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ECONOMICS **9708/24**

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.

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

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.

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.

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.

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
K	Indicates knowledge and understanding of the concepts and issues relating to the question.
AN	Indicates where the answer has demonstrated analysis.
APP	Indicates appropriate reference to the information provided
E	Expansion of point already made in response
EVAL	Indicates where the answer has demonstrated evaluation
EE	Indicates where the answer has demonstrated particularly strong/justified evaluation
L1	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 1 in the Mark Scheme, Table A
L2	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 2 in the Mark Scheme, Table A
L3	For use on **questions 2**, **3**, **4** and **5**. Indicates where the response has reached Level 3 in the Mark Scheme, Table A
BOD	Used when the benefit of the doubt is given in order to reward a response.
NAQ	Used when the answer or parts of the answer do not answer the question asked.

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.

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.

Social Sciences and Humanities Subject 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)
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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)
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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:

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- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who marked that paper.

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

Table A: AO1 Knowledge and understanding and AO2 Analysis

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

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

Table B: AO3 Evaluation

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

Level	Description	Marks
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).	3–4
1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.	1–2
0	No creditable response.	0

Section A

Question	Answer	Marks
Follow the point-based marking guidance at the top of this mark scheme.		
1(a)	**Compare the forecast rates of economic growth for the US and Eurozone between 2023 and 2024.** • The forecasts for both the US and Eurozone have shown real economic growth between 2023 and 2024 • The forecast for the US has shown higher real economic growth than the Eurozone in both periods. • The forecast for the US has shown a fall in the rate of growth between 2023 and 2024 whereas the forecast for the Eurozone has shown an increase. **Guidance:** Only award marks for a valid **comparison** between the two years and the two economies. **Note: answers which suggest GDP in the US has fallen between 2023 and 2024 must <u>not</u> be credited as it is the rate of growth that has fallen.**	2
1(b)	**Explain <u>one</u> reason why the IMF uses percentage change in real GDP and not percentage change in nominal GDP when measuring economic growth.** • Nominal GDP growth shows the growth without taking into account inflation whereas real GDP growth removes the effects of inflation. **(1)** • It allows for a better / more meaningful comparison between years. **(1)** **Note:** do not award the 2nd mark without some understanding of the two terms in the question.	2
1(c)	**Explain, with the help of a diagram, why an increase in productivity in US firms may reduce the price of their products and consider whether this will always be the outcome.** • An increase in productivity suggests production is more efficient and will reduce costs. **(1)** • This should have the effect of shifting the supply curve to the right as shown on an accurately labeled diagram. **(1)** • The fall in price should be shown on the diagram, e.g., by an arrow or P1 P2, and linked to the increase in productivity. **(1)** For **evaluation 1 mark maximum:** An assessment why the price may not fall, e.g., because businesses decide not to pass the fall in potential price on to consumers and include the extra profit in their costs meaning the supply curve does not shift to the right or other costs increase to offset the improvement in productivity; due to perfectly elastic demand. **(1)**	4

Question	Answer	Marks
1(d)	**Assess whether the costs of inflation are always likely to be greater than the benefits of inflation for the US.** **Up to 4 marks MAX for analysis of both benefits and costs** **Up to 3 marks for analysis of** the possible benefits of inflation, e.g., it may be a sign of economic growth and may encourage businesses to produce more and therefore reduce levels of unemployment etc. if the inflation rate is low and stable. Also, borrowers may gain. **Up to 3 marks for analysis of** the possible costs of inflation, e.g., menu and shoe leather costs, lenders may lose, fiscal drag, reduced international competitiveness etc., if the inflation rate is high or becomes prolonged. This may result in reduced investment due to uncertainty. **Up to 2 marks for evaluation of positive and negative effects**, e.g., it will depend on the level of inflation and whether it is likely to be prolonged. It also may depend on the rate of inflation in other countries. **Reserve 1 mark for a justified conclusion.** **Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less due to rising costs of production. Any valid evaluation must reflect this.	6
1(e)	**Assess the extent to which maintaining interest rates at a high level will be the best policy for the US to control inflation.** **Up to 4 marks MAX for analysis of both advantages and disadvantages** **Up to 3 marks for analysis of** the possible advantages of maintaining interest rates at a high level, e.g., it is a contractionary demand policy that will reduce AD by reducing consumer expenditure and investment. This should lower inflationary pressure and keep inflation rates lower. **Up to 3 marks for analysis** of the possible disadvantages, e.g., it may reduce economic growth and increase unemployment if the policy is maintained for a long period of time. It may reduce international competitiveness if it leads to an increase in exchange rates. It may also not be appropriate if the cause of inflation is due to cost push factors, **Up to 2 marks for evaluation of the** advantages and disadvantages of maintaining interest rates at a high level to control inflation in the US. This may also include an assessment (although this is not essential) of other policies such as supply-side policy may be less damaging and fiscal policy. It also depends on the timescale. **Reserve 1 mark for a justified conclusion.** **Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less rising costs of production. Any valid evaluation must reflect this.	6

Section B

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td colspan="3">EITHER</td></tr>
<tr><td>2(a)</td><td>
Explain what is meant by the incidence of an indirect tax <u>and</u> consider the extent to which it is possible for the incidence to pass from a producer of a good to a consumer of that good.

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)

Of the meaning of an indirect tax and the incidence of an indirect tax. Note: a diagram is NOT essential but can be used, with a separate explanation, to show what is meant by an indirect tax and/or the incidence.

• The incidence of tax refers to the extent of the burden/ proportion of tax borne by the producer and/ or consumer. (1)
• An indirect tax is a tax placed on goods or services. (1)
• It can be specific, i.e., a fixed amount per purchase or ad valorem, i.e., a % of the price charged by the retailer. (1)
• Allow references to the fact that it is seen as regressive if explained, OR accurate examples OR that it can be used to reduce consumption of demerit goods or raise revenue for governments. (1)

Award a maximum of two marks if no explanation of incidence.

AO2 Analysis (max 3 marks)

Of the possibility of passing the incidence from a producer to a consumer depending on PED. Note: a diagram is NOT essential but can be used, to assist an explanation in words, the possibility of passing the incidence from a producer to a consumer depending on PED.

• The indirect tax has the effect of raising the price of the product or service by shifting the supply curve to the left. (1)
• Analysis of the impact on the incidence if the PED is elastic. (1)
• Analysis of the impact on the incidence if the PED is inelastic. (1)

AO3 Evaluation (max 2 marks)
The extent to which it is possible to pass the incidence of tax onto the consumer depends upon the PED.
For explained assessment that it is more possible to pass on the incidence of tax to the consumer if the PED is inelastic. Note: the second mark is reserved for a justified conclusion.
</td><td>8</td></tr>
</table>

Question	Answer	Marks
2(a)	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td rowspan="3">2(b)</td><td>

Assess the extent to which a government should subsidise the production of merit goods to increase the consumption of these goods.

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 understanding of what is meant by a merit good and a subsidy and how this might increase the consumption of merit goods.
- An analysis of the advantages and disadvantages (effectiveness) of using a subsidy (including the limitations, e.g., imperfect information.)
- Advantages include the fact that subsidies lead to lower costs for producers which should lead to lower prices for consumers and therefore increased consumption **whereas:**
- Disadvantages include the cost to the government and imperfect information which may mean that consumption does not increase despite lower prices
- An analysis of the advantages and disadvantages of at least **one** alternative policy that may be used, e.g., information provision, direct provision, (together with their limitations.)

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 considers the extent to which a government should subsidise the production of merit goods to increase their consumption and arrives at a reasoned and justified conclusion.

A one-sided response cannot gain any marks for evaluation.

Accept all valid responses.

</td><td>**12**</td></tr>
<tr><td>AO1 Knowledge and understanding and AO2 Analysis</td><td>8</td></tr>
<tr><td>AO3 Evaluation</td><td>4</td></tr>
</table>

Question	Answer	Marks
OR		
3(a)	**Explain what determines elastic and inelastic price elasticity of supply (PES) <u>and</u> consider the extent to which the value of PES may differ between an agricultural good and a manufactured good.** 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)** • For an accurate definition (with reference to the responsiveness of supply to a % change in price) **or** formula for PES **(1)** • For an explanation of what is meant by **both** an elastic and an inelastic PES (with reference to the responsiveness of supply to a % change in price) **(1)** • An explanation of at least **one** factor that determines whether a good has an elastic or inelastic PES, e.g., time, stock levels, perishability **(1)** **AO2 Analysis (max 3 marks)** • An explanation of the factors that explain the PES for agricultural goods, e.g., an explanation that they are more likely to be inelastic due to, e.g. time taken to produce, the difficulty of holding stocks etc. **(up to 2 marks)** • An explanation of the factors that explain the PES for manufactured goods, e.g., an explanation that the value may be more elastic due to, e.g. spare capacity, ability to store unfinished and finished goods, time taken to produce. **(Up to 2 marks).** **AO3 Evaluation (max 2 marks)** For an evaluation as to the extent that the value may differ, e.g., due to their perishable nature, agricultural goods may be more PES inelastic unless better ways can be found to store them. **Note: the second mark is reserved for a justified conclusion.**	8
	AO1 Knowledge and understanding	3
	AO2 Analysis	3
	AO3 Evaluation	2

Question	Answer	Marks
3(b)	**Firms will often try to estimate elasticity values to judge the possible success of decisions to change prices or to introduce new products.** **Assess the extent to which an understanding of income elasticity of demand (YED) may be more useful than cross elasticity of demand (XED) in increasing the income from sales for a firm.** 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 understanding of the concepts of YED and XED. • YED can be used to predict the demand for different categories of goods depending on changes in income. • It can therefore be used to predict changes in possible sales revenue. • XED can be used to predict changes in revenue depending on whether it is a complement or a substitute and the closeness of the relationship. • It can then be used to predict sales revenue depending upon the actions of other businesses in setting their prices. • An assessment of the limitations of both measures, e.g., they are estimates and will change over time. **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. **Unless the answer is directly related to increasing the income from sales for a firm, then award a maximum of mid-Level 2 marks.** **AO3 Evaluation** Of the extent to which the knowledge of YED is more useful than XED in increasing sales revenue and arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8

Question	Answer	Marks
3(b)	AO3 Evaluation	4

Section C

Question	Answer	Marks
EITHER		
4(a)	**Using <u>two</u> tools of protection, explain what is meant by protectionism <u>and</u> consider the extent to which these two tools may benefit an economy.** 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)** • Protectionism is when governments seek to protect domestic industries from foreign competition. **(1)** • Two examples of protectionism from import tariffs, import quotas, export subsidies, embargoes, and excessive administrative burdens **(1)** • With some explanation as to how both tools protect domestic industries. **(1)** **AO2 Analysis (max 3 marks)** • For an explanation of the possible benefits of the selected tools to an economy, e.g., improve the current account, preserve strategic industries, maintain employment **(1 per selected tool MAX 2 marks)** • For an explanation of the possible drawbacks of the selected tools to an economy, e.g., the policies may not work, e.g., because of elasticity values, retaliation by other countries. **(1 per selected tool MAX 2 marks)** **3 marks maximum for analysis.** **Note: If only 1 tool is considered then 2 marks maximum.** **AO3 Evaluation (max 2 marks)** For an assessment of the extent to which the selected examples may benefit an economy **including** possible drawbacks, e.g., retaliation. **Note: the second mark is reserved for a justified conclusion.** **Please use a text box to show the mark split, e.g., 2,2,1**	**8**
	AO1 Knowledge and understanding	**3**
	AO2 Analysis	**3**
	AO3 Evaluation	**2**

Question	Answer	Marks
4(b)	**Assess the extent to which the principle of comparative advantage should be the main factor to consider when countries decide to trade with each other.** 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** • Knowledge and understanding of the principle of comparative advantage. • An explanation of the main benefits, e.g., an efficient allocation of resources, an increase in world output and employment, lower world prices and better and a wider choice of products all derive from specialisation due to comparative advantage. • An explanation of the limitations of the theory, e.g., the danger of over specialisation, high transport costs offsetting the benefits, possible increase in unemployment, maybe strategic problems. **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** Of the extent to which comparative advantage should be the main determinant for international trade between countries, considering the importance of other factors, e.g. strategic, that arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	8
	AO3 Evaluation	4

Question	Answer	Marks
OR		
5(a)	**Explain the difference between structural unemployment and cyclical unemployment <u>and</u> consider the extent to which structural unemployment is likely to be more damaging to an economy than cyclical unemployment.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis up to 2 marks for AO3 Evaluation. **AO1 Knowledge and Understanding (max 3 marks)** • Unemployment is a situation where people are willing and able to work but do not have a job. **(1)** • Structural unemployment occurs due to structural changes in an economy because of changes in the pattern of supply and demand for products, services, and labour. **(1)** • Cyclical unemployment occurs due to a lack of aggregate demand within an economy because of, e.g., a downturn in the economic cycle. **(1)** **AO2 Analysis (max 3 marks)** Analysis may focus on the following but must compare the two types. **Note:** if only one type is analysed, **two marks max and no evaluation marks may be awarded.** • Structural unemployment may be more serious depending on the importance of the affected industry to an economy because it is more likely to be permanent. • It can be focused on entire regions, whereas: • Cyclical unemployment may be more serious as it affects the entire country. • Both will lead to a loss of income and people affected are less likely to be able to find work. **AO3 Evaluation (max 2 marks)** For an assessment of which type is likely to be most serious and may consider the timescale, the ease of retraining (if structural), the number of people affected, etc. **Note: the second mark is reserved for a justified conclusion.**	**8**
	AO1 Knowledge and understanding	**3**
	AO2 Analysis	**3**
	AO3 Evaluation	**2**

Question	Answer	Marks
5(b)	**Low unemployment is a macroeconomic policy objective for a government.** **Assess the extent to which this is most likely to be achieved by supply-side policy.** 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 understanding of what is meant by supply side policy. • Analysis of different types of supply side policy designed to reduce unemployment which may include training and education, reducing benefits, infrastructure development, reducing taxes • Analysis of the limitations of such policies. • Analysis of other policies such as fiscal and monetary policy designed to increase AD and may be more appropriate if unemployment is cyclical. • Examples may include extra government spending and reducing income taxes together with reducing interest rates. • Analysis of the limitations of alternative policies. **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** Of the extent to which a low level of unemployment is most likely to be achieved by supply side policy and arrives at a reasoned and justified conclusion. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.	**12**
	AO1 Knowledge and understanding and AO2 Analysis	**8**
	AO3 Evaluation	**4**