Inflation, unemployment and policy judgement

Pearson Edexcel · International A-Level · Economics

Supported transfer: Inflation, unemployment and policy judgement

Scope and prerequisite teaching

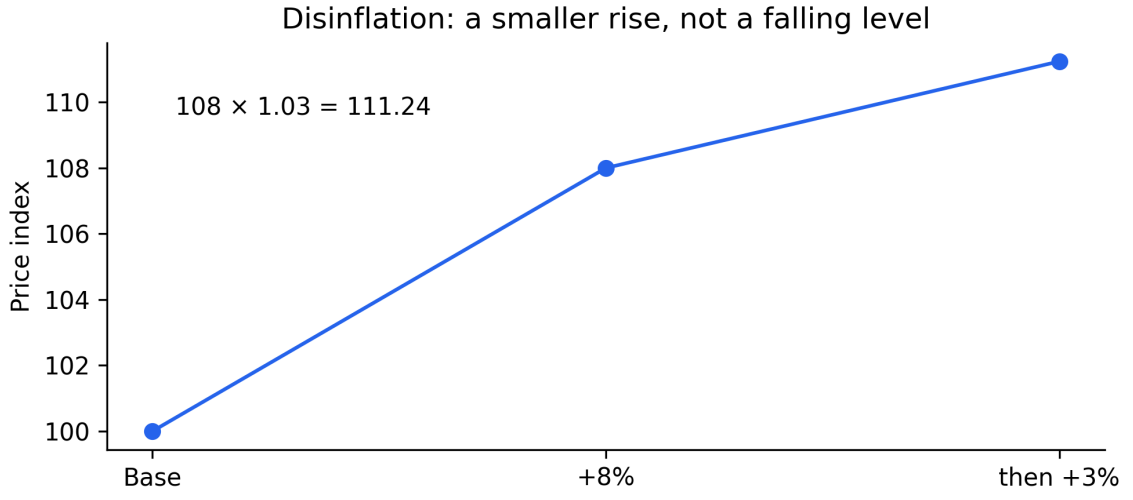
Issue 2, June 2018. All four units have a complete lettered objective map; IAS and IA2 target teaching authored; qualification rubric certified from recent WEC11–WEC14 schemes.

This focused rehearsal adopts the linked native explanations; it does not replace them or certify a whole qualification. Supported objective IDs: 2.3.6.1a, 2.3.6.1b, 2.3.6.1c, 2.3.6.1d, 2.3.6.1e, 2.3.6.1f, 2.3.6.2a, 2.3.6.2b, 2.3.6.2c, 2.3.6.2d, 2.3.6.3a, 2.3.6.3b, 2.3.6.3c, 2.3.6.3d, 2.3.6.4a, 2.3.6.4b, 2.3.6.4c, 2.3.6.4d, 2.3.6.4e.

Native prerequisites: 0402, 0403, 0404, 0405, 0406, 0407, 0408.

Key terms

disinflation ; **deflation** ; **fiscal policy** ; **supply-side policy** .



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Inflation, unemployment and policy judgement

Disinflation means slower price rises; deflation means a falling general price level. Unemployment requires the applicable labour-force definition; an inactive person is not automatically unemployed. Fiscal policy affects spending/taxation, monetary policy affects interest/monetary conditions, and supply-side measures target productive capability or incentives. The cause of the problem and lags matter.

■ Worked case

In a fictional economy, inflation falls from 8% to 3% while imported energy remains costly. Evaluate the claim that prices fell and that a higher policy rate repairs the energy shortage.

Positive inflation at 3% means the general price level still rises, more slowly than at 8%. A higher rate can reduce interest-sensitive spending, shifting AD left relative to the counterfactual; it does not itself increase energy supply. It may limit second-round demand pressure but can reduce output and employment. Effects depend on debt, confidence, exchange-rate responses and transmission lags. Compare targeted support or feasible supply measures, considering finance, incentives and implementation. A conditional judgement weighs the source of inflation and the cost of weak demand rather than declaring rates universally effective.

■ Independent transfer

A training programme is proposed during a demand-driven downturn. Give a short-run limitation, a longer-run mechanism and a qualified policy mix.

■ Checked original model

Training can improve skills and employability over time, especially where structural mismatch exists. It cannot by itself guarantee vacancies when firms lack demand, and completion/placement take time. Appropriate temporary demand support could complement training if finances, inflation and delivery allow, while targeted design checks actual vacancies and access. Evaluate employment outcomes rather than course enrolments alone. Explain trade-offs with budget, distribution and stability; this is authored evaluation, not a prescribed official essay formula.

Evidence and assessment limits

The tasks and marking points here are original, not official questions or mark schemes. The essay rubric follows the actual WEC11–WEC14 schemes (20-mark essays: 12 KAA + 8 evaluation, with Level-3 caps for missing diagram or context).

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