schemes

Marking of work should be positive, rewarding achievement where possible, but clearly differentiating across the whole range of marks, where appropriate.

The marker should look at the work and then make a judgement about which level statement is the best fit. In practice, work does not always match one level statement precisely so a judgement may need to be made between two or more level statements.

Once a best-fit level statement has been identified, use the following guidance to decide on a specific mark:

- If the candidate's work **convincingly** meets the level statement, award the highest mark.
- If the candidate's work **adequately** meets the level statement, award the most appropriate mark in the middle of the range (where middle marks are available).
- If the candidate's work **just** meets the level statement, award the lowest mark.

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

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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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Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
Section A		
1(a)	**Identify <u>two</u> possible reasons why the current account on the balance of payments in Chile is in deficit in the first quarter of 2022 despite the surplus on the balance of trade in goods.** The data also states the secondary account is in surplus so the primary account **(1)** and /or the balance of services **(1)** must show a deficit. **Guidance:** Please also accept valid references to any of the components of the primary account i.e., net income from investments made abroad, earnings made by residents working abroad being in deficit. **(1 max if no additional reference to services)** Do **not** accept references to components of the secondary account e.g., transfers, government aid. **Alternative approach:** Many candidates have answered why the current account deficit has grown rather than why it is in deficit in the first quarter of 2022. This is by reference to the final paragraph on page 2 of the data e.g., the fall in revenue from copper exports, the increase in the value of imported consumer goods and the impact of the pandemic. For any accurate reference to one / all of these factors **(1)** plus **(1) <u>only if</u>** an accurate reference is also made to the deficit in the primary account **OR** the balance of services.	**2**

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Question	Answer	Marks
1(b)	**Consider the likely success of <u>one</u> policy that Chile could use to reduce the imports of consumer goods.** Allow any valid policy that may reduce the expenditure on imports. Identification of policy **(1),** an explanation of how it may reduce the expenditure on imports. **(up to 2 marks).** • For example, identification of a tariff **(1)**. This will increase the price of imports **(1)** which **may** have the effect of reducing the demand/level of imports **(1).** • For example, identification of a quota **(1)**. This will limit the number of goods that can be imported **(1)** which will of reduce the demand/level of imports **(1)**. • Evaluation of the likely success of the chosen policy **in switching expenditure from imports/reducing the imports of consumer goods (1)**. • For example, if the PED for imports is inelastic, a tariff may make little difference in reducing imports **(1)**. **Guidance:** Examples of policies may include any example of protectionism, other policies to boost the price competitiveness and /or availability of domestic consumer goods e.g., supply side policies.	**4**
1(c)	**Explain what is meant by the fall in Chile's Gini coefficient from 52.1 to 44.1.** **1 mark** for an accurate definition only e.g., the Gini coefficient measures income inequality. **2 marks** for an explanation that the fall (from 52.1 to 44.1) means that income is more equally distributed. **A maximum of 2 marks overall**.	**2**

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Question	Answer	Marks
1(d)	**Assess the extent to which 'the government increasing its education spending' may improve the incomes of poorer households in Chile.** **Up to 4 marks for the explanation / analysis:** For an explanation of the reasons / benefits of the government increasing education spending to improve the incomes of poorer households **(Up to 3 marks).** These **may** include: • As the data makes clear, education is considered a merit good that is considered to be beneficial for the individual and society in e.g., raising income levels due to a better educated and skilled workforce. • Additional spending may increase the availability of education provision and free college tuition fees may make it more affordable to poorer households. • Increased provision may also reduce other costs of education, again making it more affordable and accessible. • It may raise awareness of the benefits of education for poorer households. For an explanation of why increased government spending on education may not have the desired effects **(Up to 3 marks).** These **may** include: • There may still be a lack of awareness of the benefits of education due to information failure. • Poorer households may have higher opportunity costs due to the need to start earning an income at an earlier age. • Government spending may be unsustainable leading to reductions in future spending. • **Max: 4 marks** **Note:** maximum of 3 marks if only one side is considered. **Up to 2 marks for evaluation (no marks if only one side is considered):** • That assesses the advantages and disadvantages of just increasing government expenditure on education to improve living standards of poorer households, this may include an assessment of the time for the policy to have the desired effect i.e., the extent **(1)**, leading to • A valid conclusion **(1)**.	**6**

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Question	Answer	Marks
1(e)	**Assess the likely impact of the rise in the world copper price from 2020 on the future economic growth of Chile.** **Up to 4 marks for the explanation / analysis:** **Up to 3 marks for a discussion of the advantages of a rise in copper prices which include:** • Mining forms 50% of Chile's exports and contributes towards 11% of GDP and copper is a major part of this. **N.B.,** a simple reference to the importance of copper mining to the Chilean economy will be sufficient. • As world demand picks up and prices rise, assuming demand for copper is relatively price inelastic, revenue from exports should rise leading to a rise in GDP. **Up to 3 marks for a discussion of the disadvantages of a rise in copper prices which include:** • Data shows revenue from copper exports had fallen in February 2022 due to higher prices suggesting PED is more elastic/more substitutes available leading to a fall in revenue and GDP if the world copper price continues to rise. • It may encourage more competition from other copper producing countries. • Copper is a finite resource, and extensive mining may lead to depletion in the future leading to a future fall in export revenue and GDP. **Max: 4 marks** **Note:** maximum of 3 marks if only one side is considered. **Up to 2 marks for evaluation (no marks if only one side is considered)** • That assesses both sides and may include the argument that the fall in revenue from copper exports would be temporary due to a downturn in demand and that this would change as the world economy starts to grow again **(1)**, leading to • A valid conclusion **(1)**.	**6**

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Question	Answer	Marks
Section B		
EITHER		
2(a)	**With the help of a diagram(s), briefly explain how the cause of a movement along the demand curve differs from the cause of a shift in the demand curve <u>and</u> consider the impact on the demand for one good of price changes in other goods.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • An accurate demand (and supply) diagram/or 2 separate diagrams clearly demonstrating a movement and a shift **(1)**. **NB:** it is not essential to show the supply curve or changing price and output. • Explanation that a movement occurs due to a change in price **(1)** and that a shift occurs due to a change in a non-price factor **(1).** **AO2 Analysis (max 3 marks)** Candidates may analyse the impact on the demand for one good as a result of whether they are substitutes or complements of other goods (of any valid relationships between goods): This will include an analysis of the **impact on demand** for one good because of e.g.: • Price changes and the availability of complements (a negative value indicates a complement) e.g. a rise in the price of the complement would be expected to reduce the demand for the 'other good'. • Price changes and the availability of substitutes (a positive value indicates a substitute) e.g. a rise in the price of the substitute would be expected to increase the demand for the 'other good'. • For example, an increase in the price of a complement good is likely to reduce the demand of the good **(1)** due to the nature of the joint demand between both goods **(1)**. • For example, a rise in the price of a substitute good is likely to increase the demand for the other good **(1)** if the consumer now sees the other good as a direct replacement **(1)**. • **Note:** Diagrams are not essential. **Note:** Maximum of 2 marks if only one relationship is analysed. References to changes in income/fashion/tastes/attitudes **must not** be rewarded.	**8**

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Question	Answer	Marks
2(a)	**AO3 Evaluation (max 2 marks)** Up to 2 marks for considering the overall impact of these two factors depending on the size and values of the XED coefficients on the demand for one product **(1)** leading to a valid conclusion about the overall size of the impact of changes in the price of 'other goods **(1)**.	
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess whether knowledge of income elasticity of demand or price elasticity of demand for its product is more useful to a business aiming to increase the total expenditure on its product during a period of economic growth.** 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** Responses should focus on how the two measures are used rather than displaying merely knowledge and must relate to a period of economic growth which may lead to rising incomes and prices. • Advantages and disadvantages of using income elasticity of demand include the opportunity to classify products as normal or inferior goods and may influence what type of goods to produce. The measure may be less useful in terms of pricing decisions and may be based on historical data which may be inaccurate. • Advantages and disadvantages of using price elasticity of demand include the opportunity to measure the impact of price changes but again suffer from the use of historical data which may be inappropriate in a time of economic growth and rising incomes which could affect PED values. Accept any valid analysis that relates to the use of these measures during a period of economic growth and their impact on the aim of increasing sales revenue. **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.	**12**

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Question	Answer	Marks
2(b)	**AO3 Evaluation** • Requires an assessment of the use of both measures in comparison with each other in terms of their usefulness to a business aiming to increase sales revenue in a period of economic growth. Leading to • A justified conclusion as to which is the most useful method. **A one-sided response cannot gain any marks for evaluation.**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
3(a)	**With the help of a production possibility curve (PPC) diagram(s), explain the difference between constant and increasing opportunity costs and consider how choices in deciding which type of goods to produce in the short run may influence future economic growth.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • Accurately drawn and labelled production possibility diagram – curved to show (**and be identified as**) increasing opportunity cost **(1)** and – straight line to show (**and be identified as**) constant opportunity cost **(1)**. **N.B.,** axes must be labelled as products and not simply A and B or X and Y and the curves must touch both axes. • Explanation for the difference between constant and increasing opportunity cost. For example, constant opportunity cost demonstrates no change in the rate of trade off whereas increasing opportunity costs demonstrate an increase rate in the trade off between the two products **(1)**. **AO2 Analysis (max 3 marks)** For example, future economic growth will be influenced by the choices an economy makes about the split between consumer spending and capital spending **(1).** If a country decides to focus its spending and output on consumer goods, then this may create growth in the short run but may not be sustainable **(1).** A decision to focus on spending and output of capital goods, this may have a short run negative impact on economic growth but should create more long-term sustainable growth as output may expand **(1).** **AO3 Evaluation (max 2 marks)** Up to 2 marks for valid evaluation which is clearly based on the analysis **(1)** leading to a valid 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 a market economy is always the best economic system to effectively answer the three basic questions of resource allocation.** 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 advantages and disadvantages of the market system in deciding what to produce, how to produce and for whom to produce should focus on the price mechanism without any government involvement. • May include discussion of the profit motive, consumer sovereignty, consumer choice, overproduction of demerit goods, underproduction of merit goods, lack of public goods etc. • A comparison with another market system e.g., planned economy or mixed economy is needed to answer the question 'always the best'. **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** • Requires an assessment of the strengths and weaknesses of at least one other type of economic system in answering the three basic questions of resource allocation. Leading to • A justified conclusion as to whether the market economy is always the best economic system. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
Section C		
EITHER		
4(a)	**Explain <u>two</u> methods of measuring unemployment <u>and</u> consider the extent of the possible difficulties in obtaining an accurate measurement of unemployment.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** The question refers to methods of measurement and **not** types of unemployment. Answers focused on types and not measures cannot answer the question without any reference to methods of measurement and **must not be rewarded.** For the identification of 2 methods of measuring unemployment **(1)** plus for a brief explanation of both measures 2x**(1).** **Guidance for explanation marks:** The two most used measures are the claimant count measure which is a measure based on those claiming benefits **(1)** and the labour force measure which is a measure of unemployment based on a survey that identifies people who are actively seeking a job **(1)**. However, if the meaning of these measures is clearly understood then they do not need to explicitly refer to the terms. **AO2 Analysis (max 3 marks)** • The difficulties in obtaining an accurate measurement using **both** methods should be considered. e.g., the claimant count figure may omit people actively looking for a job and may include people who are, in reality, not looking for a job. • Whereas the labour force measure is based on sampling which may not be entirely accurate due to sampling errors and/or problems associated with data collection in general. **Note: maximum** of **2 marks** if the difficulties of only **one** method of measurement are analysed. **AO3 Evaluation (max 2 marks)** An assessment of the difficulties of both measures is required with an overall assessment of the extent of the possible difficulties **(1)**, leading to a valid conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
4(b)	**Assess whether supply-side policy is likely to be equally successful in reducing both structural and cyclical unemployment.** 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 discussion should focus on the strengths and weaknesses of supply side policy to solve **both** cyclical/demand-deficient **and** structural unemployment. • For example, supply side policies may be used to encourage investment into education and training and infrastructure to solve structural problems in the economy and hence structural unemployment. • However, supply side policies may be less successful in solving cyclical/demand deficient unemployment as they have less impact on the level of aggregate demand (AD) – unless for example, if they involve a direct injection of government spending due to the additional investment. • Other disadvantages include the potential cost of the policy and the time taken for the policy to be effective. • Although not necessary, other demand side policies, e.g., fiscal and monetary policies, may be analysed to explain the possible disadvantages of supply side policy. This is an acceptable approach. **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** may 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 the advantages and disadvantages of supply side policies in solving **both** types of unemployment. Leading to • An overall conclusion as to whether supply side policy is always (more) likely to be equally (more) successful in solving **both** types of unemployment. **A one-sided response cannot gain any marks for evaluation.**	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
5(a)	**With the help of examples, explain the difference between the marginal rate of taxation and the average rate of taxation and consider whether a government should decide to increase the rate of indirect tax to raise additional revenue.** 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, and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • Accurate knowledge and understanding of marginal rate of tax (MRT). That is an understanding that it is the proportion of extra income taken in tax **(1).** • Accurate knowledge and understanding of average rate of tax (**ART**) i.e., an understanding that it is the proportion of the whole of income that is taxed **(1).** • An accurate example (which may be numerical/graphical) of each type of tax. **MRT** – a person earns an extra £100 and £40 is taken as tax then the marginal rate is 40%. **ART** – an individual with total earnings of £10 000, total tax paid £3000 the average rate is 30% **(1).** **AO2 Analysis (max 3 marks)** Discussion is likely to focus on whether the gains in revenue exceed the disadvantages of the indirect taxes: • easier and quicker to put in place than direct taxes • they may be less easy to avoid than direct taxes • however, they are often seen as regressive and can lead to a higher MRT for poorer households • their effectiveness in raising revenue depends on PED • they may also lead to cost push inflation **Note:** if only the advantages or disadvantages are considered, maximum mark of 2 **AO3 Evaluation (max 2 marks)** An assessment of the strengths and weaknesses of using indirect taxes to raise additional government revenue **(1)**, leading to a valid conclusion **(1)**.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
5(b)	**Assess whether the achievement of a balanced budget should always be a main government macroeconomic objective.** 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** • This question is asking whether a balanced budget should always be **a** main objective rather than **the** main objective and consequently an analysis of the importance of other government macroeconomic objectives is not essential. • An analysis which directly compares the strengths and weaknesses and uses of a balanced budget with a budget in surplus **and** deficit may gain access to Level 3 and full marks. • The strengths of a balanced budget may include stability and may encourage both domestic and inward investment, but it may not be sufficiently flexible to deal with changing economic conditions e.g., unemployment and inflation. • A budget deficit may enable, e.g., economic growth or reduce unemployment but may be unsustainable in the long run. • A budget surplus may be necessary to solve inflation, but this may cause opportunity costs due to a lack of government spending. • Analysis of other government macroeconomic objectives may be rewarded but only in the context of a balanced or unbalanced budget e.g., the problems of achieving other objectives if the sole aim is a balanced budget. These may include difficulties in controlling inflation, unemployment, creating actual economic growth etc. **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** may 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** • An overall assessment of whether the achievement of a balanced budget should always be a main government macroeconomic objective. • If part of the analysis, this should also include an assessment of the difficulties of achieving other objectives against the desirability of a balanced budget to gain higher level evaluation marks. • Leading to an overall and balanced conclusion.	**12**

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Question	Answer	Marks
5(b)	**A one-sided response cannot gain any marks for evaluation.**	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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