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# Cambridge IGCSE™ (9–1)

**ECONOMICS** **0987/21**

Paper 2 Structured Questions **May/June 2020**

MARK SCHEME

Maximum Mark: 90

**Published**

Students did not sit exam papers in the June 2020 series due to the Covid-19 global pandemic.

This mark scheme is published to support teachers and students and should be read together with the question paper. It shows the requirements of the exam. The answer column of the mark scheme shows the proposed basis on which Examiners would award marks for this exam. Where appropriate, this column also provides the most likely acceptable alternative responses expected from students. Examiners usually review the mark scheme after they have seen student responses and update the mark scheme if appropriate. In the June series, Examiners were unable to consider the acceptability of alternative responses, as there were no student responses to consider.

Mark schemes should usually be read together with the Principal Examiner Report for Teachers. However, because students did not sit exam papers, there is no Principal Examiner Report for Teachers for the June 2020 series.

Cambridge International will not enter into discussions about these mark schemes.

Cambridge International is publishing the mark schemes for the June 2020 series for most Cambridge IGCSE™ and Cambridge International A & AS Level components, and some Cambridge O Level components.

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## Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

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**1 Components using point-based marking:**

Point marking is often used to reward knowledge, understanding and application of skills. We give credit where the candidate's answer shows relevant knowledge, understanding and application of skills in answering the question. We do not give credit where the answer shows confusion. From this it follows that we:

a 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)

b credit alternative answers/examples which are not written in the mark scheme if they are correct

c credit answers where candidates give more than one correct answer in one prompt/numbered/scaffolded space, where extended writing is required rather than list-type answers. For example, questions that require *n* reasons (e.g. State two reasons…).

d 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.)

e DO NOT credit answers which are obviously self-contradicting or trying to cover all possibilities, e.g. a scattergun approach to a question asking for *n* items

f 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).

g 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. erosion/corrosion).

**2 Presentation of mark scheme:**

- Slashes (/) or the word 'or' separate alternative ways of making the same point.
- Semi colons (;) bullet points (•) or figures in brackets (1) separate different points.
- Content in the answer column in brackets is for examiner information / context to clarify the marking but is not required to earn the mark

**3 Calculation questions:**

- The mark scheme will show the steps in the most likely correct method(s), the mark for each step, the correct answer(s) and the mark for each answer.
- If working/explanation is considered essential for full credit, this will be indicated in the question paper and in the mark scheme. In all other instances, the correct answer to a calculation should be given full credit, even if no supporting working is shown.
- Where the candidate uses a valid method which is not covered by the mark scheme, award equivalent marks for reaching equivalent stages.
- Where an answer makes use of a candidate's own incorrect figure from previous working, the 'own figure rule' (OFR) applies: full marks will be given if a correct and complete method is used. Further guidance will be included in the mark scheme where necessary and any exceptions to this general principle will be noted.

**4 Annotation:**

- For point marking, ticks are used to indicate correct answers and crosses to indicate wrong answers. There is a direct relationship between ticks and marks.
- Other annotations will be used by examiners as agreed during standardisation, and the meaning will be understood by all examiners who mark that paper.
- For levels of response marking, each level awarded should be clearly annotated on the script the first time it is achieved.

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**PREPARATION FOR MARKING**

1 Make sure that you have completed the relevant training and have access to the *RM Assessor Guide*.
2 Make sure that you have read and understand the question paper, which you can download from https://support.rm.com/ca
3 Log in to RM Assessor then mark and submit the required number of practice and standardisation scripts. You will need to mark the standardisation scripts to the required accuracy in order to be approved for marking live scripts. You may be asked to re-mark them, or to mark a second sample, if you do not meet the required accuracy on your first attempt.

**MARKING PROCESS**

1 Mark strictly to the FINAL mark scheme, applying the criteria consistently and the general marking principles outlined on the previous page.
2 If you are in doubt about applying the mark scheme, consult your Team Leader.
3 Mark at a steady rate through the marking period. Do not rush, and do not leave too much until the end. If you anticipate a problem in meeting the deadline, contact your Team Leader immediately and the Examiners' Helpdesk.
4 Examiners will prepare a brief report on the performance of candidates to send to their Team Leader via email by the end of the marking period. The Examiner should note strengths seen in answers and common errors or weaknesses. Constructive comments on the question paper, mark scheme or procedures are also appreciated.

**MARKING SPECIFICS**

**Crossed out work**

**1 All a candidate's answers, *crossed out* or not, *optional* or not, must be marked.**
2 The only response not to be marked is one that has been crossed out and replaced by another response for that exact same question.
3 Consequently, if a candidate has crossed out their response to an optional question and gone on to answer a different optional question then both attempts must be marked. The higher mark will be awarded by the system according to the rubric.

**0 (zero) marks or NR (no response)**

1 Award **NR** if there is nothing at all written in answer to that question (often the case for optional questions).
2 Award **NR** if there is a comment which is not an attempt at the question (e.g. 'can't do it' or 'don't know' etc.)
3 Award **NR** if there is a symbol which is not an attempt at the question, such as a dash or question mark.
4 Award **0** (zero) if there is any attempt at the question which does not score marks. This includes copying the question onto an Answer Booklet.

**Annotation**

1 Every question must have at least one annotation e.g. <NAQ> if it is an NR and <X> or <seen> if 0 marks are awarded.
**2 Every mark awarded for a question (as shown in the mark input box to the right of the screen) must be indicated by a correctly positioned tick on the script. The number in the box below the tick annotation must be equal to the mark awarded in the input box.**
3 Every page of a script must have at least one annotation e.g. <BP> for a blank page

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| Question | Answer | Marks |
|---|---|---|
| 1(a) | **Calculate Vietnam's GDP per head in 2017.**<br><br>$6900 (1). | **1** |
| 1(b) | **Identify <u>two</u> rewards to factors of production.**<br><br>Wages (1) profits (1). | **2** |
| 1(c) | **Explain what happened to Vietnam's foreign exchange rate between 2010 and 2017.**<br><br>Logical explanation which might include:<br><br>It fell/depreciated (1) more dong had to be given to buy one dollar (1). | **2** |
| 1(d) | **Explain <u>two</u> benefits an economy may gain from having a young labour force.**<br><br>Logical explanation which might include:<br><br>May be more flexible (1) switch from doing different tasks (1).<br>May be more mobile (1) able to switch from one job to another or from one place to another place (1).<br>May be more up to date with advances in technology (1) more productive/able to use advanced technology (1). | **4** |
| 1(e) | **Analyse why Vietnam's budget deficit may decline in the future.**<br><br>Coherent analysis which might include:<br><br>High economic growth will raise incomes/wages rising (1) higher profits (1) more revenue from direct taxes (1) higher incomes is likely to result in more spending (1) more revenue from indirect taxes (1).<br>Tax rates may be increased (1) reducing the gap between tax revenue and government spending (1).<br>Deregulation / privatisation may increase profits (1) resulting in higher revenue from direct taxes /corporation tax (1). | **4** |
| 1(f) | **Analyse the relationship between government spending on education and the percentage of the labour force employed in the tertiary sector.**<br><br>Coherent analysis which might include:<br><br>Generally the countries with the highest % spending on education have the highest percentage employed in the tertiary sector and vice versa (1) up to two examples e.g. Norway has the highest % spending and the highest % employed in the tertiary sector, Bangladesh has the lowest % spending and the lowest % employed in the tertiary sector (2) the main exception is Vietnam – second highest % spending but lowest % employed in the tertiary sector (1) there may be a time lag in this case (1).<br>It is the expected relationship as some tertiary jobs require high skills (1) countries that can afford to devote a high percentage of resources to education may have achieved a relatively high level of development (1) a higher percent spent will create jobs in education (1). | **5** |

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>1(g)</td><td>
Discuss whether or not an increase in competition is likely to benefit Vietnamese consumers.<br><br>
Apply this example to all questions with the command word DISCUSS (1g, 1h, 2d, 3d, 4d and 5d)<br><br>
Each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is rewarded.<br><br>
<table>
<tr><th>Generic example</th><th>mark</th></tr>
<tr><td>Tax revenue may decrease…</td><td>1</td></tr>
<tr><td>...because of reason e.g. incomes may be lower.</td><td>1</td></tr>
<tr><td>Tax revenue may increase because incomes may be higher i.e. reverse of a previous argument.</td><td>0</td></tr>
<tr><td>Tax revenue may increase because of a different reason i.e. <u>not</u> the reverse of a previous argument e.g. government spending on subsidies may stimulate the economy more than spending on education.</td><td>1</td></tr>
</table>
<br>
Award up to 4 marks for logical reasons why it might, which may include:<br>
• prices may be reduced to attract more consumers (1) making them more affordable to consumers (1)<br>
• choice will be increased in terms of sellers (1) and possibly in terms of a greater range of products (1)<br>
• quality may rise (1) with pressure being put on producers to produce good products to attract consumers (1)<br>
• producers may respond more fully to changes in consumer demand (1)<br><br>
Award up to 4 marks for logical reasons why it might not, which may include:<br>
• firms may be smaller (1), less able to take advantage of economies of scale (1), so prices may be higher (1)<br>
• firms may have less profit (1) and so spend less improving the quality of the product (1)<br>
• some firms may be MNCs (1), less concerned about causing external costs (1)
</td><td>6</td></tr>
</table>

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| Question | Answer | Marks |
|---|---|---|
| 1(h) | **Discuss whether or not the increase in borrowing is likely to have caused inflation in Vietnam in 2017.**<br><br>Award up to 4 marks for logical reasons why it might, which may include:<br>• higher consumer demand (1) and investment (1) will increase total (aggregate) demand (1)<br>• higher total demand may cause demand-pull inflation/cause producers to raise prices (1)<br>• government spending may rise, further adding to total (aggregate) demand (1)<br>• the economy has very low unemployment/full employment (1) making it difficult for supply to respond to higher demand (1)<br>• tax rates may rise (1) which may increase costs of production (1) causing cost-push inflation (1)<br><br>Award up to 4 marks for logical reasons why it might not, which may include:<br>• higher investment may reduce costs of production (1) lowering cost-push inflation (1)<br>• higher consumer spending may enable firms to grow (1) and take greater advantage of economies of scale (1)<br>• increased education (1) may raise labour productivity (1), reduce costs of production (1) and lower cost-push inflation (1)<br>• privatised firms may be more efficient (1)<br>• more competition may reduce price rises (1) | **6** |

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| Question | Answer | Marks |
|---|---|---|
| 2(a) | **State <u>two</u> benefits a country may gain from immigration.**<br><br>One mark each for two from:<br>larger labour force, reduced dependency rate, higher demand, higher tax revenue, more skilled workers, greater utilisation of resources. | **2** |
| 2(b) | **Explain <u>two</u> consequences of deflation.**<br><br>Logical explanation which might include:<br><br>Output may fall (1) if due to lower demand firms will cut back production (1).<br>Unemployment may rise (1) fewer workers will be needed to produce fewer goods and services (1).<br>Economic growth may decline / a recession may occur (1) due to lower total (aggregate) demand (1).<br>Output may rise (1) if due to lower costs of production / advances in technology (1).<br>Exports may increase (1) if domestic products have become more price-competitive (1). | **4** |
| 2(c) | **Analyse why children from low-income families may have low incomes as adults.**<br><br>Coherent analysis which might include:<br><br>Likely to receive less education (1) likely to have lower quality healthcare (1) nutrition is likely to be poor (1) likely to gain fewer qualifications/skills (1) be less productive (1) have fewer employment opportunities (1) may be in low paid jobs (1) may be unemployed (1). | **6** |

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>2(d)</td><td>
Discuss whether or not a national minimum wage will reduce poverty.<br><br>
In assessing each answer, use the table below.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other but, overall, both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
<tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr>
</table>
<br>
Why it might:<br>
• is set above the equilibrium level, will raise the pay of the low-paid<br>
• may reduce relative poverty by reducing the gap between high and low-income earners<br>
• may reduce absolute poverty by enabling low paid workers greater access to basic necessities<br>
• may raise employment, if it motivates workers and raises productivity<br>
• may raise employment if it increases total (aggregate) demand.<br><br>
Why it might not:<br>
• may not have any impact if set below the equilibrium level<br>
• unemployment may rise as it may increase firms' costs of production<br>
• will not help the poor who are unable to work<br>
• may not reduce relative poverty if it results in other workers pressing for, and getting, wage rises to maintain their wage differentials<br>
• some receiving it may not be in poor households.<br><br>
Reward, but do not expect, a national minimum wage diagram which shows the effect on pay and employment.
</td><td>8</td></tr>
</table>

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| Question | Answer | Marks |
|---|---|---|
| 3(a) | **Define *a capital good*.**<br><br>Human-made good (1) used in production/used to produce other goods and services (1). | **2** |
| 3(b) | **Explain <u>two</u> challenges facing small firms.**<br><br>Logical explanation which might include:<br><br>Lack of finance/difficulty raising finance (1) banks may be more reluctant to lend to small firms (1).<br>May not be able to take advantage of economies of scale (1) may have higher average cost (1).<br>Not well known (1) difficult to attract consumers (1).<br>May face fierce competition from large firms (1) which may lower their prices/spend more on advertising (1).<br>Risk of failure (1) due to inexperience of owners (1). | **4** |
| 3(c) | **Analyse, using a demand and supply diagram, how a rise in income may affect the market for gold.**<br><br>Up to 4 marks for the diagram:<br>Axes correctly labelled – price and quantity or p and q (1).<br>Demand and supply curves correctly labelled (1).<br>Demand curve shifted to the right (1).<br>Equilibriums – shown by lines P1, P2/Q1, Q2 or marking the equilibrium points E1 and E2 (1).<br><br>Up to 2 marks for logical analysis:<br>An increase in income will increase people's ability to buy gold/raise purchasing power (1).<br>Price will rise/quantity traded will rise (1). | **6** |

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>3(d)</td><td>

**Discuss whether or not MNCs increase production and productivity in their host countries.**

In assessing each answer, use the table below.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other but, overall, both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr>
<tr><td>1</td><td>There is a simple attempt at using economic definitions and terminology. Some reference may be made to economic theory, with occasional understanding.</td><td>1–2</td></tr>
<tr><td>0</td><td>A mark of zero should be awarded for no creditable content.</td><td>0</td></tr>
</table>

Why they might:
- may have high demand for their products
- may create demand for raw materials from domestic firms
- may bring new technology and working practices into the countries
- may train workers
- may pay higher wages which may motivate workers.

Why it might not:
- may drive some domestic firms of business
- may deplete natural resources, reducing output in the future
- may have long/unsociable working hours
- may generate external costs including pollution which may reduce the health of workers.

Limit to level 2 if only production or productivity is considered.

</td><td>8</td></tr>
</table>

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| Question | Answer | Marks |
|---|---|---|
| 4(a) | **Define *macroeconomics*.**<br><br>The study of the whole economy (2).<br>Example of a macroeconomic topic e.g. unemployment/study of economics on a large scale (1). | **2** |
| 4(b) | **Explain <u>two</u> consequences to firms of unemployment.**<br><br>Logical explanation which might include:<br><br>Lower demand (1) lower revenue (1).<br>Lower ability to take advantage of economies of scale (1) due to lower output (1).<br>Lower average costs (1) lower wages (1).<br>Less risk of industrial action (1) workers afraid of losing their jobs (1).<br>Greater ease of recruiting workers (1) reducing recruitment costs (1). | **4** |
| 4(c) | **Analyse how tax cuts could increase exports.**<br><br>Coherent analysis which might include:<br><br>Lower indirect taxes could reduce costs of production (1) could encourage investment (1) use of more advanced technology/more efficient methods of production (1) which could lower prices / make prices more internationally competitive (1).<br>Lower income tax could motivate workers (1) raise productivity (1) lower price of exports (1) raise quality of exports (1).<br>Lower taxes in other countries (1) e.g. a lower tariff will encourage foreigners to purchase more exports (1). | **6** |

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>4(d)</td><td>

**Discuss whether or not a current account deficit on its balance of payments harms an economy.**

In assessing each answer, use the table below.

<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other but, overall, both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
<tr><td>2</td><td>A reasoned discussion which makes use of economic information and clear analysis to evaluate economic issues and situations. The answer may lack some depth and development may be one-sided. There is relevant use of economic concepts, terminology, information and data appropriate to the question.</td><td>3–5</td></tr>
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</table>

Why it might:
- income/demand is leaving the economy
- employment will be lower than it could be
- it may put downward pressure on the exchange rate
- the country will get into debt
- other countries may not be willing to lend to it / invest in the country.

Why it might not:
- deficit may be low / short term
- enables the country to consume more than it produces
- imports of raw materials and capital goods will increase output in the future.

</td><td>8</td></tr>
</table>

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| Question | Answer | Marks |
|---|---|---|
| 5(a) | **State <u>two</u> objectives of firms.**<br><br>One mark each for two from:<br>survival, social welfare, profit maximisation and growth. | **2** |
| 5(b) | **Explain how a subsidy can correct market failure.**<br><br>Logical explanation which might include:<br><br>A payment to increase production (1) and lower price (1) can increase consumption of merit goods (1) products with positive externalities (1) which are under-consumed if left to market forces (1) can be paid to private sector firms to produce public goods (1) would not be produced if left to market forces (1). | **4** |
| 5(c) | **Analyse, using a production possibility curve (PPC) diagram, the effect of advances in technology on an economy.**<br><br>Up to 4 marks for the diagram:<br>Axes correctly drawn (1).<br>Initial curve drawn as a curve or a downward sloping line to the axes (1).<br>New curve drawn as a curve or a downward sloping line to the axes (1).<br>Shift to the right indicated by arrow or lettering (1).<br><br>Up to 2 marks for logical analysis:<br>Advances in technology raise the quality of capital (1) increase productive capacity (1). | **6** |

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<table>
<tr><th>Question</th><th>Answer</th><th>Marks</th></tr>
<tr><td>5(d)</td><td>
Discuss whether or not an increase in government spending will reduce unemployment.<br><br>
In assessing each answer, use the table below.
<table>
<tr><th>Level</th><th>Description</th><th>Marks</th></tr>
<tr><td>3</td><td>A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other but, overall, both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes.</td><td>6–8</td></tr>
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</table>
Why it might:<br>
• may raise total (aggregate) demand, encouraging firms to hire more workers<br>
• may be spent on education which may increase people’s skills<br>
• may be spent on healthcare which may make people fitter and more employable<br>
• may be spent on subsidies to firms which will encourage them to increase output and take on more workers.<br><br>
Why it might not:<br>
• if spent on unemployment benefits, it may encourage some people to leave their jobs<br>
• if there is full employment, it will just cause inflation<br>
• spending on education may be ineffective e.g. develop the wrong skills<br>
• higher total (aggregate) demand may encourage firms to use more capital goods rather than labour.
</td><td>8</td></tr>
</table>