



MARK SCHEME

ECONOMICS SPECIMEN PAPER

Paper: 2 (National and Global Economy)

Maximum Mark: 50

Subject Code: 07

Paper Code: 02

ANNOTATIONS

The following annotations are used in marking this paper and should be used by markers.

Annotation	Use or meaning
✓	Correct and relevant point made in answering the question.
X	Incorrect point or error made.
REP	Repeat
BOD	Benefit of the doubt given.
SEEN	Noted but no credit given
OF	Own figure

Generic Marking Principles: These generic marking principles must be followed by all markers when assessing candidates' responses. They should be used together with the specific details provided in the mark scheme or the generic level descriptors for each question. Every question paper and its corresponding mark scheme will also adhere to these marking principles.

GENERIC MARKING PRINCIPLE 1: Marks must be awarded in accordance with:

- the specific content of the mark scheme or the generic level descriptions provided for the question,
- the specific skills identified in the mark scheme or descriptors, and
- the standard of performance expected from candidates, as exemplified through standardisation scripts.

GENERIC MARKING PRINCIPLE 2: Only whole marks are to be awarded. No half marks or fractional marks should be given under any circumstances.

GENERIC MARKING PRINCIPLE 3: Marks must be awarded positively:

- Credit must be given for correct and valid responses, as outlined in the mark scheme.
- Where a candidate's response exceeds the expected content or extends beyond the syllabus in a relevant way, appropriate credit may be awarded, in consultation with the Chief Marker.
- Marks are awarded when the candidate demonstrates clear evidence of knowledge, understanding, or skill.
- Marks must not be deducted for incorrect answers, omissions, or irrelevant material.
- Spelling, punctuation, and grammar should only be considered if explicitly stated in the question's assessment criteria. However, responses must be sufficiently clear in meaning.

GENERIC MARKING PRINCIPLE 4: Rules must be applied consistently across all scripts, including cases where candidates do not follow specific instructions or where generic level descriptions are applied. For example, if a candidate writes more answers than required or responds in the wrong format, the marker should still assess the response based on the marking scheme. If the marking scheme includes a penalty for not following instructions, it should be applied. If no penalty is mentioned, valid responses should still be credited. In the case of generic level descriptions such as "basic understanding" or "detailed explanation", all markers must interpret and apply these levels in the same way across all scripts. This helps ensure that every candidate is marked fairly and consistently.

GENERIC MARKING PRINCIPLE 5: The full range of marks available in the mark scheme must be used where appropriate. However, the actual distribution of marks may depend on the quality of responses observed.

GENERIC MARKING PRINCIPLE 6: Marks must be awarded strictly based on the criteria and expectations defined in the mark scheme. Judgments should not be influenced by grade thresholds, grade descriptions, or assumptions about overall candidate performance.

Point-Based Marking

Guidance

- 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).
- DO credit alternative answers/examples which are not written in the mark scheme if they are correct.
- 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.)
- DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities.
- 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).
- 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).

Calculation

- The mark scheme will outline the steps for the most likely correct method(s), including the marks allocated for each step, the correct answer(s), and the marks awarded for the final answer.
- If working or explanation is required to obtain full credit, this will be clearly stated in both the question paper and the mark scheme. In all other cases, a correct final answer should receive full marks even if no supporting working is provided.
- If a candidate applies a valid method that is not specifically included in the mark scheme, equivalent marks should be awarded for achieving equivalent stages of the solution.
- Where a candidate uses an incorrect figure obtained from earlier working, the 'own figure rule' applies. Full marks may still be awarded provided the method used is correct and complete. Additional guidance or exceptions to this principle will be specified in the mark scheme where necessary.

Level Based Marking

Marking should be carried out positively, recognising and rewarding achievement wherever possible, while also ensuring clear differentiation across the full range of marks where appropriate. Examiners should review the candidate's response and determine which level descriptor provides the best fit. In practice, responses may not match a single level descriptor exactly, so professional judgement may be required when deciding between two or more levels. Once the best-fit level has been identified, the following guidance should be used to award a specific mark:

- Award the highest mark in the level if the candidate's work fully and convincingly satisfies the level descriptor.
- Award a mark in the middle of the range if the candidate's work adequately meets the level descriptor.
- Award the lowest mark in the level if the candidate's work only just meets the level descriptor.
- Level annotations such as L1, L2, etc. must be clearly indicated on the response at the point where the level has been achieved.

Assessment Objectives:

AO1: Knowledge and Understanding

- Recall and explain economic concepts, principles, laws, and theories.
- Demonstrate knowledge of microeconomics and macroeconomics.
- Show understanding of national economic systems, planning, and policies.
- Use correct economic terminology, diagrams, and formulae.

AO2: Application

- Apply economic concepts, theories, and models to real-life situations.
- Use economic tools to illustrate economic relationships.
- Interpret economic indicators and data.

AO3: Analysis

- Analyse economic relationships using theories, laws, and models.
- Examine the causes and consequences of economic problems and policy decisions.
- Break down economic issues logically, showing clear chains of reasoning supported by diagrams and evidence.

AO4: Evaluation

- Evaluate the effectiveness and limitations of economic policies.
- Assess trade-offs between growth, equity, efficiency, and sustainability.
- Make reasoned judgements on government intervention and market outcomes.
- Compare advantages and disadvantages of structures, policies, and global relations.
- Draw balanced and well-supported conclusions on economic strategy.

SECTION A (15 Marks)

Question I	Answer	Marks	AOs
1.	B	1	AO1
2.	D	1	AO1
3.	C	1	AO2
4.	C	1	AO2
5.	D	1	AO2
6.	D	1	AO2
7.	A	1	AO1
8.	D	1	AO1
9.	C	1	AO1
10.	D	1	AO1
11.	D	1	AO2
12.	B	1	AO2
13.	B	1	AO2
14.	C	1	AO2
15.	A	1	AO1

SECTION B (15 Marks)

Question II

[15]

Question Part	Answer	Marks	Additional Guidance
1.	Identify TWO factors mentioned in the stimulus that have contributed to Bhutan's slow population growth. Indicative Content 1 mark for each valid point identified (Max 2) AO1: Knowledge and Understanding - Declining fertility rates have reduced the number of births and contributed to slower population growth. (1) - Improvements in education and healthcare have contributed to changes in population growth patterns. (1)	2	- Award 1 mark for each distinct point. - Accept other valid answers with the same meaning.
2.	Describe how the increasing number of young people entering the labour market could affect employment opportunities in Bhutan. Indicative Content (Max of 3 marks) AO1: Knowledge and Understanding (1) - Labour force refers to people of working age who are willing and able to work. (1) - Employment opportunities refer to the availability of jobs for people seeking work. (1) AO2: Application 2 marks: Developed application/explanation	3	Accept other valid answers

	1 mark: Limited application Developed Application (Max 2) • A larger number of young people entering the labour market increases the supply of labour, encouraging firms to create more jobs and expand employment opportunities. (2) • The increase in young workers may encourage the government and businesses to invest in skills training and entrepreneurship, creating new employment opportunities in different sectors. (2) Limited Application (1) • More young people will be available to work. (1) • The supply of labour will increase. (1) • More jobs may be created to employ the growing workforce. (1)		
3.	Explain two areas of government spending that may increase as Bhutan's elderly population grows in the future Indicative Content (Max 4) AO1: Knowledge and Understanding (1 mark) including • Government spending refers to expenditure by the government on public goods and services, such as healthcare and social support. AO2: Application (1 mark) including: • As Bhutan's elderly population grows, the government may need to increase spending on healthcare services and social support programmes for older citizens.	4	

	AO3: Analysis (2 marks) including: Developed Analysis (2 marks) • Healthcare spending: The government may need to spend more on hospitals, medicines, healthcare facilities and elderly care services because older people are more likely to require healthcare. This can increase government expenditure on the healthcare sector. • Social support spending: The government may need to increase spending on pensions, financial assistance and other social support programmes for elderly citizens. As the number of elderly people increases, more people may become eligible for such support, increasing government expenditure. Partial Analysis (1 mark) • More government spending may be required on healthcare because an ageing population is likely to have greater healthcare needs. (1) • More government spending may be required on social support because more elderly people may require financial assistance or pensions. (1) Limited Analysis (0 mark) • The government will spend more on the elderly. (0)		
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4.

Evaluate whether Bhutan's large working-age population is a valuable resource for national development. Give reasons to support your answer.

Level	AO1 Knowledge and Understanding 1 mark	AO2 Application 1 mark	AO3 Analysis 2 marks	AO4 Evaluation 2 marks
2			2 marks Developed analysis showing clear cause-and-effect relationships between a large working-age population and national development.	2 marks Developed evaluation with a justified judgement in the Bhutanese context.
1	1 mark Developed knowledge of the working-age population and its contribution to economic development.	1 mark Developed application to Bhutan	1 mark Some analysis with partial explanation of cause-and-effect relationships.	1 mark A judgement is made with some attempt at justification.
0	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.

6

- Accept other valid answers

	Indicative Content: AO1 Knowledge and Understanding (Max 1) including: • A working-age population consists of people who are of an age to participate in economic activity and supply labour. • A large working-age population can provide labour resources for production and contribute to economic growth and development. AO2 Application (Max 1) including: • In Bhutan, a large working-age population can provide workers for sectors such as tourism, agriculture, construction, hydropower, manufacturing and ICT. • The large number of young people entering the labour market can increase the availability of labour and provide opportunities for skills development and entrepreneurship. AO3 Analysis (Max 2) Developed Analysis (2 marks) • A large working-age population can increase the supply of labour, enabling Bhutanese firms to expand production and provide more goods and services. This can increase national output and contribute to economic growth. • A large working-age population can increase government tax revenue as more people become employed and earn incomes. The additional revenue can be used to finance education, healthcare and infrastructure, supporting long-term national development.		
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- A large working-age population can provide a greater pool of skilled workers and entrepreneurs. If appropriate education and training are available, workers can improve productivity, develop new businesses and contribute to diversification of Bhutan's economy.
- However, if sufficient employment opportunities are not created, a large working-age population may result in unemployment or underemployment. This can reduce household incomes and increase pressure on government spending.
- If young workers lack the skills demanded by employers, there may be a skills mismatch, limiting the contribution of the working-age population to economic growth and increasing the need for skills training.

Partial Analysis (1 mark)

- A large working-age population can increase the supply of labour, which can help firms increase production and support economic growth.

AO4 Evaluation (Max 2)

Developed Evaluation (2 marks)

- The value of Bhutan's large working-age population depends on the availability of employment opportunities, education and skills training. If young people gain relevant skills and find productive employment, they can increase productivity, output and government revenue. However, if jobs are insufficient, unemployment and migration may increase, reducing the potential benefits.

	- Overall, Bhutan's large working-age population is likely to be a valuable resource for national development, provided that the government and private sector create sufficient jobs and invest in skills development and entrepreneurship. Without these opportunities, the large working-age population could instead place pressure on the economy. Partial Evaluation (1 mark) - A large working-age population is likely to support Bhutan's development if sufficient employment opportunities and skills training are provided, but it may become a challenge if unemployment remains high.		
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SECTION C (20 Marks)

Question III

[10]

Question Part	Answer	Marks	Additional Guidance
1.	Analyse how exports of electricity, ferrosilicon, and agricultural goods contribute to Bhutan's economic development. Indicative Content (Max 4) AO1 Knowledge and Understanding (Max 1) including: - Exports are goods and services produced domestically and sold to other countries, generating foreign exchange earnings. - Export revenue can contribute to economic growth, employment and government revenue. AO2 Application (Max 1) including: - Bhutan exports electricity, ferrosilicon and agricultural goods to international markets, generating foreign exchange earnings. - Export activities can create employment in sectors such as hydropower, manufacturing and agriculture.	4	For full diagram-based analysis, the student's diagram should show: Wage rate on the vertical axis. Quantity of labour/employment on the horizontal axis. SL remaining unchanged. DL shifting to the right. - The new equilibrium at a higher wage rate and higher employment. - The original equilibrium at W and Q clearly identified.

	AO3 Analysis (2 marks) including: Developed Analysis (2 marks) - Exports of electricity, ferrosilicon and agricultural goods generate foreign exchange earnings for Bhutan. This foreign currency can be used to pay for imports such as fuel, machinery and vehicles, supporting domestic economic activity. - Increased exports can raise aggregate demand and national income. As exporting firms expand production, they may create more employment and increase household incomes, contributing to higher living standards. - Export production can encourage investment and development in sectors such as hydropower, manufacturing and agriculture. This can increase productive capacity and support long-term economic diversification Partial Analysis (1 mark) - Exports generate foreign exchange earnings, which can help Bhutan pay for imported goods and services. - Increased exports can create employment and increase national income.	Note: A correctly drawn diagram should support the written analysis; a diagram alone should not receive the full 2 AO3 marks.
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2.

Evaluate how South Asian Association for Regional Cooperation supports Bhutan's economic cooperation and development

Level	AO1 Knowledge and Understanding 1 mark	AO2 Application 1 mark	A03 Analysis 2 marks	A04 Evaluation 2 marks
2			2 marks Developed analysis showing clear cause-and-effect relationships between SAARC activities and Bhutan's economic cooperation and development.	2 marks Developed evaluation with a justified judgement on the contribution of SAARC to Bhutan's economic development
1	1 mark Developed knowledge of SAARC and its role in regional economic cooperation.	1 mark Developed application to Bhutan.	1 mark Some analysis showing a partial cause-and-effect relationship between SAARC and Bhutan's development.	1 mark A judgement is made with some attempt at justification.
0	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.

6

- Accept other valid answers

Indicative Content:

AO1 Knowledge and Understanding (Max 1) including:

- SAARC is a regional organisation that promotes cooperation among South Asian countries in areas such as trade, economic development and social development.
- Regional economic cooperation can help member countries increase trade, investment and economic opportunities.

AO2 Application (Max 1) including:

- As a member of SAARC, Bhutan can cooperate with other South Asian countries such in areas including trade, investment, transport, agriculture and economic development.
- SAARC provides a platform for Bhutan to participate in regional discussions, programmes and initiatives aimed at promoting economic cooperation.

AO3 Analysis (Max 2)

Developed Analysis (2 marks)

- SAARC can promote regional trade and economic cooperation, giving Bhutan opportunities to strengthen trade links with neighbouring South Asian countries. Trade can expand markets for Bhutanese exports and increase foreign exchange earnings.
- Cooperation through SAARC can support investment, knowledge sharing and skills development. Access to regional expertise and cooperation can improve productivity and human capital, contributing to Bhutan's long-term economic development.
- Regional cooperation can also help Bhutan address common economic challenges through joint programmes and sharing of information and resources, which may support more sustainable economic development.

	Partial Analysis (1 mark) • SAARC can help Bhutan develop stronger trade relationships with other South Asian countries, potentially increasing export opportunities. • Cooperation with other member countries can provide Bhutan with opportunities to share knowledge and skills. AO4 Evaluation (Max 2) including: Developed Evaluation (2 marks) • The contribution of SAARC to Bhutan's economic development is likely to be useful but limited. While regional cooperation can provide opportunities for trade, investment, knowledge sharing and joint development initiatives, the benefits depend on the extent to which agreements are implemented and Bhutanese businesses are able to take advantage of regional markets. • Overall, SAARC can support Bhutan's economic cooperation and development, particularly by strengthening regional trade and cooperation. However, its impact may be less significant than Bhutan's direct economic relationships with major trading partners such as India. Partial Evaluation (1 mark) • SAARC is likely to support Bhutan's economic development through regional cooperation and trade opportunities, although the benefits may be limited if regional initiatives are not fully implemented.		
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Question IV

[10]

Question Part	Answer	Marks	Additional Guidance
1.	Analyse how the central bank supports financial stability in Bhutan. Indicative Content AO1 Knowledge and Understanding (Max 1) including: • A central bank is the institution responsible for regulating the financial system, managing the money supply and maintaining financial stability. • Financial stability means that the financial system operates effectively and financial institutions are able to provide financial services without major disruption. AO2 Application (Max 1) including: • In Bhutan, the Royal Monetary Authority (RMA) regulates the financial system, manages the money supply and can provide funds to financial institutions facing temporary liquidity problems. • The RMA can support commercial banks during periods of financial stress by providing liquidity.	4	• Accept other valid answers

AO3 Analysis (Max 2) including:

Developed Analysis (2 marks)

- The RMA can provide liquidity support to financial institutions facing temporary shortages of funds. This helps banks meet their payment obligations and continue providing loans and other financial services, reducing the risk of bank failures and maintaining confidence in the financial system.
- The RMA regulates financial institutions and manages the money supply, helping to maintain stability in the banking system. Effective regulation can reduce excessive risk-taking and financial problems, supporting confidence among households and businesses.

Partial Analysis (1 mark)

- The RMA can provide funds to banks experiencing temporary liquidity problems, helping them continue their operations and maintain financial stability.
- Regulation of the financial system can reduce financial risks and increase confidence in banks.

2.

Evaluate how the introduction of digital banking services improves access to financial services in Bhutan.

Level	AO1 Knowledge and Understanding 1 mark	AO2 Application 1 mark	AO3 Analysis 2 marks	AO4 Evaluation 2 marks
2			2 marks Developed analysis showing clear cause-and-effect relationships between digital banking services and access to financial services in Bhutan.	2 marks Developed evaluation with a justified judgement on the extent to which digital banking improves access to financial services in Bhutan.
1	1 mark Developed knowledge of digital banking and access to financial services.	1 mark Developed application to Bhutan.	1 mark Some analysis showing a partial cause-and-effect relationship.	1 mark A judgement is made with some attempt at justification.
0	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.	0 mark No creditable response.

6

- Accept other valid answers

Indicative Content:

AO1 Knowledge and Understanding (Max 1) including:

- Digital banking refers to the provision of banking services through electronic platforms such as mobile applications and online banking.
- Access to financial services means the ability of individuals and businesses to obtain and use services such as payments, savings, transfers and loans.

AO2 Application (Max 1) including:

- In Bhutan, digital banking allows customers to transfer money and make electronic payments without visiting a bank branch.
- Digital banking can make financial services more accessible to people living in remote and rural areas of Bhutan.

AO3 Analysis (Max 2) including:

Developed Analysis (2 marks)

- Digital banking allows customers to make payments and transfer money remotely, reducing the need to travel to bank branches. This saves time and transport costs and makes financial services more accessible, particularly for people living far from banking facilities.
- Digital banking can provide faster and more convenient access to financial services. Increased use of electronic payments and online banking can encourage more people and businesses to participate in the formal financial system, supporting financial inclusion.
- Businesses can use digital banking to receive payments and transfer funds more efficiently, which can reduce transaction costs and support business activity and economic participation.

	Partial Analysis (1 mark) • Customers can make payments and transfer money without visiting a bank, making banking more convenient. • People in remote areas may have better access to financial services through digital banking. AO4 Evaluation (Max 2) including: Developed Evaluation (2 marks) • Digital banking can significantly improve access to financial services in Bhutan by reducing geographical barriers, travel costs and the time required to access banking services. However, its effectiveness depends on reliable internet connectivity, access to digital devices and customers having the skills and confidence to use digital services. • Overall, digital banking is likely to substantially improve access to financial services in Bhutan, particularly for customers who live far from bank branches. However, traditional banking services will remain important for people who have limited digital access or lack digital literacy. Limited Evaluation (1 mark) • Digital banking improves access by making financial services more convenient and reducing the need to visit banks, although limited internet access and digital skills may prevent some people from benefiting fully. 0 marks • No judgement or conclusion.		
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