Mark Scheme (Results)

Summer 2026

Pearson Edexcel International Advanced Level in Economics
WEC12/01
Unit 2: Macroeconomic Performance and Policy

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General Marking Guidance

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

Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS1:** Calculate, use and understand ratios and fractions **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct because the incorrect formula was used (0.3 x €118 billion) **B** is not correct because the incorrect formula was used (0.7 x €118 billion) **C** is not correct because the incorrect formula was used ((1/0.7) x €118 billion)	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** **A** is not correct because the current account was in surplus in 2019 **B** is not correct because the current account deficit was not at its lowest in 2020 **D** is not correct because money outflows exceeded money inflows in 2023	**(1)**
3	**QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** **B** is not correct because a decrease in the level of unemployment is likely to cause inflation **C** is not correct because a decrease in imports is likely to cause inflation **D** is not correct because a decrease in income tax rates is likely to cause inflation	**(1)**
4	**QS4:** Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** **B** is not correct because an increase in wage rates is likely to shift SRAS to the left **C** is not correct because a decrease in the exchange rate and an increase in wage rates are likely to shift SRAS to the left **D** is not correct because a decrease in the exchange rate is likely to shift SRAS to the left	**(1)**
5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct as these workers are not unemployed due to seasonal factors **C** is not correct as these workers are not unemployed due to structural factors **D** is not correct as these workers are not between jobs	**(1)**

6	**QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** **A** is not correct because the incorrect formula was used ($20 000 000/122 000) **B** is not correct because the incorrect formula was used ($200 000 000/120 000) **D** is not correct because the incorrect formula was used ($2 000 000 000/120 000)	**(1)**

Section B

Question	Between 2022 and 2024 the Government of Sri Lanka increased its highest rate of income tax from 22% to 36%. Explain **one** likely effect of this increase in the rate of income tax on the circular flow of income in Sri Lanka.	**Mark**
7	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for the following: • The flow of money in the circular flow of income will decrease **(1)** **Analysis** Up to 2 marks for explanation of the effect on the circular flow of income, e.g.: • Tax is a withdrawal/leakage from the circular flow of income **(1)** • This will cause the value of the multiplier to decrease/GDP to decrease/national income -to decrease/economic growth to decrease **(1)** **Application** 1 mark for appropriate use of data: • The highest rate of income tax in Sri Lanka increased from 22% to 36%/ increased by 14 percentage points **(1)**	**(4)**

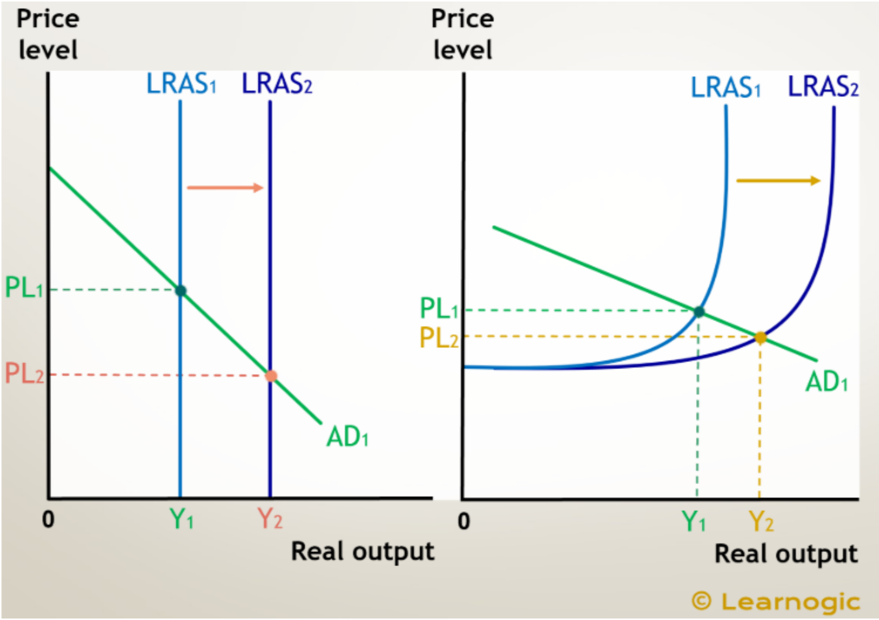
Question	With reference to the chart, explain how unemployment is measured using the International Labour Organization (ILO) definition.	**Mark**
8	**Knowledge 2, Application 2** **Quantitative skills assessed:**	**(4)**

	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Up to 2 marks for an explanation of the International Labour Organization measurement of unemployment e.g.: • Measures (using a survey) the number of jobless people/not in employment/cannot find a job/does not have a job **(1)** • Who are willing/able/actively seeking employment/looking for a job (within the last 4 weeks)/available to start work (within the next 2 weeks) **(1)** **Application** Up to 2 marks for the reference to a valid data reference from the chart e.g.: • The unemployment rate was 6.9% in quarter 1 2023 **(1)** • The unemployment rate increased to/was 7.9% in quarter 1 2025 **(1)** • The unemployment rate increased by 1 percentage point from quarter 1 2023 to quarter 1 2025 **(2)**	

Question	With reference to the table, explain **one** likely cost of economic growth.	Mark
9	**Knowledge 1, Analysis 2, Application 1** **Quantitative skills assessed:** **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge and Analysis** 1 mark for identifying a cost of economic growth and up to 2 marks for linked development, e.g.: • Environmental costs **(K)** as economic growth may use non-renewable resources **(AN)** resulting in increased carbon emissions **(AN)** • Increased pollution **(K)** leads to an increase in health problems for the population **(AN)** which will increase government spending **(AN)** • Balance of trade deficit **(K)** as economic growth increases incomes **(AN)** which may increase demand for imported goods **(AN)** • Inflation **(K)** resulting in a reduction in purchasing power/fall in real incomes for consumers **(AN)** causing a fall in living standards **(AN)** • Increased inequality **(K)** as economic growth may benefit those with higher skills/wages in low-skilled sectors may rise more slowly than in high-skilled sectors **(AN)** which may result in a larger difference between the rich and poor **(AN)** **Application** 1 mark for reference to the table, e.g.: • The real GDP growth rate in India in 2022 was 6.1%/ • In 2023 was 6.5%/ • In 2024 it was 6.8%/ • It increased from 6.1% to 6.8%/ • It increased by 0.7 percentage points **(1)**	**(4)**

Question	Calculate the aggregate demand (AD) for the USA in 2024. You are advised to show your working.	Mark
10	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** 1 mark for correct formula/implicit understanding of aggregate demand, e.g.: • AD = C+I+G+(X-M) **(1)** • Total planned expenditure/monetary value of all goods and services produced within an economy at each price level in a specific time period **Application** Up to 3 marks for use of data in calculation, e.g.: • 21.9+4.08+4.8+(3.19-4.11) = \$30.78 tn **(1)** - \$0.92 tn **(1)** = \$29.86 trillion **(1)** **NB: If correct answer (\$29.86 trillion/29.86 trillion) award full marks regardless of working** **NB award 3 marks if trillion is not included in the answer**	**(4)**

Question	Between 2022 and 2025 The Government of Ethiopia implemented free market supply-side policies including the privatisation of the telecom, banking, energy and transport sectors. Draw an AD and LRAS diagram to show the likely effect of free market supply-side policies.	Mark
11	**Knowledge 1, Application 3** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical and tabular forms **Knowledge** Diagram with correctly labelled axes and AD/LRAS curves showing the original equilibrium price level and real output **(1)**	**(4)**



Application
Up to 3 marks for the following information included on the diagram:

- Drawing LRAS shifted to the right **(1)**
- Showing correct lower price level **(1)** (not rewarded if 'price' is used on the y axis)
- Showing correct increase in real output **(1)** (not rewarded if 'quantity' is used on the x axis)

NB accept both Keynesian and Classical LRAS
NB price level and real output may remain unchanged if Keynesian LRAS is used

Section C

<table>
<tr><th>Question</th><th>Define the term ‘consumption’. Extract A, line 2.</th><th>Mark</th></tr>
<tr><td>12 (a)</td><td>Knowledge 2

Quantitative Skill Assessed
QS9: Interpret, apply and analyse information in written, graphical and tabular forms

Knowledge
Up to 2 marks for correct definition of consumption, e.g.:
• Consumption is the total spending/expenditure on goods and services (1)
AND
• By households/
• At a given price level/
• In a given time period/
• It is a component of AD/
• It is the part of income that is not saved/Y-S (1)</td><td>(2)</td></tr>
</table>

<table>
<tr><th>Question</th><th>With reference to Figure 1, explain the difference between gross investment and net investment.</th><th>Mark</th></tr>
<tr><td>12 (b)</td><td>Knowledge 2, Application 2

Quantitative Skill Assessed
QS2: Calculate, use and understand percentages, percentage changes and percentage point changes
QS9: Interpret, apply and analyse information in written, graphical and tabular forms

Knowledge
1 mark for defining gross investment, e.g.:
• Gross investment = net investment + depreciation/
• Gross investment is the total spending on all new capital equipment, including depreciation (replacement of worn-out capital) (1)
AND
1 mark for defining net investment, e.g.:
• Net investment = gross investment – depreciation of capital/
• The increase in the capital stock (1)

Application
Up to 2 marks for application to Figure 1, e.g.:
• Gross investment increased from $347.45bn to $371.22bn/increased by $23.77bn/increased by 6.84% (1)
• Net investment increased from $331.81bn to $356.74bn/increased by $24.93bn/increased by 7.51% (1)
• The difference between gross and net investment in 2022 was $15.64bn/4.5% (1)</td><td>(4)</td></tr>
</table>

	• The difference between gross and net investment in 2024 was \$14.48bn/3.9% **(1)**	

Question	With reference to Extract A, analyse **two** causes of economic growth in Brazil.	**Mark**
12 (c)	**Knowledge 2, Analysis 2, Application 2** **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and Analysis** 1 knowledge mark for identifying each cause and 1 analysis mark for linked development of each cause, e.g.: • Increase in consumption **(K)** caused by e.g., causing businesses to employ more workers/a fall in unemployment **(AN)** • Increase in investment **(K)** which increases the capital stock of the economy enabling more goods and services to be produced/increase in LRAS **(AN)** • Increase in exports/reduction in imports **(K)** which improves the current account **(AN)** • Improved access to credit **(K)** which would increase borrowing and increase consumption/investment **(AN)** • Increase in government spending **(K)** which will lead to an increase in AD **(AN)** • One analysis mark may be awarded for a correctly labelled AD/AS diagram showing a rightward shift in AD/LRAS, with an increase in real GDP clearly shown **(AN)** **Application** Up to 2 marks for reference to Extract A, e.g.: • Brazil's economy relies heavily on consumption/which accounts for over 60% of aggregate demand **(1)** • Real GDP growth increased from 3.2% in 2023 to 3.4% in 2024 **(1)** • Increases in the minimum wage/increases in unemployment benefits/support for lower-income groups **(1)**	**(6)**

	• Higher investment into infrastructure, agriculture and energy **(1)** • Exports of agricultural products such as soybeans and beef increased **(1)**	

Question	With reference to Figure 2, Extract B and your own knowledge, examine **two** likely economic effects of a high annual rate of inflation in Brazil.	Mark
12 (d)	**Knowledge 2, Analysis 2, Application 2, Evaluation 2** **Quantitative Skill Assessed** **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge and analysis** 1 knowledge mark for identifying each effect and 1 analysis mark for linked development of each effect, e.g.: • A decrease in investment **(K)** as firms are uncertain about ~~of~~ future prices **(AN)** • Decreases the spending power of those on a fixed incomes **(K)** reducing their standard of living **(AN)** • Workers demand higher wages to maintain real incomes **(K)** which increases costs for businesses, further increasing inflation **(AN)** • A fall in competitiveness of Brazilian goods **(K)** leading to a fall in exports and deterioration in the balance of trade/current account **(AN)** • An increase in unemployment **(K)** due to the fall in competitiveness/rising wage costs **(AN)** • A reduction in real value of savings **(K)** reducing consumers' future purchasing power **(AN)** **Application** 1 mark for reference to Figure 2, e.g.: • One relevant data reference, e.g.: in June 2025, the annual rate of inflation was 5.5%; in January 2023, the annual rate of inflation was 5.8% **(1)** **AND** 1 mark for reference to Extract B, e.g.: • In January 2023 the annual rate of inflation in Brazil was above the central bank's target /in the final quarter of 2024, the rate of inflation started to increase again/the rate of inflation was expected to remain high **(1)** **Evaluation** Up to 2 marks for evaluative comments (2+0 or 1+1), e.g.: • It depends if incomes increase **(1)** if incomes increase at the same rate as inflation then standards of living will remain constant **(1)** • If business confidence is high firms will invest **(1)** therefore AD may not fall **(1)**	

	• The impact of inflation depends on whether it is cost-push or demand-pull inflation **(1)** • The annual rate of inflation may not be considered significant **(1)** as it remained below 6% between 2023 and 2025 **(1)** • Borrowers may gain from high inflation **(1)** as the real value of their debt falls **(1)**	**(8)**

Question	With reference to the information provided, discuss deflationary demand-side policies that have been implemented to achieve the Government's macroeconomic objectives.
12(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (8 marks) – indicative content** • Understanding of deflationary demand side policies: the use of fiscal and monetary policy to decrease AD and reduce inflation • Fiscal policy: a decrease in government spending and/or an increase taxation • Monetary policy: an increase in the rate of interest and/or a decrease in the money supply • Deflationary monetary policy: the base rate of interest increased to 15%. This increases the cost of borrowing and reward for saving, reducing AD, helping to achieve the macroeconomic objective of low and stable inflation • Deflationary fiscal policy: a reduction in government expenditure may reduce demand-pull inflation/analysis of the downward multiplier effect helping to achieve the macroeconomic objective of having a current account balance at a sustainable level • Deflationary fiscal policy such as reducing government expenditure may help the government to achieve a balanced government budget • Diagrammatic analysis to illustrate the decrease in AD on the price level and real output

Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.

		Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 3	7–8	Demonstrates an accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content • Time lag: significant time lags are associated with demand-side policies. For example, changes in the base rate of interest may take 12-18 months to have an impact on consumption • Impact of policies depends on the magnitude of the changes in government expenditure and taxes • Impact of policies depends on the value of the multiplier • Trade-off between objectives such as economic growth and inflation/unemployment and inflation • External factors: supply-side shocks (such as increasing energy prices) may reduce the effectiveness of demand-side policy • Economic uncertainty caused by slower growth in major economies, higher global interest rates and continued supply chain disruptions may limit the impact of policy • Expectations: if expectations of future inflation remain high, demand-side policy may be less effective • Confidence: the impact of deflationary policies depends on confidence levels of consumers and businesses • The magnitude of the increase in interest rates is significant (from 10.5% to 15%) so the impact on the economy may be considerable	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

Question	The global economic growth rate decreased from 6.3% in 2021 to 2.9% in 2024. A high rate of inflation, rising interest rates and delays in the movement of goods across international borders decreased business and consumer confidence. Evaluate whether the state of the global economy is the main factor influencing a country's balance of trade.
13	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative Skill Assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge, Application and Analysis (12 marks) – indicative content** • Understanding of balance of trade: the difference between the value of country's exports and imports of goods The state of the global economy is a significant factor: • Global economic slowdown (2.9% growth in 2024 v 6.3% in 2021) reduces demand for exports, worsening the balance of trade for countries dependent on exports • Global economic slowdown reduces disposable income and therefore may reduce the demand for imports, improving the balance of trade • High global inflation increases imported inflation, making exports less competitive, worsening the balance of trade • High global inflation means that increased import prices may reduce demand for imported goods, improving the balance of trade • Rising interest rates will reduce consumer and business spending, leading to a decrease in imports, improving the balance of trade • Delays in movement of goods across international borders reduces export volumes, worsening trade balance/reduces import volumes, improving the balance of trade • Fall in business and consumer confidence may reduce both exports and imports **NB: Candidates may argue that the state of the global economy is not the main factor for KAA and that other factors are more significant. For EV candidates may use some of the points above** **NB: Candidates must refer to the global economy for a L4 response**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content Other factors influencing the balance of trade may be more significant: • Exchange rates: the value of the currency influences the relative price of imports and exports. For example, an appreciation of the exchange rate makes exports more expensive and imports cheaper, which can worsen the balance of trade • Real incomes: an increase in domestic real incomes is likely to increase the consumption of imported goods, worsening the balance of trade • Degree of protectionism: tariffs, quotas and domestic subsidies are likely to reduce imports, improving the balance of trade • Non-price factors: for example the improvement in the quality of imported goods is likely to worsen the balance of trade Other evaluative comments: • The impact depends on whether net trade is a significant component of AD • The global economy has still grown, just at a slower rate • Magnitude: growth of 2.9% may be seen as significantly lower than 6% (but not a recession) • In the long-run, the state of the global economy may recover, reducing any short-term trade impact

	• Larger, more diversified economies may be less affected by global shocks than smaller economies • The impact depends on how reliant a country is on imports or exports	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question

The table shows the nominal GDP and rate of economic growth for selected countries in 2024.

Country	Nominal GDP	Rate of economic growth
Senegal	$19 billion	5.3%
Poland	$600 billion	2.5%
Japan	$18 trillion	0.9%

Evaluate the limitations of using nominal GDP to compare living standards between countries.

14

Indicative content guidance
Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.

Quantitative Skill Assessed
QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms

Knowledge, Application and Analysis (12 marks) – indicative content

- Understanding of the terms nominal GDP and living standards
- Rate of economic growth is lower for developed countries than of the developing countries

Limitations of GDP may include:

- Nominal GDP data ignores the impact of inflation which can significantly reduce the real GDP figure impacting living standards
- Population growth in developing countries like Senegal may result in GDP growth but does not necessarily result in higher GDP per capita, which is more accurate for comparing living standards
- Nominal GDP data ignores quality of life issues, such as pollution, congestion, quality of housing. The impact is very difficult to measure, especially in developing countries: e.g. national happiness and wellbeing
- Nominal GDP data does not indicate the composition of goods and services produced, e.g. some countries may spend a higher proportion of GDP on defence that has little impact on living standards
- Presence of an informal economy will imply that some output is unrecorded as it is not bought or sold and there is no resulting income. The size of the informal economy of developing countries tends to be larger than that of developed countries
- Differences in distribution of income as growth varies between countries: GDP may rise but only benefit the richest
- Currency values do not effectively calculate accurate purchasing power parity
- Spending on investment goods may raise future living standards at the expense of the current generation's quality of life
- Methods of calculation and reliability of data may be questioned
- Standard of living can be considered to be subjective and therefore it cannot be measured effectively and accurately
- Conflicting objectives: countries may achieve a high nominal GDP but this may cause environmental damage or demand-pull inflation

	NB: Award a maximum of Level 3 for answers with no reference to countries in their answer

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Benefits of using GDP for comparison: e.g., it is a standard measure used by all countries and is well understood by policymakers • GDP is an accurate indicator of the size of an economy and the GDP growth rate is probably the best indicator of economic growth • GDP is internationally recognised as it is the most reliable method of comparing living standards between countries • Simpler to measure GDP than any other composite indicators • GDP is dynamic and enables policymakers/central banks to determine whether their economy is contracting or expanding and promptly take necessary action to ensure living standards are maintained • GDP allows policymakers, economists and businesses to analyse the impact of changes in monetary and fiscal policy in response to economic shocks

	• SR v LR considerations: trends over time will give a better indication of living standards • GDP data measures the value of goods and services consumed, which is linked to well-being

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.