GradeMax



Mark Scheme (Results)

January 2018

Pearson Edexcel IAS
In Economics (WEC02)
Paper 01 Macroeconomic Performance and Policy



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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A: Supported multiple choice

NB: Candidates may achieve up to 3 explanation marks even if the incorrect option is selected.

NB: Candidates may achieve up to 3 marks (rejected marks) for explaining three incorrect options (provided three different reasons are offered and each option key is clearly rejected).

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>1</td><td>
Answer C (1 mark)

Explanation (up to 3 marks)
• Definition or formula of per capita GDP as GDP/population (1)

<table>
<tr><th>Indicator</th><th>2012</th><th>2013</th><th>2014</th><th>2015</th></tr>
<tr><td>Total GDP (US$ million)</td><td>548 934</td><td>554 155</td><td>529 726</td><td>583 168</td></tr>
<tr><td>Population (million)</td><td>42.1</td><td>42.5</td><td>43.0</td><td>43.4</td></tr>
<tr><td>GDP per capita (US$)</td><td>13 039</td><td>13 039</td><td>12 319</td><td>13 437</td></tr>
</table>

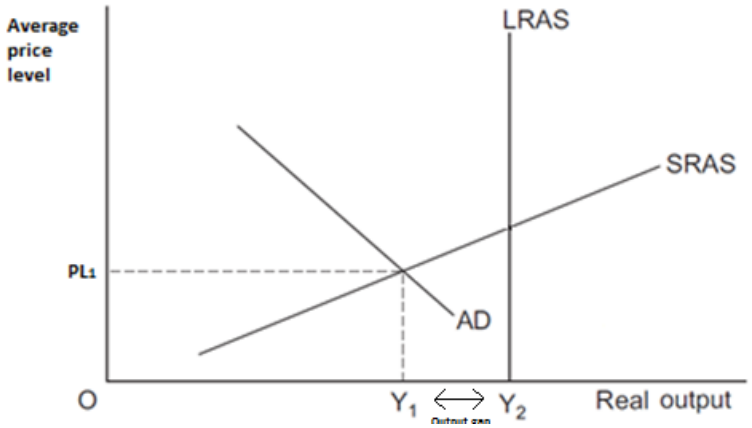
3 marks for calculation(s) which support the correct key
Award marks if slight variations due to rounding-up E.G. 2012 $13 041 per head

Rejection marks
• A is incorrect because GDP per capita increased in 2013 or remained the same (1)
• B is incorrect because GDP per capita was lowest in 2014 (1)
• D is incorrect because GDP per capita increased between 2014 and 2015 (1)
</td><td>(4)</td></tr>
</table>

Question Number	Answer	Mark
2	**Answer B (1 mark)** **Explanation (up to 3 marks)** • Increased AD due to rising net exports **(1)** • Rising AD due to cheaper exports and more expensive imports **(1)** • Decreased SRAS due to rising production costs/imported components/raw materials **(1)** • For correct annotation of diagram award showing decrease in SRAS **and** increase in AD (2 marks) **Rejection marks** • A is incorrect as depreciation likely to increase net exports and AD **OR** increase production costs decreasing SRAS **(1)** • C is incorrect as depreciation is likely to shift SRAS curve to the left due to rising cost of imported raw materials and components **(1)** • D is incorrect as the AD curve likely to shift right due to increasing net exports **(1)**	**(4)**

Question Number	Answer	Mark
3	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Disinflation in 2012, 2013 and 2014/prices rising but more slowly**(1)** • Inflation in 2012=3%/2013=2.1%/2014=1.9% **(1)** • Although the rate of increase was slowing, average prices were rising in all years 2012-2014 **(1)** **Rejection marks** • A is incorrect as there was disinflation between 2011 and 2014/rate at which prices were rising was decreasing **(1)** • B is incorrect as inflation was higher in 2011 than 2010/rate at which prices were rising was rising **(1)** • D is incorrect as prices were rising in all years except 2009 and 2015/inflation in most years mean average prices higher in 2015 than in 2008 **(1)**	**(4)**

Question Number	Answer	Mark
4	**Answer D (1 mark)** **Explanation (up to 3 marks)** • Identification of taxation as a withdrawal from circular flow of income **and** identification of government spending as an injection into circular flow of income **(1)** • Definition of net withdrawal: When tax revenue exceeds government spending/ when withdrawals exceed injections in the circular flow **(1)** • Reference to Germany's €18.5bn fiscal/budget surplus **(1)** • Net withdrawal from circular flow of €18.5bn **(1)** **Rejection marks** • A is incorrect because a net injection would be if spending exceeded tax revenues **(1)** • B is incorrect because as tax revenues exceeded government spending there was a budget surplus/balanced budget where tax revenues are equal to expenditure**(1)** • C is incorrect because imports and exports relate to balance of trade and not to budget balance **(1)**	**(4)**

Question Number	Mark	Mark
5	**Answer A (1 mark)** **Explanation (up to 3 marks)** • Definition of negative output gap: where economic growth rate is below potential growth rate **/**actual GDP growth is less than potential GDP growth/ excess capacity exists/economy operating within PPF **(1)** • Spare capacity – real output is below potential output **(1)** • Real output Y_1 is less than potential output Y_2**/**equilibrium output is less than potential output **(1)** • Factors such as labour and capital are under-utilised **(1)** • Likely to be higher than average unemployment **(1)** • Award 1 mark for annotation of diagram to show negative output gap **:** •  **Rejection marks** • B is incorrect as while inflation may be low, a negative output gap does not by definition mean that there would be deflation **(1)** • C is incorrect as output is lower than potential/if positive output gap short-run output would be higher than potential output **(1)** • D is incorrect as there will be unemployment due to excess capacity **(1)**	**(4)**

Question Number	Mark	Mark
6	**Answer D (1 mark)** **Explanation (up to 3 marks)** • Underemployment suggests a factor of production (labour) is not being used at full capacity **(1)** • If these workers were able to work more hours, underemployment would be lower **(1)** • Underemployment suggests spare capacity/ underemployment suggests a negative output gap/ economy may not be working at potential output level **(1)** • 20% underemployment is relatively high level **(1)** • May reduce real output (lower SRAS) **(1)** • May reduce income, consumption spending and AD **(1)** **Rejection marks** • A is incorrect as if there was a positive output gap there would be high demand for labour and more hours may be worked by part-time workers **(1)** • B is incorrect as the data does not refer to unemployment/data refers to underemployment **(1)** • C is incorrect as the data does not include productivity/output in the hours worked **(1)**	**(4)**

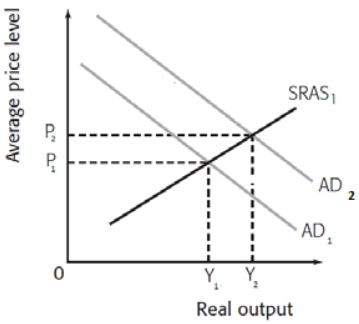
Question Number	Answer	Mark
7	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Phillips curve used to illustrate trade-off between inflation and unemployment/employment/trade-off/inverse relationship between low inflation rate and full employment **(1)** • High inflation associated with lower unemployment/higher employment **OR** lower inflation associated with higher unemployment/lower employment **(1)** • Low inflation and low unemployment are macroeconomic objectives that may conflict according to the Phillips curve **(1)** • Explanation of why wage inflation increases as unemployment falls **(1)** **Rejection marks** • A is incorrect as while the Phillips curve includes the inflation variable it does not directly refer to the current account **(1)** • B is incorrect as the Phillips curve does not directly represent environmental impact or economic growth **(1)** • D is incorrect the Phillips curve does not directly represent government budget or short-run growth **(1)**	**(4)**

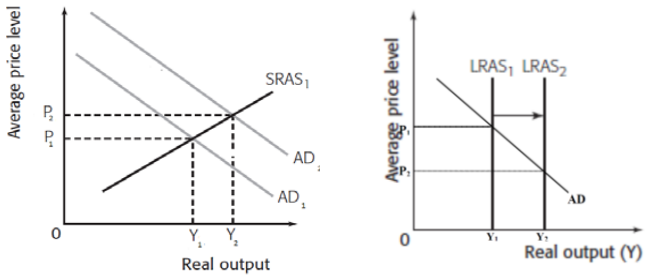
Question Number	Mark	Mark
8	**Answer D (1 mark)** **Explanation (up to 3 marks)** • Definition of multiplier: either taken from specification 1/(1-MPC) **(1)** **OR** • An initial change in aggregate demand can have a much greater final impact on the level of equilibrium national income. This can lead to a bigger eventual effect on output and employment **(1)** • Evidence of calculation: $2bn/(1-0.8) or $2bn/0.2 **(1)** = $10bn **(1)** Value of multiplier = 5.0 **(1)** **Rejection marks** • A is incorrect as MPC would have been zero/multiplier value 1.0 **(1)** • B is incorrect as MPC would have been 0.1/multiplier value 1.125 **(1)** • C is incorrect as MPC would have been 0.75/multiplier value 4.0 **(1)**	**(4)**

Section B: Data response

NB: KAA marks relates to those awarded for AO1, AO2 and AO3

NB: Evaluation marks relates to those awarded for AO4

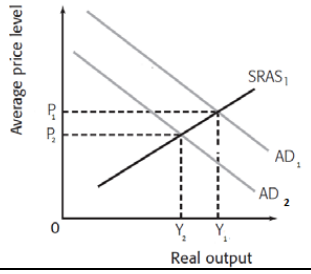
Question Number	Answer	Mark
9 (a)	**Knowledge (Up to 2 marks)** • Demand-side policies are used to shift the AD curve by increasing C, I, G or x-m **(1)** • They can expand the economy/increase economic growth/expansionary policies **(1)** • Or they can shrink the economy/decrease economic growth/contractionary policies) **(1)** • Fiscal policy **(1)** when governments alter their own expenditure and taxation to affect the economy **(1)** • Monetary policy **(1)** when central bank reduces interest rates **(1)** or increases asset purchases to increase money supply **(1)** • To expand the economy, the governments could reduce direct taxes and increase spending **(1)** **Application (Up to 2 marks)** **Reference(s) to data E.g. Extract 1** • Southern Europe the labour market and demand deficient unemployment **(1)** • Underemployment suggests lack of demand **(1)** • Any other valid/accurate data reference award 1 mark Award up to 2 application marks for an accurate AD/AS diagram showing increase in AD, increase in average price level and rise in real output  **Examples do not have to be from Extract 1 to be awarded marks**	**(4)**

Question Number		Mark
9 (b)		**(10)**
Knowledge, application and analysis - indicative content		
	Possible conflicts may include: • Reduced budget deficit requires higher taxes and lower spending (contractionary fiscal policy) • Contractionary policy fiscal will lead to a fall in AD and lead to lower economic growth. • Contractionary fiscal policies to reduce a budget deficit can actually reduce tax revenues making the attempts to reduce deficit counter-productive. • If spending cuts lead to unemployment and lower growth, governments will need to pay more benefits and will get lower tax receipts • The deficit may therefore only see a small reduction (if at all) or the deficit may increase • European Union Governments have seen low growth since the austerity measures post 2008 • May fail to reduce deficit and lower rate of economic growth • Short-term growth involves expansionary fiscal policies which could increase budget deficit Data references include: • Low rates of economic growth (Figure 1) • Low inflation (Figure 1) • High regional unemployment (Figure 2 and Extract 2) • Demand-side policies needed (Extract 1) • Supply-side policies needed (Extract 1) Accurate diagram(s) showing either decrease in AD (lower growth) and/or increase in LRAS causing decrease in average price level and rise in real output 	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-2	Shows some awareness of conflicts **or** data references.
2	3-4	Understanding of conflicts **or** some awareness of conflicts and data references.
3	5-6	Clear understanding of conflicts **and** linking to data.

Evaluation – indicative content		
	• Here we are looking for development and evidence of judgement as to the most significant effects • Depends how budget deficit is reduced • Deficit in short-run may have to repaid in the long-run, reducing growth • If the retirement age is raised/made more difficult to get welfare benefits, then reduced government spending but little negative impact on economic growth • If people have to work or work longer, this may increase LRAS and growth. • Policies may increase income inequality • Conflict may be greater in some economies than others – E.g. Greece compared to Germany	

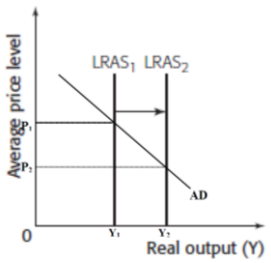
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number	Answer	Mark
9(c)	**Knowledge up to 2 marks:** • Definition of business confidence: An economic indicator measuring how business managers feel about the prospects of their firms (provides an overview of the state of the economy) **(1)** • Expectations of future demand for goods and services **(1)** • Expectations of future prices **(1)** • Changes in business confidence can have a significant influence on investment decisions **(1)** • Firms may postpone their investment decisions until confidence returns **(1)** • Postponed investment can reduce AD and economic growth **(1)** • Falling investment and output can have a negative multiplier effect **(1)** • Fall in SRAS, as firms reduce output in line with expectations, can increase inflationary pressures **(1)** • Lower output may increase unemployment, further reducing AD and growth **(1)** **Application up to 4 marks:** Data references may include: • Low growth (Figure 1) **(1)** • Low inflation/deflation(Figure 1) **(1)** • High unemployment and expectations of demand (Figure 2) **(1)** • Expectations of low growth reducing employment (Extracts 1 and 2) **(1)** • Expectations of low or negative inflation reducing investment and output (Extracts 1 and 2) **(1)** Award up to 2 application marks for an accurate AD/AS diagram showing decrease in AD, decrease in average price level and fall in real output **or** decrease in SRAS, increase in average price level and fall in real output E.G.  	**(6)**

<table>
<tr><td>Question Number</td><td colspan="2"></td><td>Mark</td></tr>
<tr><td>9 (d)</td><td colspan="2"></td><td>(14)</td></tr>
<tr><td colspan="4">Knowledge, application and analysis - indicative content</td></tr>
<tr><td></td><td colspan="2">Waste of resources
Poverty and inequality within and between economies/countries
Rising government budget deficit from decreased tax receipts (direct and indirect) and increased government spending
Social effects (E.g. increased crime, increased suicide)
Net outward migration reducing potential output of less successful economies
Migration of more skilled workers from areas of high unemployment to areas of low unemployment
Lower AD and lower trend growth
Deflationary pressures/spiral
Reference to extract – comparison between Greece and Germany
Diagram(s) - AD falling, lower real output and falling average price level
AS falling, lower real output and higher average price level rising
Phillips curve – lower inflation and higher unemployment
Reference to impact on the economies outside of the EU e.g. reduce demand for Chinese exports
Costs of unemployment can be used as KAA and benefits of unemployment used as evaluation or vice versa</td><td></td></tr>
<tr><td>Level</td><td>Marks</td><td colspan="2">Descriptor</td></tr>
<tr><td>0</td><td>0</td><td colspan="2">A completely inaccurate response.</td></tr>
<tr><td>1</td><td>1-3</td><td colspan="2">Shows some awareness of possible cost or identification of one or more costs. Understanding of cost or data references
Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.</td></tr>
<tr><td>2</td><td>4-6</td><td colspan="2">Identification and some explanation of costs identified along with some development of analysis or some identification of possible costs and data references.
Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.</td></tr>
</table>

3	7-8	Clear understanding and analysis of the costs **and** data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• Requires evidence of awareness of possible benefits of unemployment (answer is not one sided) • Higher unemployment may reduce inflation thus make EU economy more competitive internationally • Higher unemployment may reduce wages and costs for business improving efficiency and international competitiveness • Contraction of inefficient sectors may make economic growth more a balanced • Time scales - risk of deflation and stagflation may only be short term	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

Question Number		Mark
9 (e)		**(14)**
Knowledge, application and analysis - indicative content		
	Interventionist policies including: • Education and training to raise levels of human capital/make labour more flexible to cope with changing structure of economy • Research and development (R&D) to develop new technologies or production techniques improve efficiencies • Improved infrastructure to allow for better transportation linkages in the economy; better telecommunications linkages in the economy; • Infrastructure is what enables economic activity to take place Market-oriented policies including: • Reduction in direct taxes (income tax) • Reduction in direct taxes on firms (corporation • tax) • Labour market reform may including reduction in trade union power/reduction in minimum wages/reduction in unemployment benefits • Deregulation • Privatisation and competition policy • An inaccurate diagram showing right LRAS shift •  **Negative impacts of supply-side policies can be used for KAA and positive impacts for evaluation or vice versa**	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of a possible effect or identification of one or more effects. Understanding of effects **or** data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of effects identified along with some development of analysis or some identification of possible effects **and** data references.

		Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the effects **and** data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

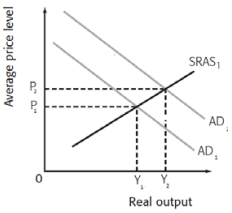
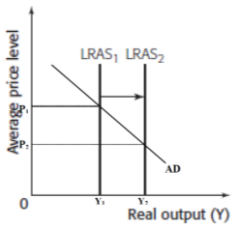
Evaluation – indicative content		
	• Interventionist supply-side policies are costly so there is an opportunity cost for the government • May only be effective over the longer term • Tax incentives - may be less income for governments - *unless the Laffer curve hypothesis is to be believed* • A lower level of trade union power is likely to result in less job security and worsening conditions for workers • May be a reduction in living standards for workers on the minimum wage and for the unemployed • Deregulation negative effects on labour or the environment • Some firms are nationalised so that they can provide an essential service, e.g. water, electricity or railways, at lower prices/sectors where there might not be sufficient demand for private firms to operate.	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

Question Number	Answer	Mark
10 (a)	**Knowledge (Up to 2 marks)** Balance of payments on the current account defined: A record of all money flows to and from a country **(1)** Arising from exports **(1)** and imports **(1)** of goods and services Transfers of income and other net transfers **(1)** The sum of visible and invisible trade balances **(1)** **Application (Up to 2 marks)** GDP (US$ 2015 exchange rate) $481bn x -3.8% (Current account balance % of GDP) **(1)** = -$18.28bn/-$18.3bn/-$18.278bn **(1)** Current Account deficit **(1)** **Award 4 marks for the correct calculation if answer given is just -$18.28/-$18.3bn/-$18.278bn billion** **If no $ sign but correct calculation award 3 marks** **If no minus sign or deficit indicated then award 3 marks** **If no billion then award 3 marks** **If no $ billion <u>and</u> no minus sign/deficit indicated then award 2 marks**	**(4)**

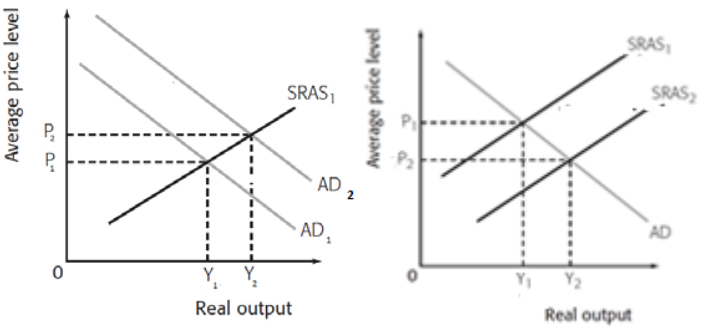
<table>
<tr><td>Question Number</td><td colspan="2"></td><td>Mark</td></tr>
<tr><td>10 (b)</td><td colspan="2"></td><td>(10)</td></tr>
<tr><td colspan="4">Knowledge, application and analysis - indicative content</td></tr>
<tr><td></td><td colspan="2">• Rate of economic growth caused by increase/decrease in AD AD=C+I+G+(x-m) or by Increase/decrease in SRAS or LRAS
• Oil a commodity and price changes are outside of control of Nigerian Government and subject to large price fluctuations
• Oil price changes can lead to uncertainty and lack of investment, lower AD and growth
• Low prices can decrease net exports (PED inelastic for commodities), decrease AD and growth
• Low oil prices increase current account deficit (-3.8% of GDP in 2015 – Figure 2)
• Reliance on oil exports has environmental costs (trade-off between growth and environmental damage)
• Reliance on oil exports create sizeable fluctuations in economic growth (Figure 1 E.g. 8% in 2010 2.5% in 2015)
• Low HDI ranking suggest reliance on oil exports has not increased economic development

Accurate diagram showing decrease in AD and/or decrease in LRAS, decrease in average price level and fall in real output

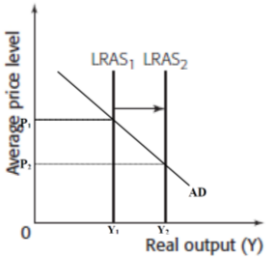
Negative impacts of dependency on oil exports can be used for KAA and positive impacts for evaluation or vice versa</td><td></td></tr>
<tr><td>Level</td><td>Marks</td><td>Descriptor</td><td></td></tr>
<tr><td>0</td><td>0</td><td>A completely inaccurate response.</td><td></td></tr>
<tr><td>1</td><td>1-2</td><td>Shows some awareness of effects or data references.</td><td></td></tr>
<tr><td>2</td><td>3-4</td><td>Understanding of effects or some awareness of effects and data references.</td><td></td></tr>
<tr><td>3</td><td>5-6</td><td>Clear understanding of effects and linking to data.</td><td></td></tr>
</table>

Evaluation – indicative content		
	• High oil prices can increase net exports, increase AD and growth  • Higher AD can result in higher, increasing employment and raises living standards • Current account deficit may depreciate currency, making other exports more price competitive and further increase AD and growth • Investment in oil production can raise LRAS, increasing real output, employment and living standards  • FDI in oil sector may also boost AD, increasing growth • Growth and wealth created form oil exports can be invested in diversification of economy	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

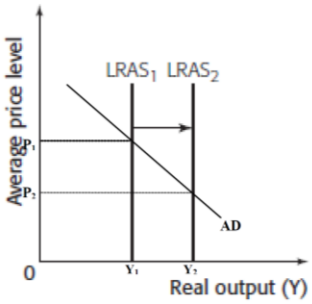
Question Number		Mark
10 (c)		**(14)**
Knowledge, application and analysis - indicative content		
	• Definition of fiscal stimulus: expansionary fiscal policy intended to increase economic growth • Fiscal policy related to taxation and government spending • Expansionary fiscal policy could cause demand-pull inflation (rate of inflation is already high – Figure 1) • Lower direct and indirect tax may increase AD (higher consumption and investment), increasing inflation and employment • Higher Government spending may increase AD, inflation and employment • Inflation in Nigeria highest 14% in 2010 and lowest 8% in 2014 • Higher inflation in the Nigeria can make its goods less competitive leading to lower demand for exports and therefore a deterioration in the current account • If the currency depreciates because of higher inflation, then it will make imports more expensive, increasing inflation • Lower standards of living due to higher spending on imported goods and raw materials • Higher inflation can make savers worse off. This is because inflation erodes the value of money. This will be particularly a problem if interest rates on savings are low. • Increasing consumption and investment may have a negative environmental impact Accurate diagram showing increase in AD and/or increase in SRAS, increase/decrease in average price level and fall in real output  **Negative impacts of fiscal stimulus can be used for KAA and positive impacts for evaluation or vice versa**	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible impact or identification of one or more impacts. Understanding of impact **or** data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of impacts identified along with some development of analysis or some identification of possible effects **and** data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the impacts **and** data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• Lower direct and indirect tax may increase SRAS (lower costs), decreasing inflation and increasing employment • Impact on inflation will depend upon spare capacity/elasticity of AS curve • Long term supply-side reforms may increase growth, decreasing inflation through higher productivity, and reduce inflationary pressures • Government spending on investment in infrastructure (E.g. transport) may boost SRAS and LRAS and reduce inflation but increase growth and employment • Diagram showing outward shift in LRAS following supply side reforms rather than short-run fiscal stimulus • Long-term macroeconomic objective of diversification of economy may reduce short-run growth 	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

Question Number	Answer	Mark
10 (d)	**Knowledge up to 2 marks:** Up to 2 marks from the following: HDI measures: • Health **(1)** • Education **(1)** • Income **(1)** • It is a broad composite measure of improvements in/standards of living **(1)** • Index is between 0 and 1 **(1)** • Ranking is used to compare human development internationally **(1)** **Application up to 4 marks:** • Educational component made up of two statistics – mean years of schooling **(1)** and expected years of schooling **(1)** • Longevity component **(1)** - calculated using a minimum value for life expectancy **(1)** and maximum value **(1)** • Income component - gross national income (GNI) per capita **(1)** adjusted to purchasing power parity standard (PPP) **(1)** • Calculation of GNI per capita from the data in the table as one of the HDI indicators =$2,555 **(1)** • Nigeria ranking is 152nd suggests a low level of human development **(1)**	**(6)**

Question Number		Mark
10 (e)		**(14)**
Knowledge, application and analysis - indicative content		
	Government policies to reduce imports and increase exports include: • Protectionism including use of tariffs, quotes, NTBs or subsidies to domestic firms • Investment/subsidy of education and training to raise levels of human capital/make labour more flexible to cope with changing structure of economy • Investment in/subsidy of research and development (R&D) to develop new technologies or production techniques improve efficiency • Improved infrastructure to allow for better transportation linkages in the economy; better telecommunications linkages in the economy • Increased incentives for innovation such as intellectual property laws • Reduction in direct taxes (income tax) increase incentive to work • Reduction in direct taxes on firms (corporation tax) lower costs, higher investment • Labour market reform may including reduction in trade union power/reduction in minimum wages/reduction in unemployment benefits • Deregulation • Privatisation and competition incentives to increase saving • Increased home ownership, creating wealth effect increasing AD • Import substitution policies (including tariffs) used to promote domestic production Accurate diagram showing increase in LRAS, decrease in average price level and rise in real output  **Positive impact of policies can be used for KAA and negative impacts for evaluation or vice versa**	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible policies or identification of one or more policies. Understanding of policies **or** data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of policies identified along with some development of analysis or some identification of possible policies **and** data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the policies **and** data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• We are looking for judgement here – how effective may the Nigerian Government be? What are the constraints/potential problems? • Interventionist supply-side policies may be costly so there is an opportunity cost for the government • May only be effective over the longer term • Tax incentives - may be less income for Government so may increase budget deficit • A lower level of trade union power is likely to result in less job security and worsening conditions for workers • May be a reduction in living standards for workers on the minimum wage and for the unemployed • Success may depend upon international market conditions • Deregulation of firms negative effects on labour or the environment (may lead to see increased social unrest/political protests)	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

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