A-Level Economics: **w25 11**

Question 27 (Answer: **B**)

- Terms of trade = (export price index ÷ import price index) ×100.
- Import prices were constant at 110, so 90 → 80 must come from export prices falling.
- Export price index = 90 × 110/100 = 99, then 80 × 110/100 = 88 – so export prices fell.

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Question 22 (Answer: **B**)

- Disinflation is a *fall in the rate* of inflation while prices are still rising.
- So the rate must be falling but still above zero.
- A rate below zero would be deflation, and a rising rate would be accelerating inflation.

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

Level	Description
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).
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.
0	• No creditable response.

A-Level Economics: **w25 23**

Question	Answer
1(d)	**Assess whether the Malaysian government should provide free childcare to working parents.** **Up to 3 marks for explanation/analysis of why the Malaysian government should provide free childcare to working parents.** • Supports low-income families by reducing childcare costs, helping to reduce poverty and income inequality. • Raises overall consumption and tax revenue, supporting higher economic growth. • Reduces financial pressure on parents by removing childcare costs, allowing them to save or consume on other goods and services. • Makes it easier for both parents to work, improving household income and living standards. **Up to 3 marks for explanation/analysis of why the Malaysian government should not provide free childcare to working parents.** • Providing free childcare has a high opportunity cost, as government spending could be better used on healthcare, pensions, or infrastructure. • It distorts the price mechanism by making childcare artificially cheap, leading to overconsumption and inefficient use of resources. • It may reduce incentives for private childcare providers, lowering quality, efficiency, and competition in the market. • Funding it through higher taxes could discourage work and investment, reducing overall economic productivity. **Up to 3 marks maximum for each perspective, with an overall maximum of 4 marks.** **Guidance**: The assessment must clearly demonstrate economic impacts. If only the reason why or why not free childcare should be provided, then a maximum of 3 marks. **Up to 2 marks for evaluation** • That clearly considers **both** viewpoints. For example, although free childcare helps families and can increase economic growth, but the government must consider the opportunity cost and how it might distort the price mechanism. • Comes to a reasoned conclusion as to whether the government should provide free childcare to working parents **(reserve 1 mark.)** **No mark for eval can be awarded if just one perspective is considered**.

Question	Answer
1(e)	**Excluding net exports, assess the likely impact of the change in Malaysia's total population on aggregate demand.** **Up to 3 marks for explanation/analysis of the change in Malaysia's total population would increase the level of aggregate demand.** • A larger population means more consumers, so overall spending on goods and services (consumption) increases, causing AD to rise. • Population growth creates higher demand for housing and infrastructure, encouraging firms to invest more, which raises investment in AD. • The government may need to spend more on healthcare, education, and other public services, increasing government expenditure, a component of AD. • More people can lead to a bigger workforce, increasing total income in the economy and allowing households to spend more, boosting consumption. **Up to 3 marks for explanation/analysis of the change in Malaysia's total population would reduce the level of aggregate demand.** • If population growth causes unemployment to rise, many people may have lower or no income, reducing overall consumption and limiting AD growth. • If people decide to save more due to uncertainty about the future, the increase in consumption will be smaller, so AD won't rise much. • Increased demand from a larger population might cause prices to rise (inflation), reducing the real value of incomes and spending power. • Government budgets may be strained by population growth, limiting its ability to increase spending, so the impact on AD could be limited. **Up to 3 marks maximum for each perspective, with an overall maximum of 4 marks.** **Up to 2 marks for evaluation** • That clearly considers **both** viewpoints. For example, although population growth can increase aggregate demand, but higher costs, inflation, and unemployment may limit how much demand actually rises. • Comes to a reasoned conclusion as to whether the likely impact of the change in Malaysia's total population on aggregate demand **(reserve 1 mark)** **No mark for evaluation can be awarded if just one perspective is considered**.

A-Level Economics: **w25 23**

Question	Answer
2(b)	**Assess the ways in which producers of root ginger might be able to stabilise their incomes.** 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 analysis of the at least 2 ways in which producers or root ginger might be able to stabilise their income. For example, using their land for other purposes, diversifying or benefitting from government interventions. These interventions may include: **Subsidies** • Provision of financial support to help producers cover costs and maintain stable incomes. • Encourage production by making ginger farming more profitable. • Can be expensive for the government to maintain long-term. • May encourage overproduction, leading to wasted resources or falling market prices. **Minimum Price** • Guarantees a minimum income for producers, stabilizing their earnings. • Encourages consistent production levels. • May lead to surpluses if minimum price is above equilibrium. • Government may need to buy excess ginger, increasing costs. **Buffer Stock Systems** • Helps smooth out price fluctuations by buying surplus and releasing stock during shortages. • Provides income stability for producers during periods of low demand. • Requires significant storage and management costs. • Risk of losses if stored ginger spoils or market conditions change. **Guidance**: The assessment of both perspectives **must be in the context of stabilising the income of root ginger producers and not a general explanation of a range of policies**. A response that fails to do this is unlikely to achieve above a mid-Level 2 mark. **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.

Question	Answer
OR	
3(a)	**The Gini coefficient for South Korea was estimated to be 0.39 in 2019 and 0.33 in 2022.** **Explain what the data means, how it might be used by the government of South Korea and consider its usefulness.** 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)** Meaning of what the Gini coefficient is (1). It ranges from 0 to 1, where 0 represents complete equality and 1 represents complete inequality (1). A fall in the Gini coefficient from 0.39 to 0.33 indicates that income became more evenly distributed among the population of South Korea between 2019 and 2022. (1) **AO2 Analysis (max 3 marks)** • The government could use this information to evaluate the success of policies aimed at reducing income inequality, such as progressive taxation or transfer payments. (1) • The data might also guide future policy decisions, for example deciding whether to increase social welfare spending or adjust tax rates to maintain or further reduce inequality. (1) • However, its usefulness will be dependent in both the accuracy of and confidence in the data. (1)
	AO3 Evaluation (max 2 marks) • The Gini coefficient is useful for showing changes in overall inequality, but it does not indicate which income groups have gained or lost. (1) • It also ignores other dimensions of inequality, such as wealth inequality or access to education and healthcare, which can limit its usefulness for policy-making. (1) • Despite these limitations, it remains a valuable indicator for comparing inequality over time and across countries. (1)
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

Question	Answer
3(b)	**Assess why it is easier for a government such as that of South Korea to redistribute income rather than redistribute wealth.** 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** **Redistributing Income** • Governments can change the level of direct taxation and transfer payments such as benefits or subsidies, allowing income redistribution through existing fiscal systems. • Income is received regularly and recorded through wages or salaries, making it easier for governments to measure and adjust policies quickly. **However** • High-income earners may respond to redistributive tax policies by avoiding or evading taxes, reducing the effectiveness of redistribution. • Increasing taxes on higher earners or firms may discourage work and investment, leading to lower economic growth and government revenue. **Redistributing wealth** • Wealth can be redistributed through inheritance or property taxes, which directly target accumulated assets rather than annual income. • Governments can promote asset ownership among lower-income groups through housing schemes, education access, or small business grants. **However** • Wealth is often difficult to measure accurately, especially in the form of private businesses, offshore accounts, or property, making taxation complex. • Wealthy individuals often have political influence and legal means to resist or reduce the impact of wealth taxes, limiting the government's ability to redistribute effectively.

Question	Answer
3(b)	**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 clearly analyses at both sides of each perspective question and comes to a valid conclusion. **A one-sided response that does not contain both perspectives of each option cannot gain any marks for evaluation.** Accept all valid responses.
	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

4(a)	**For your economy or for one that is known to you, explain three causes of inflation and consider which of these causes is likely to be most important in 2025.** 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)** • Inflation is a sustained rise in the general price level (1). • Understanding of three causes of inflation. The cause must be identified by name together with a brief explanation–e.g. demand-pull inflation when aggregate demand increases faster than aggregate supply, e.g., due to higher consumer spending, government expenditure etc. (1). Cost-push inflation when rising costs of production result in firms raising prices (1). **Up to 2 marks maximum for each cause, with an overall maximum of 3 knowledge marks.** **AO2 Analysis (max 3 marks)** • An explanation of the identified cause of inflation for a named economy. For example, a reduction in income tax increases disposable income, leading to higher consumption, which raises aggregate demand and can cause an increase in the price level/demand pull inflation (1 + 1). However, if high levels of job insecurity exists then the increase in consumption/AD/demand-pull inflation may be less important (1). **AO3 Evaluation (max 2 marks)** • Evaluation should consider the extent to which a single cause can be identified as being the most important. • 1 mark reserved for a justified conclusion.
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

4(b)	**Assess whether supply-side policy or demand-side policy is the better way of reducing this inflation.** 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** **Possible reasons why supply-side policies are the best way to reduce demand-pull inflation:** • They increase productive capacity (aggregate supply), helping meet higher demand without causing price rises. • Improved efficiency and productivity lower production costs, reducing inflationary pressure in the long term. **However** • They take a long time to have an effect, so they may not reduce inflation quickly. • Some policies, like education or infrastructure investment, are expensive and may not guarantee results. **Possible reasons why demand-side policies are the best way to reduce demand-pull inflation:** • Higher interest rates reduce consumer and business borrowing, lowering consumption and investment, which reduces aggregate demand and inflationary pressure. • Increasing taxes reduces disposable income, leading to lower consumer spending and weaker aggregate demand. **However** • They can also reduce output and employment, leading to slower economic growth and higher unemployment. • Time lags may occur before interest rate or tax changes have a noticeable effect on spending and inflation **Potential reasons why supply-side policies are the best way to reduce cost-push inflation:** • Increasing investment in training and technology can raise productivity, allowing firms to produce more with the same resources, helping reduce cost pressures. • Improving transport and infrastructure reduces distribution costs for firms, helping lower overall production costs and ease inflationary pressure.

4(b)	**However** • They take a long time to show results, so they are not effective in reducing inflation in the short term. • External factors like rising oil prices or imported inflation cannot be controlled by domestic supply-side policies **Guidance**: The assessment of both perspectives **must be in the context of the reducing inflation and not a general explanation of both policies**. A response that fails to do this is unlikely to achieve above a mid-Level 2 mark. **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** Requires an assessment of how both supply-side policy and demand-side policy may reduce 'this inflation' which leads to a justified conclusion as to which policy is the better way for the identified country. Accept all valid responses. **A one-sided response cannot gain any marks for evaluation.** Accept all valid responses.
	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

Question 16 (Answer: **D**)

- An unchanged CPI means the *average* of prices has not moved.
- Individual prices within the basket can still have risen and fallen, offsetting each other.
- So price stability does not require every price to be constant.

Question 18 (Answer: **D**)

- The graph shows the *rate* of inflation, not the price level itself.
- A positive rate means prices are still rising, even if the rate is falling.
- So the price level rose throughout, and only fell in a year where the rate went below zero.