

Mark Scheme (Final)

Summer 2018

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

GradeMax

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

Summer 2018
Publications Code WEC02_01_1806_MS
All the material in this publication is copyright
© Pearson Education Ltd 2018

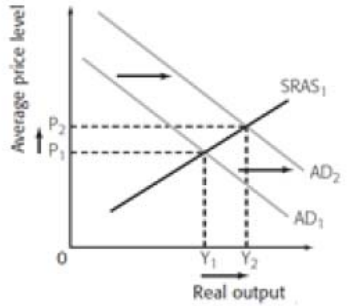
General Marking Guidance

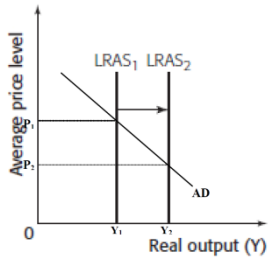
- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should 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 for (rejected marks) explaining three incorrect options (provided three different reasons are offered and each option key is clearly rejected).

Question Number	Answer	Mark
1	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Interest rate is the price paid for borrowing money/reward for saving **OR** Identifying this is an example of *expansionary* monetary policy/ demand side policy **OR** 0.25% decrease will lower cost of borrowing/0.25% decrease will lower reward for saving **(1)** • More borrowing and spending may increase AD due to higher consumption/investment increasing real output and reducing unemployment **OR** lower saving may increase AD as saving is withdrawal from circular flow of income **(1)** • Lower saving and higher spending would increase AD which would increase real output and decrease unemployment **(1)** **Accurate AD/AS diagram showing outward shift in AD award up to 2 marks**  **Rejection marks** • A is incorrect as economic growth likely to be higher with more spending/ investment/lower saving **(1)** • B is incorrect as lower interest rates may increase AD due to higher consumption and investment **(1)** • D is incorrect as in short run lower rates impact upon AD however in long run may increase LRAS **(1)**	**(4)**

Question Number	Answer	Mark
2	**Answer A (1 mark)** **Explanation (up to 3 marks)** • LRAS a measure of a country's/economy's potential output **OR** also known as the full employment level of output **(1)** • Rail link will improve infrastructure to allow for better transportation linkages in the economy **OR** transport infrastructure is what enables economic activity to take place/facilitate the movement of goods and people **(1)** • This increases efficiency of economy raising productive potential/LRAS **OR** Increased LRAS is equivalent to an outward shift of the PPC curve **(1)** • Raises productivity through increased efficiency, increasing LRAS **OR** Increases mobility of labour, raising LRAS **(1)** • Investment also component of AD **(1)** • Increased investment increases AD/shifts AD curve right/outwards **(1)** **For correctly labelled diagram showing outward shift in LRAS and/or AD award up to 2 marks**  **Rejection marks** • B is incorrect as withdrawals are savings, taxes and imports and injections are investment, government spending and exports/rail investment is an injection not a withdrawal **(1)** • C is incorrect as rail project will not increase size of labour force although it may reduce geographical immobility, unemployment **(1)** • D is incorrect as investment in infrastructure likely to increase AD because G and I are components of AD **OR** investment likely to increase LRAS **(1)**	**(4)**

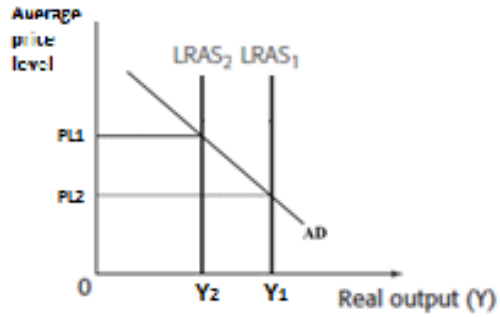
Question Number	Mark	Mark
3	**Answer D (1 mark)** **Explanation (up to 3 marks)** • Consumption component of AD where AD = C + I + G + (X-M) **(1)** • Economic growth caused by increase in AD or SRAS/LRAS **(1)** OR inflation either demand-pull (AD) or cost-push (AS) **(1)** • Falling household consumption therefore results in lower AD and lower growth **(1)** • Lower consumption therefore results in reduced demand-pull inflation **(1)** • Award 2 marks for AD/AS diagram showing impact of leftward shift in AD curve on real output and price level **Rejection marks** • A is incorrect because lower household consumption may reduce demand for imported goods/services and decrease inflation **(1)** • B is incorrect because lower household consumption and lower AD may reduce growth and decrease tax receipts **(1)** • C is incorrect because lower household consumption may have no effect upon exports although it may reduce tax receipts **(1)**	**(4)**

Question Number	Answer	Mark
4	**Answer C (1 mark)** **Explanation (up to 3 marks)** • Identification of policy as aspect of monetary policy **(1)** • Asset purchases increase the cash reserves of the banks **(1) OR** transfer of new money from ECB to commercial banks **(1)** • Increasing banks' ability to lend to businesses and individuals, thereby increasing the money supply **(1)** • Likely impact upon interest rates – i.e. lower interest rates **(1)** • Diagram showing increase in AD as outcome **(1)** **Rejection marks** • A is incorrect because any increase in bank lending through newly created money ("money printing") may increase the money supply and increase AD, increasing inflation **(1)** • B is incorrect because an increase in the supply of euros is more likely to depreciate the value of the currency in a free floating exchange rate system **(1)** • D is incorrect because although the aim was to maintain/increase liquidity in credit markets, one of the consequences may have been to keep business running, maintaining/increasing output **(1)**	**(4)**

Question Number	Answer	Mark
5	**Answer B (1 mark)** **Explanation (up to 3 marks)** • Definition of HDI: a composite indicator or measure of life expectancy, education, and income indices **(1)** • The higher the index the higher the level of development **(1)** • GNI per capita does not tell us about quality of life/living standards **(1)** • Iceland's higher HDI index and lower GNI per capita **(1)** would suggest that Iceland must have higher standards of education and/or health than USA **(1)** **Rejection marks** • A is incorrect because the HDI index for Iceland is 0.846 (closer to 1.0) and USA 0.760. Iceland thus has higher human development on this measure as it is closer to 1.0 **(1)** • C is incorrect because the HDI and GNI per capita does not include energy consumption in the calculation/cannot be deduced from data **(1)** • D is incorrect because the HDI and GNI per capita does not include access to mobile phone in the calculation/cannot be deduced from data **(1)**	**(4)**

Question Number	Answer	Mark
6	**Answer A (1 mark)** **Explanation (up to 3 marks)** • AD components C+I+G+(X-M) **OR** definition of AD **OR** definition of net exports **(1)** • Decrease in imports ceteris paribus is a decrease in leakages/withdrawals **OR** Net exports will rise **(1)** • Therefore AD increases/AD curve shifts outwards **(1)** **Rejection marks** • B is incorrect as decrease in investment likely to decrease AD and shift curve inward/left **(1)** • C is incorrect as decrease in government spending (G) likely to decrease AD and shift curve inward/left **(1)** • D is incorrect as a decrease in labour productivity likely to shift SRAS to the left OR decrease potential output and shift LRAS to the left **(1)**	**(4)**

Question Number	Answer	Mark
7	**Answer D (1 mark)** **Explanation (up to 3 marks)** • CPI is a price index weighted by a basket of goods and services **OR** Inflation a sustained rise in the average price level **(1)** • In 2014 CPI 2.8% and in 2015 CPI 0.9 % **OR** Inflation in both years **(1)** • The average price level was still rising in 2015 **(1)** but at a slower rate than in 2014 **(1)** **Rejection marks** • A is incorrect as disinflation/falling rate of the average price level increase not deflation in 2014-2015 **(1)** • B is incorrect as inflation in 2013-2014/average prices rising at increasing rate **(1)** • C is incorrect as average price level in 2011 was lower than 2009, due to deflation/falling average price level between 2009-2011 **(1)**	**(4)**

Question Number	Answer	Mark
8	**Answer C (1 mark)** **Explanation (up to 3 marks)** • An example of business regulation e.g. health and safety or increased pension provisions negatively impacts on firms through higher costs for firms **(1)** **OR** • More regulation likely to decrease efficiency/productivity producing fall in real output **(1)** • Decreased efficiency likely to shift LRAS left/inwards **(1)** • Explanation that more regulation leads to inward shift in LRAS **(1)** higher average price level and fall in real output **(1)** **OR** Up to 2 marks for correctly annotated diagram or own diagram (inward shift in LRAS with decreased real output and higher average price level labels)  **Rejection marks** • A decreased efficiency likely decrease real output not increase it **(1)** • B decreased efficiency likely increase average price level not decrease it/decrease real output not increase it **(1)** • D decreased efficiency likely increase average price level not decrease it **(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)** • Definition of balance of trade: value of exports-value of imports **(1)** • Positive figure is a balance of trade surplus **(1)** • Negative figure is a balance of trade deficit **(1)** **Application (Up to 2 marks)** • $2.51bn (exports) -$3.26bn (imports) **(1)** Balance of trade =-$0.75bn **(1)** The correct answer is to be awarded full marks – must include currency unit, be negative and presented in billions (bn) - If the correct answer is not given then other awarding points must be considered	**(4)**

Question Number		Mark
9 (b)		**(10)**
Knowledge, application and analysis - indicative content		
	• Balance of trade defined as value of exports minus value of imports (net exports) • Main export is nickel (22.7% of exports) • Main import petroleum (19% of imports) • Both products are commodities and subject to (global) price fluctuations • Commodity is any product traded on the international commodity market • Increase in price of petroleum compared to price of nickel will increase balance of trade deficit • Rising petroleum costs may increase costs for mining in Madagascar, reducing profits and/or competitiveness of nickel exports and increasing balance of trade deficit • Demand for nickel dependent upon growth in steel producing export destinations such as France, USA, Belgium, Luxembourg, Germany, South Africa • Reduced balance of trade deficit may increase AD, economic growth and average price level **Negative impacts on balance of trade can be used for KAA and positive impacts for evaluation or vice versa**	

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

Evaluation – indicative content		
	• Decrease in price of petroleum compared to price of nickel will decrease balance of trade deficit • Rising nickel prices may increase value of currency creating a negative impact upon other sectors e.g. vanilla/agriculture • Rising nickel prices, derived from increasing from export destinations, may reduce a balance of trade deficit • Rising nickel prices and consequent increase in AD may increase rate of inflation • Impact will depend upon PED and PES for petroleum and nickel	

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)	**Up to 3 marks from:** • Inflation impacts upon consumers if nominal incomes rise more slowly than average prices **(1)** • Falling real incomes **(1)** • Inflation impact consumers on low or fixed incomes more than those on high incomes **(1)** • Consumers likely to increase spending in the short-run due to expectations of rising prices **(1)** • Consumers may choose to buy cheaper, imported goods rather than domestic goods **(1)** • Consumers may see falling living standards as inflation means they can afford less goods with their incomes **(1)** **Up to 3 marks from:** • Inflation is above 6% throughout time series **(1)** • Highest rate is 9% 2008-2011 **(1)**	

	• Lowest 6% 2012-2014 **(1)** • Prices rising throughout years 2008-2015 **(1)** **Award a mark for any other valid data references**	**(6)**

Question Number		Mark
9 (d)		**(14)**
Knowledge, application and analysis - indicative content		
	Discussion of living standard might include reference to: • Rising GNI/GDP per capita • Higher mean/median incomes • HDI (education and health indices) • Access to clean water Discussion of mining investment might include: • Increased investment, increasing AD and economic growth leading to higher GNI/GDP per capita • Increased employment/decreased unemployment leading to rising incomes and consumption • Rising incomes and consequent higher living standards through consumption • Increasing export revenues increasing national income and employment • Increasing tax revenues for Government (direct and indirect tax) for investment in infrastructure such as clean water or education • Positive multiplier effect in incomes • Investment in infrastructure, increasing LRAS and potential for development • Investment in human capital (training) increase employment and sustainable rise in living standards Data references include: • Sustainable rates of economic growth 2008-2015, with 2009 showing negative economic growth (Figure 1) • Relatively stable, low inflation compared to many other developing economies (Figure 1) • Diversify employment as 75% in agriculture (Extract 1) • Improve balance of trade (Figure 2) • Help to pay for essential imports of oil and rice (Figure 2) • Decreases dependency upon volatile agricultural markets (Extract 1)	

	Responses may include relevant AD/AS diagrams should as outward shift in AD, higher growth and employment and/or outward shift in LRAS, higher growth and employment **Positive impact of investment on living standards 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 impact **or** identification of one or more impacts. Understanding of causes **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 impacts **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		
	Here we are looking for balance in the response – that the response is not one-sided • Growth may increase inflation, which may increase inequality • Benefits of growth may be unequally spread (rising GDP and GNI may not mean higher living standards for many) • Environmental costs (pollution) • Loss of land for farmers • Reliance upon volatile commodity markets • Rising exports may appreciate currency, make exports more expensive and decrease demand for goods from other sectors • Higher incomes may increase demand for imports, worsening current account balance	

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		
	Discussion of policies might include: • Demand-side policies: fiscal policy taxation and spending; monetary policy (including exchange rates) • Supply-side policies: free-market and interventionist Discussion of demand-side policies might include: • Used to shift the AD curve right (expansionary policies) • Government could reduce direct taxes and increase its spending • May help to solve disequilibrium unemployment (demand-deficient unemployment) • Government could decrease interest rate/increase the supply of money to increase AD Supply-side policies might include: Interventionist policies: • 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 efficiency • Improved infrastructure to allow for better transportation linkages in the economy; better telecommunications linkages in the economy; • 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 Data references include: • Sustainable rates of economic growth 2008-2015 (Figure 1) • Relatively stable inflation (Figure 1) • Diversify employment as 75% in agriculture (Extract 1) • Improve balance of trade (Figure 2)	

	• Help to pay for essential imports of oil and rice (Figure 2) • Decreases dependency upon volatile agricultural markets (Extract 1) **Positive impacts 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 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		
	Here we are looking for balance in the response – that the response is not one-sided • 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 government • A lower level of trade union power is likely to result in (even) less job security and worsening conditions for workers • Deregulation negative effects on labour or the environment • Demand side policies involve a trade-off. • Usually, if inflation is improved, unemployment gets worse and vice versa.	

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)** • Definition of annual percentage change in real GDP per capita: Increase/decrease in the ratio of GDP to population **(1)** • Real means adjusted for inflation **(1)** • Can be caused by increase in GDP and less than proportionate increase in population **(1)** • GDP per capita is GDP divided by the population of a country **OR** GDP per person **(1)** **Application (Up to 2 marks)** • Figure 1: GDP per capita growth fluctuates **(1)** throughout 2008-2016 **(1)** • Use of Figure 1 data: • Growth of 1.5% in 2012 **(1)** • Very low growth/zero growth forecast in 2016 **(1)** • Negative growth 2008-2011 **(1)**	**(4)**

Question Number		Mark
10 (b)		**(10)**
Knowledge, application and analysis - indicative content		
	Discussion of human development might include reference to: • GNI/GDP per capita • Mean/median incomes • HDI (education and health) – GNI per capita is included in the HDI • Causes of GDP growth increase/decrease in AD components or AS (SRAS and LRAS) • Causes of GDP per capita growth, increase/decrease in GDP growth and/or changes in population size • Impact may depend upon the causes: • If low/negative GDP growth then less wealth and income, rising unemployment • If rising population then less wealth and income spread across population as a whole Data references may include: • Low rates of GDP per capita growth do not necessarily mean falling human development • GDP per capita does not tells us about the distribution of wealth or income • Low rate of growth may be have been distributed equally in Norway, therefore human development may still be high for the majority • One of the most equal countries in the world • Security in the labour market • No minimum wage but high trade union membership • Highest cost of living in Europe • Low rates of growth (negative growth) counteracted by redistribution so human development may not decrease • Other indicators such as health and education as important in determining human development	

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

<table>
<tr><td colspan="3">Evaluation – indicative content</td></tr>
<tr><td></td><td colspan="2">Here we are looking for development and evidence of judgement as to the most significant effects
Education and healthcare may be of a high standard even though GDP per capita growth but may not be maintained if GDP does not grow or decreases
Rising unemployment 2008-2016 (official figures) may mean more citizens live in relative poverty
High unemployment not included in official figures (Extract 2) may mean human development is falling for people not classed as unemployed
High costs of free universal healthcare may not be sustainable without continued GDP growth
Expensive supply-side policies have to be funded and may mean increasing costs for firms through corporate tax
Higher wages, to cover high costs of living, may mean higher costs for firms reducing SRAS and lower investment reducing LRAS and human development</td></tr>
<tr><td>Level</td><td>Marks</td><td>Descriptor</td></tr>
<tr><td>0</td><td>0</td><td>No evaluative comments.</td></tr>
<tr><td>1</td><td>1-2</td><td>For identifying evaluative comments without explanation.</td></tr>
<tr><td>2</td><td>3-4</td><td>For evaluative comments supported by relevant reasoning.</td></tr>
</table>

Question Number		Mark
10 (c)		**(14)**

Knowledge, application and analysis - indicative content

- Unemployment defined as where person actively seeking work but unable to find suitable employment

Impact may include:

- Waste of resources
- Poverty
- Rising government budget deficit, decreased tax receipts (direct and indirect) and increased government spending on benefits/welfare
- Social effects (e.g. increased crime, increased suicide, net migration) with explanation of their negative impact on the economy
- Risk of deflation
- Loss of potential output
- Loss of skills or human capital

Data references include:

- Unemployment rising between 2008-2016 from less than 2.5% to 5%
- Government provision of work experience, training
- Norway pays unemployment benefits

Accurate diagram showing decrease in AD or decrease in LRAS causing increase/decrease in average price level and rise in real output

Negative impacts of rising unemployment 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 effects 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		
	• Here we are looking for development and evidence of judgement as to the most significant effects • Higher unemployment may reduce inflation thus make Norway's economy more competitive internationally (currently high cost of living) • Higher unemployment may reduce wages and costs for business • Impact upon AD may depend upon size of (negative) multiplier • Reference to the magnitude of unemployment - particularly that the (official rate) remains low by international standards • Welfare state is developed in such a way to reduce some of the social costs of unemployment • Official figures may not be accurate as exclude other members of potential workforce • Unemployment may be higher than official figures suggest	
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)	**Up to 3 marks from:** • Supply side policies are designed to increase long-run aggregate supply (LRAS)/potential output/potential capacity **(1)** • Increase the full employment level of output **(1)** • Policies intended to increase quantity and quality of inputs, including labour **(1)** • Policies to increase productivity/efficiency, lower costs for firms and increase SRAS and/or LRAS **(1)** • Accurate diagram showing outward shift in LRAS award up to 2 marks **Up to 3 marks from:** • More focused qualifications **(1)** to help people move into specific jobs **(1)** • Investment in education and training **(1)** to facilitate occupational mobility **(1)** • Job practice schemes **(1)** to maintain or improve skills **(1)** • No minimum wage **(1)** reducing regulation **(1)** • Workplace democracy **(1)** to improve decision making and raise productivity **(1)** • Free universal healthcare **(1)** improving health of workforce, reducing absenteeism and raising productivity **(1)** • Reduced income inequality **(1)** increasing motivation and productivity of workforce **(1)**	**(6)**

Question Number		Mark
10 (e)		**(14)**
Knowledge, application and analysis - indicative content		
	Redistribution of income a macroeconomic objective Other objectives may include: • Increased economic growth, • Control of inflation • Reduction in unemployment • Equilibrium of the Balance of Payments • Balanced budgets • Protection of the environment Potential conflicts might include: • Increased growth may be less likely due to lack of incentive to work caused by benefit system • Balanced budgets if welfare spending is high • High union membership may increase wages and costs for firms, reducing growth • Redistribution through benefits and low unemployment • Low inflation and redistribution • High business taxes increase costs and lack of international competitiveness worsening balance of trade Data references include: • Free healthcare • Strong welfare state • High trade union membership • Under-reporting of unemployment • Highest cost of living in Europe **Negative impacts of redistribution 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 conflicts or identification of one or more conflicts. Understanding of conflicts **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 conflicts identified along with some development of analysis or some identification of possible conflicts **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 conflicts **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		
	Here we are looking for balance – the way in which redistribution may support other objectives • Norway is one of the equal societies but has one of the most prosperous economies • Free healthcare and education may increase productivity and growth • Welfare system may reduce crime and other social costs of inequality • High trade union membership may increase co-operation between employers and employees, raising productivity • No minimum wage may increase employment • Quality of labour factor may be high thus LRAS may increase	
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.

Pearson Education Limited. Registered company number 872828
with its registered office at 80 Strand, London, WC2R 0RL, United Kingdom