Version 1.0

AQA

**General Certificate of Education
January 2011**

Economics   ECON2

Unit 2: The National Economy

Final

Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

January 2011   **ECON2**

Advance Subsidiary Economics Unit 2

Section A: Objective Test (ECON2/1)

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1.	**D**	**9.**	**A**	**17.**	**D**
2.	**A**	**10.**	**B**	**18.**	**A**
3.	**B**	**11.**	**C**	**19.**	**B**
4.	**C**	**12.**	**C**	**20.**	**C**
5.	**A**	**13.**	**A**	**21.**	**C**
6.	**C**	**14.**	**B**	**22.**	**D**
7.	**D**	**15.**	**D**	**23.**	**B**
8.	**A**	**16.**	**B**	**24.**	**B**
				25.	**D**

Advanced Subsidiary Economics

January 2011   **ECON2/2**

Mark Scheme

Section B: Data Response

General Instructions

Marks awarded to candidates should be in accordance with the following mark scheme and examiners should be prepared to use the full range of marks available. The mark scheme for most questions is flexible, permitting the candidate to score full marks in a variety of ways. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required for full marks. But conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation, **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, you must in the first instance telephone your team leader to discuss how to proceed.

Two approaches have been used in the construction of the mark scheme:

(i)   **An issue based approach.** The mark scheme for questions **01**, **02**, **03**, **05**, **06** and **07** of the data response questions adopts this approach. The mark scheme lists the marks that can be awarded for particular issues (and associated development) that the candidate might include in the answer.

(ii)   **A levels approach.** This approach is used for marking questions **04** and **08** of the data response questions. The Levels Mark Scheme on the next page identifies five levels representing differences in the quality of work. A range of marks is allocated at each level. First decide the level into which an answer falls. The level chosen should be the one which **best fits** the answer provided by the candidate. It is **not** intended that the answer should satisfy every statement in the level description. Then think in terms of awarding the mid-point mark which has been identified for that level (eg 13 marks for Level 3). Move up and down from this notional mark by considering the extent to which the answer meets the level description overall. Strength in one skill can outweigh weakness in another. When using the Levels Mark Scheme the marker **must** identify where a particular skill is being demonstrated. The **key** to be used to identify the skill is given after the levels descriptions. The question-specific mark scheme summarises the information which could be used to answer the question, but without attaching marks to particular issues.

LEVELS OF RESPONSE MARK SCHEME
FOR USE WITH QUESTIONS 04 AND 08 ONLY

AS LEVELS OF RESPONSE	AO1 KNOWLEDGE and UNDERSTANDING of theories, concepts and terminology	AO2 APPLICATION of theories, concepts and terminology	AO3 ANALYSIS of economic problems and issues	AO4 EVALUATION of economic arguments and evidence, making informed judgements
Level 5 22-25 marks (mid-point 24) **Good analysis <u>and</u> good evaluation**	Good throughout the answer with few errors and weaknesses	Good application to issues Good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning	Good with a clear final judgement
Level 4 17-21 marks (mid-point 19) **Good analysis <u>but</u> limited evaluation** **OR** **Reasonable analysis <u>and</u> reasonable evaluation**	Good throughout the answer with few errors and weaknesses	Good application to issues Good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning	Limited but showing some appreciation of alternative points of view
	Good throughout much of the answer with few errors and weaknesses	Some good application to issues. Some good use of data to support answer	Largely relevant and well organised with reasonable logic and coherence	Reasonable, showing an appreciation of alternative points of view
Level 3 10-16 marks (mid-point 13) **Reasonable answer, including some correct analysis but very limited evaluation**	Satisfactory but some weaknesses shown	Reasonable application to issues Reasonable use of data to support answer	Reasonably clear but may not be fully developed and is perhaps confused in places with a few errors present	Superficial, perhaps with some attempt to consider both sides of the issue(s)
Level 2 4-9 marks (mid-point 7) **Weak with some understanding**	Limited and some errors are made	Partial application to issues with some errors Limited use of data to support answer	Partial but confused at times, lacking focus and development Limited logic and coherence	A very basic and simplistic attempt is made which is unsupported by analysis
Level 1 0-3 marks (mid-point 2) **Very weak**	Weak with a number of errors	Little, if any, application to issues No use of data to support answer	Poor and lacking clarity and focus	No relevant evaluation

THE KEY TO BE USED WHEN USING THE 'LEVELS' MARKING SCHEME

D   Where a particular economic term is correctly **DEFINED** in order to help the candidate to answer the question properly.

I   Where a relevant **ISSUE** is raised by the candidate.

K   Where the candidate demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the candidate's response to the question. This should also be used where the candidate quotes relevant examples.

Ap   Where the candidate demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.

A   Where the candidate demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.

E   Where the candidate **EVALUATES** and makes judgements about the significance of various issues and arguments.

QUALITY OF WRITTEN COMMUNICATION

Quality of Written Communication (QWC) will be assessed in Questions 04 and 08 only.

Candidates will be assessed according to their ability to:

- ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear
- select and use a form and style of writing appropriate to purpose and complex subject matter
- organise information clearly and coherently, using specialist vocabulary when appropriate.

No specific marks are awarded for QWC.

However, examiners should take into account QWC when determining the mark to be awarded for an answer. This means an answer could be taken either up (for exceptional QWC) or down (for very poor QWC) by 1 mark (and no more).

26   ECONOMIC GROWTH AND RECOVERY

Total for this question: 50 marks

01 Define the term 'productive capacity' (**Extract B**, line 14).	*(5 marks)*

For an acceptable definition: • The amount of goods and services that the economy is capable of producing • The amount produced when all the available factors of production are fully employed	**5 marks**
Full marks should be awarded to a candidate who demonstrates a clear understanding of the term **productive capacity** even if the definition is not exactly the same as the acceptable examples quoted above.	
Full marks can also be awarded for an **accurately labelled** production possibility diagram, LRAS curve or trend rate of growth diagram **provided** the candidate includes a commentary, relating to the diagram, that shows that she/he understands what is meant by productive capacity of the economy.	

If the definition is incomplete, marks may be broken down, for example, as follows:

The amount produced when the economy is operating on its PPB	**4 marks**
The amount produced when the output gap is zero	**4 marks**
The amount produced when the economy is operating on its LRAS curve	**4 marks**
When the economy is at full employment	**2 marks**
The maximum amount an individual firm can produce	**2 marks**
An accurately labelled PPB diagram **or** an LRAS curve **or** a trend rate of growth diagram	**2 marks**
The amount produced	**1 mark**
The output of the economy	**1 mark**
For identifying a factor that affects productive capacity	**1 mark**

Maximum of 4 marks if the definition is incomplete

MAXIMUM FOR PART 01: 5 MARKS

> **0 2** Using **Extract A**, identify **two** significant points of comparison between the percentage change in real GDP and the percentage change in productivity per worker over the period shown. *(8 marks)*

Award up to 4 marks each for each point made:

Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison. Unit of measurement given accurately.	**4 marks**
Identifies a significant point of comparison. Makes use of the data to support the point of comparison. However, only one piece of data is given when two are needed to make a valid comparison **and/or** no unit of measurement is given **and/or** the unit of measurement is used/applied inaccurately.	**3 marks**
Identifies a significant point of comparison. No use of correct data to support the comparison identified.	**2 marks**
Identifies a significant feature of the data but no comparison is made Makes use of the data to support the feature identified Unit of measurement given accurately	**1 mark**

If a candidate identifies more than two points of comparison, reward the best two.

The valid points include:

- The growth of real GDP and productivity are both higher at the start of the period (+1.75% and +0.25% respectively) than at the end of the period (-4.0% and -3.2% respectively)
- For most of the period (1994 – 2008), the growth of real GDP is greater than growth of productivity (e.g. the difference was approximately 1% in 2002 **or** the difference averaged about 1% during this period)
- Real GDP growth was negative twice during the period (in the early 1990s (-2.1%) and at the end of the period (-4.0%)) whereas productivity growth was only negative once (towards the end of the period (-3.2%))
- The lowest rate of growth in both real GDP and in productivity was at the end of the period (2009) (-4.0% and -3.2% respectively)
- The highest rate of growth in real GDP was in 1994 (almost 5%), the highest rate of growth in productivity was towards the end of 1993 (around 4%)
- They both fluctuated during the period but the range of fluctuation was greater for real GDP growth (9%) than productivity growth (7.5%).

Candidates who confuse levels of real GDP and productivity with rates of growth of real GDP and productivity should be awarded **2 marks** providing they identify a significant point of comparison **and** make accurate use of the statistics.

The figures quoted above are approximations and the candidate should be allowed a small margin of error without penalty. However, very inaccurate statistics should not be rewarded.

MAXIMUM FOR PART 02: 8 MARKS

| **0 3** | **Extract C** (lines 2-3) suggests that the 'large degree of spare capacity should keep inflation low'. |
| | Explain **two** reasons why the existence of spare capacity in an economy is likely to help keep inflation low. *(12 marks)* |

| For a candidate who provides a relevant definition, eg spare capacity or inflation. **Do not credit a definition of productive capacity.** | **1 mark per definition Up to a max of 2 marks** |

Award up to 8 marks for each of the following reasons identified and explained. Up to 2 marks should be awarded for identifying the reason and up to a further 6 marks for explaining why it might help to keep inflation low.	
Spare capacity implies that there is likely to be excess supply (or lack of demand) **(2 marks)**, where there is excess supply prices are likely to fall **(2 marks),** manufacturers and retailers will be operating in a very competitive environment **(2 marks)**, prices will be cut to increase sales **(2 marks)** if lots of firms are cutting prices, the rate at which the general price level is rising is likely to fall **(2 marks)**	**Up to 8 marks**
The existence of unemployment means that wage increases (labour costs) are less likely to increase	**Up to 8 marks**
Spare capacity in sectors supplying raw materials and components means that firms' material and component costs are less likely to increase	**Up to 8 marks**
Firms may be able to increase output without an increase in the cost per item, e.g. no need to pay overtime rates, fewer machine breakdowns	**Up to 8 marks**
Award **up to 4 additional marks** for the use of relevant diagrams, eg an AD/AS diagram that shows the effect on the price level when AD falls, creating spare capacity	**2 marks for labelling axes/curves, 2 marks for information shown**

If a candidate identifies more than two reasons, award the marks based upon the best two explanations.

A maximum of 10 marks can be awarded if the candidate only explains one reason why the existence of spare capacity is likely to keep inflation low.

MAXIMUM FOR PART 0 3: 12 MARKS

> **0 4**   **Extract B** (lines 7-8) states that 'the answer to increasing the long-run trend rate of economic growth is not simply one of increasing spending'.
>
> Using the data and your economic knowledge, assess the importance of **both** demand-side **and** supply-side policies in helping the UK economy to achieve a prolonged period of economic growth.   *(25 marks)*

The best candidates, certainly those achieving Level 5, will recognise that increasing AD can lead to an increase in real GDP, hence increasing growth, up to the point where the economy reaches full capacity. They will also show that they understand that a prolonged period of economic growth can only be achieved if there are supply-side improvements that increase the full capacity level of output. These supply-side improvements might be facilitated through the use of supply-side policies and supported by measures to manage aggregate demand.

For this question, an answer should be limited to a maximum of 13 marks if there is no evidence of evaluation.

A maximum of **21 marks** may be awarded if there is no explicit use of the data, eg through the use of quotes or referring explicitly to the extracts.

Level 5	Good analysis <u>and</u> good evaluation	**22-25 marks (mid-point 24)**
Level 4	**Good analysis <u>but</u> limited evaluation** **OR** **Reasonable analysis <u>and</u> reasonable evaluation**	**17-21 marks (mid-point 19)**
Level 3	**Reasonable answer, including some correct analysis but very limited evaluation**	**10-16 marks (mid-point 13)**
Level 2	**Weak with some understanding**	**4-9 marks (mid-point 7)**
Level 1	**Very weak**	**0-3 marks (mid-point 2)**

Introduction	- definitions of, for example, supply-side and demand-side policies - explanation of what is meant by a 'prolonged period of economic growth', perhaps distinguishing between actual and underlying growth - a diagram to illustrate economic growth, eg AD/AS or PPC - recognition that a period of prolonged growth requires improvements in the supply-side performance of the economy
Developing the response to the question	- the main determinants of underlying (long run) growth, eg investment, technological change, growth in the labour force, education and training - ways in which supply-side policies can be used to increase the underlying rate of growth, eg by increasing the quantity of the available factors of production and their productivity

	• examples of supply-side policies and their impact on growth, eg changes in the tax-benefit system and the effect on incentives, trade union reforms and labour market flexibility, cuts in corporation tax, increased spending on education and training, subsidising spending on capital goods and R&D • the role of aggregate demand and demand-side policies in determining the actual rate of growth • the role of demand-side policies in creating a stable environment in which firms are willing to invest in capital goods, new technologies, R&D and training. • the role of monetary policy in controlling inflation might be discussed in relation to achieving a stable economic environment in which investment is likely to flourish • UK experience over the past 20 years may be used to illustrate the importance of both demand-side and supply-side policies
Evaluation	• the pros and cons of supply-side policies as a means of increasing the underlying rate of economic growth • the relative merits of free market and interventionist supply-side policies • the pros and cons of individual supply-side measures • assessing the contribution that demand-side policies can make to achieving a period of prolonged growth • recognition that demand-side policies cannot achieve a period of prolonged growth without improvements in the supply side of the economy • recognition that inappropriate demand-side policies might reduce the underlying trend rate of growth • the use of evidence from the UK economy to support arguments presented • the use of data from Extracts B & C to support their arguments

USE THE DETAILED LEVELS MARK SCHEME ON PAGES 4 AND 5 FOR FURTHER CLARIFICATION

MAXIMUM FOR PART 0 4: 25 MARKS

27   FISCAL AND MONETARY POLICY IN THE UK

Total for this question: 50 marks

0 5	Define the term 'budget deficit' (**Extract E**, line 11).	*(5 marks)*

For an acceptable definition:	**5 marks**
• When government is spending more than it is receiving from taxes and other charges in a financial year • When government is spending more than it is receiving from taxation	
Full marks should be awarded to a candidate who demonstrates a clear understanding of the term **budget deficit** even if the definition is not exactly the same as the acceptable examples quoted above.	

If the definition is incomplete, marks may be broken down, for example, as follows:

When the government needs to borrow to finance its expenditure	**4 marks**
The difference between government spending and taxation **or** defines a budget deficit as government spending less than taxation, i.e. confuses a deficit with a surplus	**2 marks**
The amount the government owes, ie a candidate who incorrectly defines the budget deficit as the national debt	**2 marks**
A policy to increase AD	**1 mark**
An explanation of the term 'budget'	**1 mark**
Government borrowing from aboard	**1 mark**

If a candidate states 'UK borrowing from abroad' and does not state that it is government borrowing, no marks should be awarded.

Maximum of 4 marks if the definition is incomplete or inaccurate

MAXIMUM FOR PART 0 5: 5 MARKS

> **0 6** Using **Extract D**, identify **two** significant points of comparison between public sector revenue and public expenditure over the period shown. *(8 marks)*

Award up to 4 marks each for each point made:

Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison. Unit of measurement given accurately.	**4 marks**
Identifies a significant point of comparison. Makes use of the data to support the point of comparison. However, only one piece of data is given when two are needed to make a valid comparison **and/or** no unit of measurement is given **and/or** the unit of measurement is used/applied inaccurately.	**3 marks**
Identifies a significant point of comparison. No use of correct data to support the comparison identified.	**2 marks**
Identifies a significant feature of the data but no comparison is made Makes use of the data to support the feature identified Unit of measurement given accurately	**1 mark**

If a candidate identifies more than two points of comparison, reward the best two.

The valid points include:

- Throughout the whole of the period, public expenditure as a percentage of GDP is higher than public sector revenues (eg the smallest difference is around 3% of GDP)
- The gap between the two is smaller at the start of the period (approximately 3%) than is forecast for the end of the period (approximately 9%)
- Public expenditure as a percentage of GDP is lower at the start of the period than it is forecast to be at the end of the period (approximately 39% and 46% respectively) but public sector revenues are forecast to be fairly similar (or perhaps a little higher) at the end of the period (around 37% of GDP)
- Throughout the period 2003-04 and 2007-08, the difference between the two is fairly similar (approximately 3% of GDP).

OR

- Throughout the period 2003-04 and 2007-08, both variables increase slowly (public expenditure from around 39% to 41% of GDP and public sector receipts from about 36% to 38% of GDP)
- The gap is expected to increase significantly between 2007-08 and 2010-11 (from approximately 3% of GDP to approximately 12% of GDP)
- Public expenditure as a percentage of GDP is more volatile than public sector receipts (with ranges of approximately 9% and 3% of GDP respectively)
- In the forecast period (2008-09 to 2011-12) the gap between public expenditure and taxation as a percentage of GDP is consistently higher than in the earlier period (2003-04 to 2007-08). The lowest figure in the forecast period is over 5% of GDP whereas the highest figure in the earlier period is approximately 3% of GDP.
- Public sector revenues never exceed 40% of GDP whereas, with the exception of 2003/4, public expenditure is always above 40% of GDP.

If a candidate does not make it clear, somewhere in their answer, that the figures are for spending or for taxation as a **% of GDP** then a maximum of **3 marks** can be awarded for each point of comparison.

The figures quoted above are approximations and the candidate should be allowed a small margin of error without penalty. However, very inaccurate statistics should not be rewarded.

MAXIMUM FOR PART 06: 8 MARKS

0 7	Extract E (lines 4-5) states that fiscal measures 'affect the…pattern of economic activity'.
	Explain **two** ways in which fiscal measures can influence the pattern of economic activity. *(12 marks)*

For a candidate who provides a relevant definition, eg fiscal measure, pattern of economic activity. **Do not credit a definition of budget deficit**.	**1 mark per definition Up to a max of 2 marks**

Award up to 8 marks for each of the following points identified and explained. Up to 2 marks should be awarded for identifying the point and up to a further 6 marks for explaining why or how it might affect the pattern of economic activity.

An increase in a tax on a particular product, e.g. alcohol **(2 marks)**, will reduce the demand for that product **(2 marks)**, hence firms will produce less of the product **(2 marks)**, their profits are likely to fall **(2 marks)**, people will be laid-off and some firms may close **(2 marks)**, consequently fewer factors of production will be used to produce the product **(2 marks)**, over time, these resources are likely to be reallocated to produce other goods and services **(2 marks)**.	**Up to 8 marks**
The impact of a rise in any other tax on the pattern of activity, eg income tax through its impact on different sectors of the community and their different spending patterns, stamp duty on the housing market	**Up to 8 marks**
The possible impact of higher taxes on 'illegal activities' resulting from taxation evasion and/or the growth in services to facilitate tax avoidance	**Up to 8 marks**
The impact of an increase in public expenditure on a particular area (eg health, education, defence) or project (eg building a new railway line or power station)	**Up to 8 marks**
An increase in government grants or subsidies, eg to finance R&D, to encourage an overseas car manufacturer to locate in the UK	**Up to 8 marks**
An increase in spending on welfare, ie through its impact on the pattern of spending and hence production	**Up to 8 marks**
Award **up to 4 marks** for the use of relevant diagrams, eg a production possibility diagram that shows, provided the economy is at full capacity, if more public sector goods are produced fewer private sector goods will be supplied.	**2 marks for labelling axes/curves, 2 marks for information shown**

Award up to a maximum of 8 marks in total to a candidate who explains ONLY how fiscal measures affect the LEVEL of economic activity (1 mark for identifying a point and 1 mark for each logical link in the chain of reasoning to a maximum of 8 marks. These 8 marks might also include up to 2 marks for a suitable AD/AS diagram and up to 2 marks for definitions).

If a candidate identifies more than two ways award the marks based upon the best two explanations.

A maximum of 10 marks can be awarded if the candidate only explains one way in which fiscal measures can affect the pattern of economic activity. However, a candidate who explains one way in which fiscal policy can affect the pattern of economic activity and one way in which it affects the level of economic activity can earn the full 12 marks but the part of the answer which deals with the LEVEL can only be awarded a maximum of 8 marks.

MAXIMUM FOR PART 07: 12 MARKS

0 8 **Extract E** (lines 1-2) states: 'The overriding objective of economic policy is to maintain a stable economy. This requires low inflation, low unemployment and a steady rate of economic growth'.

Using the data and your knowledge of recent economic events, assess the contribution that fiscal and monetary policies can make in maintaining a stable economy.

(25 marks)

Good answers, certainly those achieving Level 5, will address the use of both fiscal and monetary policy in achieving a stable economy and not just their use in helping an economy to recover from recession.

For this question, an answer should be limited to a maximum of 13 marks if there is no evidence of evaluation.

A maximum of **21 marks** may be awarded if there is no explicit use of the data, eg through the use of quotes or referring explicitly to the extracts.

Level 5	Good analysis <u>and</u> good evaluation	22-25 marks (mid-point 24)
Level 4	Good analysis <u>but</u> limited evaluation OR Reasonable analysis <u>and</u> reasonable evaluation	17-21 marks (mid-point 19)
Level 3	Reasonable answer, including some correct analysis but very limited evaluation	10-16 marks (mid-point 13)
Level 2	Weak with some understanding	4-9 marks (mid-point 7)
Level 1	Very weak	0-3 marks (mid-point 2)

Introduction	• definitions of, for example, fiscal policy, monetary policy, inflation, unemployment, economic growth and a stable economy • explaining that fiscal and monetary policies affect the economy by influencing aggregate demand • explaining that fiscal measures can also affect aggregate supply
Developing the response to the question	• causes of inflation • causes of unemployment • determinants of actual and underlying growth • demand-side and supply-side shocks as causes of instability • the role of monetary policy in controlling inflation in the UK • the role of monetary policy in helping to achieve low unemployment, steady growth and economic stability • the use of fiscal policy to influence aggregate demand • the role of budget deficits and surpluses • how fiscal policy might be used to influence inflation, unemployment and to help stabilise the economy • the use of fiscal policy in a severe recession • supply-side effects of fiscal policy and their role in helping to maintain a stable economy

	• knowledge of recent events in the UK might be used to illustrate the above.
Evaluation	• the apparent success of UK monetary policy in controlling inflation between 1993 and 2008 • other factors that may have contributed to low inflation • the apparent success of economic policies in achieving a stable economy between 1993 and 2008 • the significance of the downturn in the UK economy that began in 2008 • the advantages of using fiscal measures in a recession • budget deficits and the growth of the national debt (although the national debt is not part of the AS specification, many candidates will be aware that a budget deficit will increase government debt and should be rewarded if they discuss this issue) • the inflexibility of fiscal policy • the benefits of using monetary policy to control inflation and stabilise the economy when the shocks to the economy are not too severe • monetary policy might prove ineffective in stimulating the economy when there is a severe recession • the flexibility of monetary policy • evidence relating to the success (or otherwise) of fiscal and monetary policies in helping the economy to recover from the recent recession • an assessment of the contribution that fiscal policy can make to achieving low inflation, low unemployment and a steady rate of economic growth through its impact on the supply-side performance of the economy • an overall assessment of the contribution that fiscal and monetary policy can make in maintaining a stable economy • the use of data from Extracts E and F to support their arguments.

USE THE DETAILED LEVELS MARK SCHEME ON PAGES 4 AND 5 FOR FURTHER CLARIFICATION

MAXIMUM FOR PART 08: 25 MARKS