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CAMBRIDGE
International Education

Cambridge International AS & A Level

ECONOMICS **9708/23**

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

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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.

Annotations

Annotation	Meaning
	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.

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Annotation	Meaning
SEEN	Indicates that the page or content has been seen by examiner, but no credit given.
TV	Used when parts of the answer are considered to be too vague to be given credit.

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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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Section A

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Use the information in Figs. 1.1 and 1.2 to compare the change in Malaysia's total population from 2017 to 2022 with the change in its ageing population from 2017 to 2022.** • Total population and ageing population have both increased (1) • The share of ageing population has been increasing at a faster rate than increase in total population (1)	**2**
1(b)	**Explain one example of how 'what to produce' in Malaysia may have to change in order to meet the needs of an ageing population.** • Malaysia may need to produce more healthcare and elderly care services, such as hospitals, nursing homes, and medical equipment (1). • This change is needed because an **older population requires more medical attention and long-term care**, moving resources away from goods for younger people/existing provision (1).	**2**
1(c)	**With the help of a production possibility curve (PPC) diagram, consider the extent to which Malaysia's productive capacity is likely to change with its projected change in total population.** • Correctly labelled axes (both must be goods. For example, capital goods and consumer goods) (1) • PPC diagram that touches both axes. Either straight line or concave. (1) • An outwards shift of the PPC–this must touch both axes and show an increased productive potential of both goods (1). **For valid evaluation** • The size of the outwards shift may depend on the extent to which Malaysia improves productivity (e.g. through technology or retraining older workers) (1). • If the retirement age does not change then a larger proportion of the labour force will retire which may limit or reverse the outward shift in the PPC. (1) • Other relevant comments that focus on the extent to which Malaysia's PPC will shift outwards or otherwise.	**4**

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Question	Answer	Marks
1(d)	**Assess whether the Malaysian government should provide free childcare to working parents.** **Up to 3 marks for explanation/analysis of why the Malaysian government should provide free childcare to working parents.** • Supports low-income families by reducing childcare costs, helping to reduce poverty and income inequality. • Raises overall consumption and tax revenue, supporting higher economic growth. • Reduces financial pressure on parents by removing childcare costs, allowing them to save or consume on other goods and services. • Makes it easier for both parents to work, improving household income and living standards. **Up to 3 marks for explanation/analysis of why the Malaysian government should not provide free childcare to working parents.** • Providing free childcare has a high opportunity cost, as government spending could be better used on healthcare, pensions, or infrastructure. • It distorts the price mechanism by making childcare artificially cheap, leading to overconsumption and inefficient use of resources. • It may reduce incentives for private childcare providers, lowering quality, efficiency, and competition in the market. • Funding it through higher taxes could discourage work and investment, reducing overall economic productivity. **Up to 3 marks maximum for each perspective, with an overall maximum of 4 marks.** **Guidance**: The assessment must clearly demonstrate economic impacts. If only the reason why or why not free childcare should be provided, then a maximum of 3 marks. **Up to 2 marks for evaluation** • That clearly considers **both** viewpoints. For example, although free childcare helps families and can increase economic growth, but the government must consider the opportunity cost and how it might distort the price mechanism. • Comes to a reasoned conclusion as to whether the government should provide free childcare to working parents **(reserve 1 mark.)** **No mark for eval can be awarded if just one perspective is considered**.	**6**

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Question	Answer	Marks
1(e)	**Excluding net exports, assess the likely impact of the change in Malaysia's total population on aggregate demand.** **Up to 3 marks for explanation/analysis of the change in Malaysia's total population would increase the level of aggregate demand.** • A larger population means more consumers, so overall spending on goods and services (consumption) increases, causing AD to rise. • Population growth creates higher demand for housing and infrastructure, encouraging firms to invest more, which raises investment in AD. • The government may need to spend more on healthcare, education, and other public services, increasing government expenditure, a component of AD. • More people can lead to a bigger workforce, increasing total income in the economy and allowing households to spend more, boosting consumption. **Up to 3 marks for explanation/analysis of the change in Malaysia's total population would reduce the level of aggregate demand.** • If population growth causes unemployment to rise, many people may have lower or no income, reducing overall consumption and limiting AD growth. • If people decide to save more due to uncertainty about the future, the increase in consumption will be smaller, so AD won't rise much. • Increased demand from a larger population might cause prices to rise (inflation), reducing the real value of incomes and spending power. • Government budgets may be strained by population growth, limiting its ability to increase spending, so the impact on AD could be limited. **Up to 3 marks maximum for each perspective, with an overall maximum of 4 marks.** **Up to 2 marks for evaluation** • That clearly considers **both** viewpoints. For example, although population growth can increase aggregate demand, but higher costs, inflation, and unemployment may limit how much demand actually rises. • Comes to a reasoned conclusion as to whether the likely impact of the change in Malaysia's total population on aggregate demand **(reserve 1 mark)** **No mark for evaluation can be awarded if just one perspective is considered**.	**6**

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Section B

Question	Answer	Marks
EITHER		
2(a)	**In 2022 the supply of root ginger from Nigeria, Africa's largest producer, fell by 20%. Market demand was expected to grow by more than 5%.** **With the help of a demand and supply diagram, explain how the market equilibrium for root ginger in Nigeria is likely to change and consider how certain you are of the new market price.** 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)** An accurate definition of equilibrium. A fully labelled, accurate diagram showing understanding that the decrease in supply will shift the supply curve to the left (1) and the increase in demand will shift the demand curve to the right (1). This can be shown on 2 separate diagrams. **AO2 Analysis (max 3 marks)** Analysis of how the decrease in supply is likely to increase the price of root ginger; an analysis of how the increase in demand is likely to increase the price of root ginger. Up to 2 marks for each reason explained. **Maximum of 3 marks overall.** **AO3 Evaluation (max 2 marks)** An assessment of the significance that the overall impact on the equilibrium will depend on the relative size of both shifts and/or the relevance of the PED and PES.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
2(b)	**Assess the ways in which producers of root ginger might be able to stabilise their incomes.** 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 analysis of the at least 2 ways in which producers or root ginger might be able to stabilise their income. For example, using their land for other purposes, diversifying or benefitting from government interventions. These interventions may include: **Subsidies** • Provision of financial support to help producers cover costs and maintain stable incomes. • Encourage production by making ginger farming more profitable. • Can be expensive for the government to maintain long-term. • May encourage overproduction, leading to wasted resources or falling market prices. **Minimum Price** • Guarantees a minimum income for producers, stabilizing their earnings. • Encourages consistent production levels. • May lead to surpluses if minimum price is above equilibrium. • Government may need to buy excess ginger, increasing costs. **Buffer Stock Systems** • Helps smooth out price fluctuations by buying surplus and releasing stock during shortages. • Provides income stability for producers during periods of low demand. • Requires significant storage and management costs. • Risk of losses if stored ginger spoils or market conditions change. **Guidance**: The assessment of both perspectives **must be in the context of stabilising the income of root ginger producers and not a general explanation of a range of policies**. A response that fails to do this is unlikely to achieve above a mid-Level 2 mark. **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.	**12**

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Question	Answer	Marks
	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 clearly analyses at both sides of the question and comes to a valid conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
3(a)	**The Gini coefficient for South Korea was estimated to be 0.39 in 2019 and 0.33 in 2022.** **Explain what the data means, how it might be used by the government of South Korea and consider its usefulness.** 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)** Meaning of what the Gini coefficient is (1). It ranges from 0 to 1, where 0 represents complete equality and 1 represents complete inequality (1). A fall in the Gini coefficient from 0.39 to 0.33 indicates that income became more evenly distributed among the population of South Korea between 2019 and 2022. (1) **AO2 Analysis (max 3 marks)** • The government could use this information to evaluate the success of policies aimed at reducing income inequality, such as progressive taxation or transfer payments. (1) • The data might also guide future policy decisions, for example deciding whether to increase social welfare spending or adjust tax rates to maintain or further reduce inequality. (1) • However, its usefulness will be dependent in both the accuracy of and confidence in the data. (1)	**8**
	AO3 Evaluation (max 2 marks) • The Gini coefficient is useful for showing changes in overall inequality, but it does not indicate which income groups have gained or lost. (1) • It also ignores other dimensions of inequality, such as wealth inequality or access to education and healthcare, which can limit its usefulness for policy-making. (1) • Despite these limitations, it remains a valuable indicator for comparing inequality over time and across countries. (1)	
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
3(b)	**Assess why it is easier for a government such as that of South Korea to redistribute income rather than redistribute wealth.** 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** **Redistributing Income** • Governments can change the level of direct taxation and transfer payments such as benefits or subsidies, allowing income redistribution through existing fiscal systems. • Income is received regularly and recorded through wages or salaries, making it easier for governments to measure and adjust policies quickly. **However** • High-income earners may respond to redistributive tax policies by avoiding or evading taxes, reducing the effectiveness of redistribution. • Increasing taxes on higher earners or firms may discourage work and investment, leading to lower economic growth and government revenue. **Redistributing wealth** • Wealth can be redistributed through inheritance or property taxes, which directly target accumulated assets rather than annual income. • Governments can promote asset ownership among lower-income groups through housing schemes, education access, or small business grants. **However** • Wealth is often difficult to measure accurately, especially in the form of private businesses, offshore accounts, or property, making taxation complex. • Wealthy individuals often have political influence and legal means to resist or reduce the impact of wealth taxes, limiting the government's ability to redistribute effectively.	**12**

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Question	Answer	Marks
3(b)	**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 clearly analyses at both sides of each perspective question and comes to a valid conclusion. **A one-sided response that does not contain both perspectives of each option cannot gain any marks for evaluation.** Accept all valid responses.	
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

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Section C

Question	Answer	Marks
EITHER		
4(a)	**For your economy or for one that is known to you, explain three causes of inflation and consider which of these causes is likely to be most important in 2025.** 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)** • Inflation is a sustained rise in the general price level (1). • Understanding of three causes of inflation. The cause must be identified by name together with a brief explanation–e.g. demand-pull inflation when aggregate demand increases faster than aggregate supply, e.g., due to higher consumer spending, government expenditure etc. (1). Cost-push inflation when rising costs of production result in firms raising prices (1). **Up to 2 marks maximum for each cause, with an overall maximum of 3 knowledge marks.** **AO2 Analysis (max 3 marks)** • An explanation of the identified cause of inflation for a named economy. For example, a reduction in income tax increases disposable income, leading to higher consumption, which raises aggregate demand and can cause an increase in the price level/demand pull inflation (1 + 1). However, if high levels of job insecurity exists then the increase in consumption/AD/demand-pull inflation may be less important (1). **AO3 Evaluation (max 2 marks)** • Evaluation should consider the extent to which a single cause can be identified as being the most important. • 1 mark reserved for a justified conclusion.	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
4(b)	**Assess whether supply-side policy or demand-side policy is the better way of reducing this inflation.** 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 supply-side policies are the best way to reduce demand-pull inflation:** • They increase productive capacity (aggregate supply), helping meet higher demand without causing price rises. • Improved efficiency and productivity lower production costs, reducing inflationary pressure in the long term. **However** • They take a long time to have an effect, so they may not reduce inflation quickly. • Some policies, like education or infrastructure investment, are expensive and may not guarantee results. **Possible reasons why demand-side policies are the best way to reduce demand-pull inflation:** • Higher interest rates reduce consumer and business borrowing, lowering consumption and investment, which reduces aggregate demand and inflationary pressure. • Increasing taxes reduces disposable income, leading to lower consumer spending and weaker aggregate demand. **However** • They can also reduce output and employment, leading to slower economic growth and higher unemployment. • Time lags may occur before interest rate or tax changes have a noticeable effect on spending and inflation **Potential reasons why supply-side policies are the best way to reduce cost-push inflation:** • Increasing investment in training and technology can raise productivity, allowing firms to produce more with the same resources, helping reduce cost pressures. • Improving transport and infrastructure reduces distribution costs for firms, helping lower overall production costs and ease inflationary pressure.	**12**

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Question	Answer	Marks
4(b)	**However** • They take a long time to show results, so they are not effective in reducing inflation in the short term. • External factors like rising oil prices or imported inflation cannot be controlled by domestic supply-side policies **Guidance**: The assessment of both perspectives **must be in the context of the reducing inflation and not a general explanation of both policies**. A response that fails to do this is unlikely to achieve above a mid-Level 2 mark. **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 how both supply-side policy and demand-side policy may reduce 'this inflation' which leads to a justified conclusion as to which policy is the better way for the identified country. 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	8
	AO3 Evaluation	4

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Question	Answer	Marks
OR		
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).	**8**
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

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Question	Answer	Marks
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.	**12**

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Question	Answer	Marks
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	8
	AO3 Evaluation	4

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