PEARSON EDEXCEL A-LEVEL ECONOMICS B · 9EB0

ECONOMICS



MARK SCHEME

3.4 IMPACT OF GLOBALISATION ON LOCAL AND NATIONAL ECONOMIES

SCORE	PERCENTAGE
/690	%

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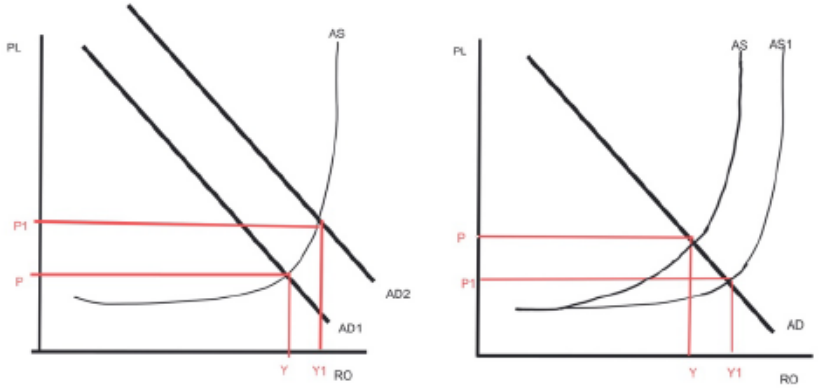
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Mark Scheme

Q1.

Question Number	Answer	Mark
(a)	**Knowledge 2, Application 2** **Knowledge/understanding:** Accurate diagram with correct labels on axes (1) and lines (1)  **Application:** Correct shift of line(s) (1) showing change in price level and/or real output (1) For example: N.B. Other AS curves are acceptable. Allow outward shift of both AD and AS.	**(4)**

Question Number	Answer	Mark
(b)	**The only correct answer is A** ***B*** *is not correct because it is not infrastructure* ***C*** *is not correct because it is spending on salaries, not infrastructure* ***D*** *is not correct because it is spending on welfare, not infrastructure*	**(1)**

Q2.

Question Number	Answer	Mark
(a)	A	**(1)**

Question Number	Answer	Mark
(b)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/understanding**: 1+ 1 for limitations: • ignores qualitative factors, such democracy, quality of education or human rights for example (1) • ignores other measures ranging from gender equity, proportion of workforce in agriculture to environmental biodiversity (1) • ignores income distribution (1) • PPP values change very quickly and are likely to be inaccurate or misleading (1) **Analysis**: 1 mark for linked development. **Application**: 1 mark for reference to the data e.g. Vietnam's HDI 0.666.	**(4)**

Q3.

Question Number	Answer	Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge:** 1 mark for identification of a possible reason and 1 mark for its relevance to a fall in the value of the currency. Possible reasons: • Fall in demand for peso (1) with reason (1) • Increase in supply of peso (1) with reason (1) • Current account balance: ○ Fall in the value of X (1) because export prices have fallen (1) ○ Rise in the value of M (1) because of economic growth (1) • Decrease in interest rates (1) in Chile relative to other countries (1) • Fall in FDI (1) with reason e.g. reduced foreign investment in Chilean mining (1) • Change in hot money flows (1) with reason e.g. speculative selling of peso (1) • Rise in value of other countries' exchange rates (1) with a change in relative rates (1) • Relatively high inflation in Chile (1) compared to other countries with which it trades (1)	
	Application: 2 marks for data references e.g. • Copper prices have fallen, Fig. 1 (1) e.g. to $5000 (1) • The Chilean peso has decreased in value (1) • Calculation based on data (award a range of answers because the data is given for the whole year) e.g. 0.2 to 0.14 = 30% fall (or similar) (1 + 1) • Inflation 5% in Chile (1)/above 2-4% target (1)/ e.g. because of higher unit labour costs (implied by high truck drivers' wages, Extract B) (1) • Fall in FDI as mining dries up, therefore reduced demand for peso • Application of an exchange rate diagram e.g. with peso on vertical axis with shift (1) **Analysis:** • 1 mark for explanation of the process linking to the cause to the identified change e.g. fall in copper prices means that the value of exports fall because demand is price inelastic (1) or imports rise in value because of economic growth sucking in imports (1) diagram showing shifts in demand or supply of pesos linked to correct explanation (1) **NB only award 1 mark in total for use of a diagram**	**(5)**

Question Number	Answer	Mark
(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **NB an answer might provide positive externalities as KAA and negative externalities as evaluation** **NB do not award effects on copper mining firms, unless an indirect effect.** **NB an answer which does not relate both to firms and communities is limited to 5/6 KAA marks.** **NB do not award externalities themselves, e.g. pollution, the environment. Award the *impact*.** **Knowledge and Analysis** Knowledge/ implicit understanding of externalities **(1)** e.g. knowledge that externalities are an effect on third parties, or outside (or not accounted for by) the market mechanism, or the difference between private and social costs or benefits Firms (in businesses other than mining) Points showing the impact on **firms** might include: • farms lacking water because mining companies are using it **(1+1)** • high demand for energy means that other firms will face high energy costs **(1+1)** • high exchange rate can cause problems for other exporting firms **(1+1)**	

	Communities Points showing the impact on **communities** might include: • problems of water access for households **(1+1)**, • large-scale transport causes noise, air pollution **(1+1)**, • people have to move away to find work (social dislocation) **(1+1)** • impact on employment and incomes as mining declines **(1+1)** • impact on firms that supply the mining sector **(1+1)** Some impacts could be seen as firms and communities, e.g. impact on wider economy of higher wages as firms have to compete with unionised highly paid copper miners for employment. **Application:** • **Externality diagram** illustrating negative or positive impact using marginal analysis (up to 2 marks: 1 mark for correct MSC and MPC drawn, 1 mark for correct equilibrium shown/deadweight loss) • Water has to be pumped 200km (Extract B paragraph 4) which uses fossil fuels/is noisy/ugly/affects tourist areas • Mines are deeper and use more fuel (carbon emissions have impact on climate and therefore on welfare of many) • Desalination plants might affect other firms or consumers (this might be negative or positive)	

	Evaluation (2 marks for any relevant point, two points 1 +1): • Positive externalities, e.g. ○ impact of local multiplier on economy, improved infrastructure affects other industries ○ Improved wages and working conditions for workers (in businesses other than mining) ○ The copper mining has already helped to fund improvements in welfare, such as the financial system and pensions ○ Benefits of higher value of currency, e.g. terms of trade improvement • Difficult to know how large the externalities are or who is bearing the cost • The benefits might outweigh the costs, e.g. reduction in poverty, improved fiscal powers, strength of financial markets, improved local infrastructure • Other standard evaluation points, e.g. Extract B a drought has made the problem more severe, time to acquire environmental impact assessments (Extract B paragraph 5) might not be a reliable indicator	**(8)**

Question Number	Indicative content	Mark
(c)	**Knowledge 2, Application 2, Analysis 4** • Link between falling copper prices and falling incomes and government revenue e.g. dramatic loss of government revenue from peak of $11.5 billion • Exposure to risk e.g. high proportion of GDP and exports dependent on copper so this could cause risk of falling incomes • Price volatility e.g. might cause reduced FDI/investment • Impact of declining terms of trade might be used • Successful exports of copper might force up the exchange rate, other 'Dutch disease' issues e.g. impact on non-copper sector • Falling demand for copper might cause peso to fall in value, causing declining terms of trade/cost push inflation • May use diagram to illustrate effects of low PES, PED • Award use of concepts or theories such as Prebisch-Singer, with link to terms of trade and changing world incomes. • Firms may close down e.g. Extract A lines 8-9: award a microeconomics diagram showing shutdown point **NB Do not award any parts of answers which are related to externalities** **A KAA point referring to changes in tax revenues can only be awarded Level 3 if a specific link is made to the source of the tax revenue e.g. – corporation tax or profits of a state-owned enterprise** **For a Level 3 answer there must be reference to dependency rather than just falls in copper prices, and the wider economy rather than just copper mining firms**	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(c) continued	**Evaluation 4** • Advantages of copper dependency for Chile's economy: ○ Copper dependency is an advantage when copper prices are high e.g. they have been high for a prolonged period, with many advantages ○ Use of data to support this, e.g. $11.5 bn a year tax revenue, or percentage changes in prices Figure 1 ○ Low national debt, falling levels of poverty, inward direct investment • Other industries thriving e.g. salmon industry • Chile's economy 'best run in the region' and has financial strength to overcome copper price changes, relative to other countries who are dependent on primary products e.g. Venezuela • The fall in the exchange rate corrects the problem of over dependency • Copper prices are far less volatile than 2007-2011	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
(d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** 16 marks for KAA, for effects of policies: Microeconomic effects may include: • fiscal, e.g. 'mildly expansionary policies' such as cutting income tax will increase real wages • monetary e.g. cutting interest rates can reduce the costs of borrowing for individuals and firms. • supply side policies, e.g. privatisation, free trade can make markets more competitive • growth and development strategies e.g. education, debt relief etc. can further alleviate poverty • price controls Macroeconomic effects may include: • Cutting interest rate might cause the peso to further decrease in value, which would cause inflation / increase the value of exports leading to current account improving • Privatisation or other supply side policies can increase international competitiveness **NB for a Level 4 response there must be reference to both economic growth (e.g. rising incomes) and economic development (e.g. longer life expectancy through improved living standards) and a focus on effects for Level 3 and above.** 9 marks for evaluation – might include: • Expansionary fiscal policies might involve an improvement in the redistribution of income • Objectives might conflict, e.g. cutting interest rates can cause inflation or widen inequality, or increased government spending to produce growth might cause inflation (e.g. Phillips Curve) • Policies might conflict, e.g. increasing length of time to gain a permit to reduce externalities can cause a negative supply side impact e.g. by raising production costs for firms.	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** **This mark scheme is based on an increase in I, but answer can be given from the point of view of a decrease** Up to 16 marks for effects: Microeconomic effects may include: • Effects on workers – higher incomes, more jobs • Effect on firms, e.g. increase in productivity, or for firms that produce capital goods, a change in demand • Increase in demand as consumer and business confidence improves • Improved quality of life as a result of research into and development of products Macroeconomic effects may include: • Shift (increase) in AD, with multiplier effects, increasing real GDP • Shift (increase) in AS increasing capacity e.g. through investment in education (Extract A paragraph 5) (LRAS shift only, may be implicit) • Inflation, if linked to expansionary macroeconomics policies • Balance of payments – e.g. effects of inward FDI: short term improvement on financial account, long term impact on current account Award Keynesian and Classical approaches with equal weight. The opposing viewpoints may be used as evaluation. **NB a Level 4 answer refer to *changes in* investment rather than levels. This may be implicit e.g. through a fall in AD** **NB do not award for impact other than on Chile. Do not award for causes rather than effects.**	

	Up to 9 marks for evaluation points include: • Investment in capital might decrease employment • Investment in human capital e.g. education in Extract A, is hard to measure in terms of effectiveness • Data points to both increases and decreases in investment. Other forms of injection into the circular flow might be more sustainable, e.g. G • Depends if the investment is internal or FDI as to the effects on the balance of payments • Depends on whether there is a demand deficiency (Keynesian viewpoint) or failings in the supply side	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning. Evaluation recognises different viewpoints and can be critical of the evidence provided.

Q4.

Question Number	Answer	Mark
(a)	**Knowledge 1, Application 2, Analysis 2** **Knowledge/understanding:** 1 mark for: • GDP per capita = GDP ÷ population/GDP per person (1). **Application:** 2 marks for: • GDP per capita for Burundi = 2.47 bn/16.14 mn = $153 (1) • GDP per capita for Kenya = 37.23 bn/62.78 mn = $593 (1) **Analysis:** 2 marks for: • Ratio of Burundi's GDP per capita: Kenya's GDP per capita = 153:593 (1) = 1:3.9 (1) [Accept 1:3.8 to 1:4]	**(5)**

Question Number	Answer	Mark
(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/understanding:** 2 marks for identification of two factors (1+1) **Analysis:** 2 marks for linked explanation of how these factors constrain growth (1+1), e.g. • land-locked (1) therefore high transport costs so limited opportunities for international trade (1) • low tax revenue (1) meaning government has insufficient funds for investment in education (1) • primary product dependency (1) price volatility leading to uncertain levels of income/investment (1) • civil war (1) destruction of infrastructure which discourages investment (1). **Application:** 2 marks for reference to the data (1+1), e.g. • coffee and tea make up almost 70% of Burundi's export earnings • high level of tax exemptions – 3% of GDP. **Evaluation:** 2 marks for two evaluative comments, e.g. • civil war as a temporary factor (1) • government might get money through aid (1) OR 2 marks for identification and linked development, e.g. • growth of emerging economies (1) has led to increase in primary product prices (1) • FDI by China (1) has led to improved infrastructure (1).	**(8)**

Question Number	Indicative content	Mark
(c)	**Knowledge 2, Application 2, Analysis 4** GDP is the best way to compare living standards: • it is an internationally comparable measure • it is a fairly simple measure, meaning a low opportunity cost to the governments of these developing countries • it requires less data than some more sophisticated measures, reducing the chance of data inaccuracy • there is GDP data for all five countries, whereas there is no IHDI data for Burundi • can be refined into per capita / PPP measures to make more representative • the rank orders of the five countries are the same using GDP as using GDP per capita and HDI	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(c) continued	**Evaluation 4** • it does not include much of what is important in determining standard of living, e.g. education, healthcare • it does not show how income is distributed among the population • it does not take account of any unpaid/illegal/'cash in hand' work, particularly a problem in developing countries like these, with a large subsistence agriculture sector • GDP doesn't take into account different costs of living (without a PPP adjustment) – compare Rwanda and Uganda	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(d)	**Knowledge 2, Application 2, Analysis 2** Possible benefits include: • increased regional trade has led to faster economic growth • firms can take advantage of increased economies of scale • trade creation • free movement of labour may fill labour shortages in individual countries • increased investment, either domestic or foreign • negotiating together may give the countries more power at, e.g., WTO talks.	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no links between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

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Question Number	Indicative content	Mark
(d) continued	**Evaluation 4** Possible costs include: • trade diversion • loss of revenue from import tariffs from fellow members. General evaluative points: • Kenya is the largest economy in the EAC, so has the smallest additional economies of scale to gain • 'Kenya's exports to the other EAC members were about US$1.2 billion in 2010' (Extract 2), so benefits appear to be significant • Kenya probably gains less benefit from the smaller countries being co-members of the EAC, e.g. Burundi.	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(e)	**Knowledge 3, Application 3, Analysis 3** Candidates may analyse the costs in their answer, and the benefits as evaluation (or vice versa), or may analyse the costs and benefits in their answer, and consider the significance of their arguments as evaluation. Possible costs include: • loss of control over monetary policy (given current differences in economic development, perhaps unlikely that one common policy would be optimal for all) • loss of control over exchange rate policy • resulting inability to respond differently to asymmetric shocks • changeover costs/menu costs • consumer confusion • may be inflationary if all producers round up their new prices/loss of consumer surplus. Possible benefits include: • reduction in transaction costs • elimination of exchange rate risk (leading to more trade and investment) • reduction in region-wide price differentials / may reduce inflation/increase consumer surplus • a larger and more diverse economic area may be less vulnerable to exogenous shocks and speculative currency attacks.	**(9)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(e) continued	**Evaluation 6** (Costs and benefits are outlined under Knowledge, Application and Analysis.) General evaluative points: • the countries have benefited to different extents: Kenya and Rwanda seem to have done well, while Burundi has not seen as much of a benefit • the euro area is a significant trade partner more so than the other EAC countries (in 2008) • increasing economic openness should reduce the potential for asymmetric shocks as time progresses • low levels of intra-EAC trade mean that the benefits from reduced transaction costs will be very small.	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Q5.

Question Number		Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge and analysis:** 1 mark for identification of price inelastic demand and 1 mark for definition of price inelastic demand (a change in price leads to a less than proportionate change in quantity demanded). A further mark for explanation of either of the following: • Price and total revenue moving in the same direction – indication that demand is price inelastic • Demand price inelastic because there are no good substitutes. **Application:** 2 references from Extract 3: (2 marks) • 'Some analysts say that trend (higher prices) should still help lift revenue, even if Brazil produces less' (1) • 'Last year, coffee export revenue fell 19% even though the volume sold rose 10.2% from a year earlier'. (1)	**(5)**

Question Number	Indicative content	Mark
(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge and analysis:** 1 mark for coffee beans as a cost of production; 1 for affect on supply curve. A further 2 marks for further development/explanation • Supply and demand diagram illustrating a leftward shift in the supply curve and rise in the price of a cup of coffee Or verbal explanation **Application:** up to 2 marks for 2 references to Figure 4: e.g. • Coffee represents 3.6% of the cost of a cup of coffee. (1) • Other costs e.g. rent, packaging, wages and profit represent £ 2.12 out of £2.20 of the price of a cup of coffee. (1) **Evaluation:** (2 marks for any valid point): • Coffee beans only a small proportion of price of a cup of coffee • Competition might mean that coffee shops/chains absorb increased costs by reducing profit margins • Consideration of interdependence under oligopoly.	**(8)**

Question Number	Indicative content	Mark
(c)	**Knowledge 2, Application 2, Analysis 4** • Understanding of contestability - low barriers to exit (sunk costs) and entry • Examples of exit barriers and entry barriers in the context of coffee bean farmers and coffee shops • Coffee beans - large number of coffee farmers suggesting low barriers to exit and entry. High threat of potential competition suggesting that the market is contestable • Coffee shop market - dominated by three large chains suggesting low contestability • Sunk costs for coffee shops include - heavy advertising; strong global brand names. These limit the threat of potential competition so making the market less contestable.	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1 - 2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3 - 5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6 - 8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(c) continued	**Evaluation 4** • Coffee bean producers - contestability limited because coffee beans can only be grown in certain climates; long growing period • Coffee shops - fairly contestable because; many small independent coffee shops; low start-up costs; few sunk costs: shops and equipment can be leased or rented; skills required relatively low.	**(4)**

Level	Marks	Descriptor
0	0	No evaluative comments
1	1-2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
2	3-4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(d)	**Knowledge 4, Application 4, Analysis 8,** **Evaluation 9** Microeconomic effects: • fluctuating revenues for farmers • uncertainty - difficult for producers to plan investment and output • implications for how the farmer uses his land. Macroeconomic effects: • fluctuating export revenues • fluctuations in the country's balance of payments on current account • could be reflected in fluctuations in the country's GDP • implications for the country's economic development • resources might not be allocated efficiently.	

	Possible evaluation points include: • uncertainty can be reduced by forward purchases of • coffee beans at set prices • much depends on whether there is a long run upward or • downward trend in prices of coffee prices • impact on individual coffee producing countries will depend on the significance of coffee to the country' economy • degree of price fluctuation depends on price elasticities of demand and supply • price fluctuations might act as an incentive for countries to diversify and/or develop manufacturing and tertiary industries • possibility of government intervention to stabilise farmers' incomes e.g. through the introduction of a buffer stock scheme.	**(25)**

Knowledge, application and analysis		
Level	Marks	Descriptor
	0	A completely inaccurate response.
Level 1	1 - 4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5 - 8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9 - 12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13 - 16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Marks	Descriptor
	0	No evaluative comments.
Level 1	1 - 3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4 - 6	Evidence of evaluation of alternative approaches which is unbalanced, leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7 - 9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Microeconomic effects: • understanding of the impact of depreciation of the *real:* • Brazilian exports will be cheaper abroad, leading to higher demand while imports into Brazil will be more expensive resulting in a decrease in demand • primary producers: export revenues may fall since demand for many primary products is price inelastic • increase in costs for firms reliant on imported raw materials • increase in competitiveness for Brazilian exporters of manufactured goods. Macroeconomic effects: Brazil's currency depreciated by 20% in 2013 • this should increase the competitiveness of its goods and services and lead to an improvement in the current account of the balance of payments • this could lead to an increase in employment • cost push inflation • there is an increase in the real burden of foreign debt.	

	Possible evaluation points include: • 20% depreciation is significant but much depends on whether this is sustained in the medium term • impact on individual Brazilian producers depends on their reliance on imports and/or exports • inflation is a problem so any competitive advantage may be lost quickly. (Depreciation raises the cost of imported raw materials and goods) • impact on current account will depend on whether the Marshall-Lerner condition is fulfilled • Also: short run and long run effect on the current account may be analysed using the J curve effect.	**(25)**

Knowledge, application and analysis		
Level	Marks	Descriptor
	0	A completely inaccurate response.
Level 1	1 - 4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5 - 8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9 - 12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13 - 16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Marks	Descriptor
	0	No evaluative comments.
Level 1	1 - 3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4 - 6	Evidence of evaluation of alternative approaches which is unbalanced, leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7 - 9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Q6.

Question Number		Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge and Analysis** • Definition of exchange rate: price of one currency in terms of another (1) • Possible reasons: – Reduction in QE by USA **(K):** likely to cause a rise in interest rates in developed economies and less demand for the currencies of emerging economies **(A)** – Slow-down in the Turkish economy **(K):** likely to cause a fall in confidence and a decrease in foreign direct investment and less demand for the currencies of emerging economies **(A)** **Application**: Reference from Figure 1: (2) 14% fall in value of the Turkish lira over the whole period	**(5)**

Question Number	Indicative content	Mark
(b)	**Knowledge 2, Application 2, Analysis 4** • understanding of *inflation:* general increase in the average price level Costs of inflation include: • arbitrary redistribution of income from lenders to borrowers • loss of international competitiveness of Argentine goods • uncertainty causing a fall in investment • industrial unrest: reference to impact of strike by the police • menu costs and shoe leather costs • danger of hyperinflation if the current inflation is not brought under control.	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(b) continued	**Evaluation 4** • current inflation rate may be a short-term phenomenon only • impact of competitiveness depends on inflation rates of countries that Argentina trades with • Argentine government is taking measures e.g. price controls to reduce the rate of inflation • impact on living standards depends on what is happening to wages	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number		Mark
(c)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge and Analysis** • Restrictions on beef exports caused a fall in demand and in the price of beef (**K**). In turn, this made it less profitable to produce beef. (**A**) (2) • Soya production becoming more profitable because of growing demand from China (**K**). Therefore, farmers reallocating resources from beef production to soya production. (**A**) (2) **Application** • 10 million fall in the stock of cattle (over 10 years) to 48 million in 2011. • Exports accounted for 20% of beef production in 2007, but have fallen to just 7% in 2013 (2) **Evaluation** 2 marks for any valid point: • Some farmers may find it difficult to switch production from beef to soya because of the costs involved and/or unsuitability of the land • Farmers might think that government restrictions on beef exports may be short-term so they will not switch from beef to soya.	**(8)**

Question Number	Indicative content	Mark
(d)	**Knowledge 4, Application 4, Analysis 8 Evaluation 9** Microeconomic effects: • supply and demand diagram illustrating the impact of maximum prices: contraction in supply and extension of domestic demand • shortages of products subject to price controls • need for rationing • greater price stability for producers • implications for resource allocation: producers will switch resources to the production of products not covered by price controls. Macroeconomic effects: • falling export revenues from beef sales • negative impact on Argentina's balance of trade • could cause fall in the rate of economic growth • negative implications for Argentina's economic development • fall in the rate of inflation • price controls might act as an incentive for producers to diversify and/or develop manufacturing and tertiary industries. Possible evaluation points include: • impact of price controls depends on how rigorously they are enforced • producers may not reallocate resources to products not subject to price controls if they believe that they will only exist for a short time • impact on the balance of trade may be minimal, e.g. because of the increase in exports of soya • impact on the rate of inflation may be limited to the short-term: once price controls are removed the rate of inflation might increase significantly	**(25)**

Knowledge, application and analysis		
Level	Marks	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on a small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
Level	Marks	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning. Evaluation recognises different viewpoints and can be critical of the evidence provided.

Question Number	Indicative content	Mark
(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Microeconomic effects: • primary producers: export revenues may fall since demand for many primary products is price inelastic • increase in costs for firms reliant on imported raw materials • increase in competitiveness for Argentine exporters of manufactured goods. Macroeconomic effects: • increase in the competitiveness of Argentine's goods and services may lead to an improvement in the current account of the balance of payments • increase in the rate of economic growth • leading to an increase in employment • cost push inflation resulting from increased costs of imported goods • increase in the real burden of foreign debt. Possible evaluation points include: • impact on individual Argentine producers depends on their reliance on imports and/or exports • demand for some products, e.g. soya may not be adversely affected because demand is increasing rapidly in China • inflation is very high so any competitive advantage may be lost quickly. Impact on current account will depend on whether the Marshall-Lerner condition is fulfilled • short-run and long-run effect on the current account may be analysed using the J curve effect • the current account will only improve if the Marshall-Lerner condition is fulfilled, i.e. if the sum of the price elasticity of demands for imports and exports is greater than 1	**(25)**

Knowledge, application and analysis		
Level	Marks	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on a small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
Level	Marks	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning. Evaluation recognises different viewpoints and can be critical of the evidence provided.

Q7.

Question Number	Indicative content	Mark
	Knowledge 4, Application 4, Analysis 8, Evaluation 9 Understanding of economic development. Understanding of interventionist strategies. Possible strategies may include: • Investment in education and training to develop human capital • Investment in healthcare to develop human capital • Protectionism to promote economic growth (one dimension of development), allow diversification away from primary product production, earn tariff revenue, prevent dumping/protect domestic standards • Managed exchange rates to promote international competitiveness which leads to economic growth (one dimension of development), allow diversification away from primary product production • Infrastructure development • Promoting joint ventures with global companies to benefit from R&D, training, higher quality products, employment opportunities • Efforts to reduce corruption and increase good governance • Policies to redistribute income, leading to less income inequality, e.g. increased use of progressive taxation and transfer payments • Buffer stock schemes to give producers guaranteed minimum prices incentivising them to invest, and to give consumer guaranteed maximum prices allowing them to afford goods	
	Possible evaluation points include: • How to finance strategies/opportunity cost of government spending • Some strategies will only be effective in the long run • Some strategies may only be effective for a limited amount of time (e.g. protectionism) • Evaluative discussion of the different dimensions of economic development • Policies to redistribute income may lead to capital flight, or otherwise slow the rate of economic growth • Difficulties associated with buffer stock schemes • remove buffer stock point • Possible trade-offs between growth and environmental impact. **NB For a Level 4 response, candidates must refer to a developing country in their answer.**	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1 - 4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5 - 8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9 - 12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13 - 16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1 - 3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4 - 6	Evidence of evaluation of alternative approaches which is unbalanced, leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7 - 9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Q8.

Question Number	Indicative content	Mark
	Knowledge 4, Application 4, Analysis 8 Evaluation 9 **NB Candidates may refer to countries imposing protectionist policies themselves or facing protectionist policies from other countries** Effects might include: • Falling output and living standards (analysis based on the law of comparative advantage and empirical evidence of countries following protectionist policies) • Prices increase for consumers and welfare (analysis based on tariff diagram) • Levels of unemployment • Economies of scale for firms • Analysis based on AD/AS – e.g. on inflation • Retaliation by other countries	

	Evaluation points • Depends on the type of protectionism. Quotas might be compared/contrasted with tariffs, for example • Depends on whether the country is in a trade bloc or is exporting to trade blocs. Award other consideration of changes in the patterns of trade • Short run/long run effects, e.g. dumping might have short term benefits and long term costs • Extent of the country's dependency on world trade • Extent of increase in protectionism for the particular country • After the recession the protectionism might start to fall again, or comparison with the 1930s protectionism after the Great Depression • Fear of WTO might mean that protectionism is more insidious. Answers might consider relative success of WTO because rulings are more closely adhered to even if there are more incidences of protectionism, numerically • Justification for protectionism, e.g. inability to change exchange rates, retaliation • Questioning the figure (from Global Trade Alert) – it includes forms other than traditional protectionism, e.g. subsidies to domestic researchers **NB For a Level 4 response, candidates must refer to developing economy in their answer.**	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Q9.

Question Number	Indicative content	Mark
	Knowledge 4, Application 4, Analysis 8, Evaluation 9 Understanding that oil has a macroeconomic consequence through the effect on the net trade component of AD and/or shifting the costs of production for all firms as SRAS or LRAS shift. Possible macroeconomic consequences may include: • An increase in overall economic activity (real GDP) as the cost of production decreases for businesses, especially for those that are heavily dependent on oil inputs. Application, e.g. a 10% fall in oil prices boosts growth by 0.1 to 0.5 percentage points. • Some sectors such as agriculture, air transport, services involving other travel and oil-intensive manufacturing sectors will benefit as the price of their key input falls. • Benefits for consumers, e.g. real household incomes after essential costs also rise as oil prices fall, which may increase consumer spending, ***but this is not automatically awarded as a factor increasing AD***. The connection involves two possible mechanisms: overall consumer prices fall as cost savings are passed on to households which spend more in domestic markets, and real wages increase as demand for labour rises in fast-expanding sectors. • Oil importing countries e.g. S Korea can stop subsidising energy, enjoy reduced external debt • As a result of growing economic activity, government tax revenues may rise as the tax take from corporate and personal income taxes increase • The fall in the oil price should also have a small impact in narrowing the UK trade deficit. • Application, e.g. prices have fallen by over 75% in 18 months	

	Possible evaluation points include: • Problems for oil producers, with macro effects on employment, tax revenue etc. • The problems in the financial sector – stock markets respond by seeing most prices collapse, especially fuel producers, and stock markets might collapse • Increased external debt for oil exporting countries (and gas, as gas prices are also falling) e.g. Russia, Venezuela • Negative effect on consumer confidence, political instability with impact on markets • Reduced research into new exploration of oil • Reduced investment into new technologies to replace oil ($380 billion) • Externalities might increase or decrease (depending on effect on carbon fuels, fracking firms etc) • Depends on how long the oil prices stays low, and who much further it went/will go • Risks from 'sectoral stagnation' in developed economies or continued problems in the Eurozone e.g. the oil and gas extraction sector is negatively affected by the reduction in the oil price • Government experiences declining tax revenues from the oil and gas sector. **NB For a Level 4 response there must be a logical connection for a change in aggregate demand – do not automatically award an increase/decrease in AD.**	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Q10.

Question Number	Answer	Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge:** 2 marks for identification of how intervention might work e.g. • Raising/lowering interest rates (1) which affects exchange rates/hot money flows (1) • Buying/selling foreign currencies (1) which affects their exchange rate (1) • Buying/selling domestic currencies (1) which affects their exchange rate (1) • Quantitative easing/changing the money supply might be used (1) • Sets a ceiling and floor (1) **Application:** 2 marks for data references e.g. • Use of Figure 1 to show interest rate changes: e.g. central bank rose rates to 6.25 percentage points in 2018 (1) which caused the lira to appreciate 11% (1) lira has lost a third of its value against the dollar in 2018 (1) • Use of text to give example of Turkish government buying and selling: e.g. the country is highly indebted on foreign currency (1) • This might be shown by an exchange rate diagram (1)	

	Analysis: 1 mark for explanation e.g. • Process by which the intervention affects exchange rate/interest rate e.g. the government buys US dollars to decrease the price of Turkish lira (1) by increasing the supply of lira on the forex market (1) or raises interest rate in increase the price of Turkish lira (1) **NB a diagram can be seen as application or analysis, if used in a valid context.**	**(5)**

Question Number	Answer	Mark
(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/ implicit understanding:** 2 marks (1+1) for each reason and explanation e.g. a lower exchange rate can: • Reduces financial risks • To bring stability/security in the economy • Harms borrowers who have borrowed in foreign currency • Causes inflation as import costs rise • Worsens the terms of trade • Worsens living standards • Short term J-curve effects on current account of the Balance of Payments **Application:** (2 marks: 1+1 or 2) • Turkish inflation 25% • Lira has lost a third of its value of US dollar 2018 (1) • Turkey is highly indebted in foreign currency (1) • Government takes measures against excessive appreciation or depreciation of the Turkish lira to reduce financial stability risks (1) • The financial market faces difficulties in trying to restore *foreign investors'* confidence (1)	

	Analysis: 2 marks (1+1) for linked development of each point e.g. • A weaker currency can lead to cost push inflation as import prices rise • A weaker currency worsens the terms of trade as export prices fall relative to import prices • There will be less investment if there is a loss of foreign investors' confidence/AD shift **Evaluation** (2 marks: two points 1+1 or 2). Points might include: • Inflation is very high (25%) so this should be main reason not to allow a fall in the exchange rate • Inflation is showing signs of reversing so a fall in the exchange rate may be less problematic • Problems caused by inflation might be outweighed by the other benefits such as export-led growth/improved competitiveness • Benefits of weak exchange rate, e.g. exports cheap, • Other benefits of weak currency e.g. stimulus of economy, increased competitiveness, higher employment and FDI	**(8)**

Question Number	Indicative content	Mark
(c)	**Knowledge 2, Application 2, Analysis 4** **Knowledge/implicit understanding:** Policies identified might include: • Indirect tax/charges • Ban or other regulation • Free bags/nets or other state provision • Fines • Behavioural economics policy **Application:** • Tax or charge on each item. Might be illustrated through a specific tax diagram or similar. • Ban in some parts of Turkey for specific types (carcinogenic black bags). Might be supported by a limit on supply diagram. • Fines for consumers and retailers in some parts of Turkey • Free bags/nets or other state provision in e.g. 20 000 in Corlu near Istanbul • 950 tonnes of plastic waste **Analysis:** • Explanation of process linking the intervention to the reduction in use of bags. • This might be shown through a diagram(s).	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(c) continued	**Evaluation 4** • Charges work in other countries, e.g. UK • Emerging economies/countries might have more problems facing the cost of interventions e.g. inequality issue, poverty • The problem is much wider than plastic/single use bags, and the interventions will only affect a few on-street purchases • Likely to succeed because it taps into the social conscience of consumers and even a small charge may have a dramatic impact as in the UK • The tax/charge makes up a small proportion of income so many have minimal impact. PED is very inelastic/close to zero • Unintended consequences: e.g. multiple-use/ bags for life often contain more plastic and unless used many times can be more environmentally damaging • First paragraph suggests they are everywhere so given habitual behaviour people may continue to use them despite charges/ tax • opportunity cost of giving away 20 000 bags in a month – is this socially efficient?	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
(d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** 16 marks for KAA, for effects of increased interest rates. Microeconomic effects may include: • Fixed costs to firms will rise. May cause shut down/loss of competitiveness • Fall in consumer demand as consumption expenditure falls - likely reduction in AR for normal goods • Other costs to consumers/firms/a government e.g. increased burden of debt and loan repayments/servicing costs • Fall in investment by firms - reducing dynamic efficiency in the economy as less funds for R&D • Impact on Turkish housing market Macroeconomic effects may include: • Link between higher interest rates and lower investment and lower consumption- reducing AD: inward shift of AD (or slowing outward shift) with multiplier effects with macroeconomic impacts e.g. unemployment • Rise in the value of the lira – worsening of current account of the Balance of Payments – possibly with effects on other countries • Redistribution of income e.g. from borrowers to savers/lenders, from asset holders to renters • Cost of financing public deficit/debt (may refer to opportunity cost) may mean less government spending elsewhere, e.g. limited ability to spend on education **NB for a Level 4 response there must be micro and macro effect (s). Income distribution, investment changes and competitiveness, for example, can be used as either micro or macroeconomics.**	

	9 marks for evaluation – points might include: • Interest rate might not be the most significant cost for firms • Contractionary monetary policies already very tight. Depends on the interest rates in other markets • Inflation has peaked and there are signs that it will fall so the rise in interest rates is not necessary • Trade-off between objectives or prioritisation e.g. lower inflation at the cost of higher unemployment might be shown with critical use of a Phillips Curve • Depends on interest rates in other markets- do we mean lending rates in other countries. • Turkey's private sector is resilient - they may refer to this explaining that shut down is less likely • Impact on housing market will depend on whether people own homes and are mortgaged or whether they rent, or whether mortgage is fixed or variable rate • Magnitude the interest rate change - Figure 1 suggests large increases and therefore significant impact/large changes are unable to have much further effect	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** 16 marks for KAA, for effects of increased infrastructure spending Microeconomic effects may include: • Wages higher • Improved infrastructure affects firms e.g. businesses' fixed or variable costs fall as transport costs fall • Investment seen to boost business confidence, lead to further investment and spending within firms • External benefits/external costs associated with the project - especially given the size, number of runways and amount of traffic outlined in Extract C. • External economies of scale • Accept answers based on impact on costs and/or revenues if the building occurs in the private sector, with appropriate diagram Macroeconomic effects may include: • Redistribution of incomes • Outward shift of AD/injection (I or G) into circular flow (or further outward shift in AD) with multiplier effects, with macroeconomic impacts e.g. employment and incomes rising • AS shift right with a movement in capacity of the productive economy shown (Keynesian or Classical AS) • Fiscal loosening – effects of increased budget deficit if funded without increase in tax • Effects of a rise in tax, if linked to government decision to raise tax to fund the projects	

	NB for a Level 4 response there must be micro and macro effect (s). Some factors could be seen as micro or macroeconomics, such as a rise in tax, increased FDI, redistribution and confidence. Up to 9 marks for evaluation. Points might include: • Opportunity cost of spending on infrastructure e.g. schools, or higher taxes, • Crowding out – financial or resource • Might be a white elephant project • Depends on relations with EU/other countries as to whether the airport will reach full capacity • Depends on the size of the multiplier effect • Depends on the state of the financial sector • True costs not accounted for - externalities ignored • Large projects require a lot of coordination and getting behind schedule putting lives at risk. • Difficulty in placing value on external benefits and costs associated with the project	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Q11.

Question Number	Answer	Mark
(a)	**Knowledge 1, Application 2, Analysis 2** Calculate 2011 total: 10.29m X $123 = $1 265.67 million (2) Calculate 2012 total: 10.55m X $83 = $875.65 million (2) Change = $1 265.67 million – $875.65 million = -$390.02 million / 390.02 million Award full 5 marks for correct answer Award 4/5 marks for $390.02 **N.B. When interpreting graph:** For 2011 allow range of values: 10.25m - 10.35m For 2012 allow range of values: 10.5m – 10.6m	**(5)**

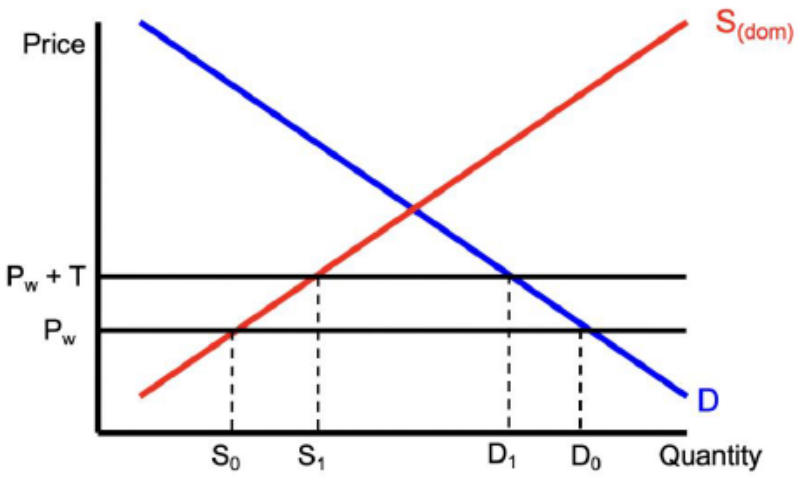
Question Number	Answer	Mark
(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/Understanding:** Likely benefits identified (1+1), e.g. • Increase in size of workforce (1) • Increase in consumption (1) • Increase in government tax revenue (1) • Increase in economic output of the country (1) **Analysis:** Linked development of each factor (1+1), e.g. • Increase in AS as country now has a larger workforce so can produce more (1) • More consumers creates more demand for Rwandan firms, increasing AD and economic growth (1) • More government spending on education/infrastructure to further improve AS (1)	
	Application: 2 marks (1+1) for reference to the data/candidates' own knowledge, e.g. • Population grew from 10.8m in 2013 (1) to 11.4m in 2015 (1) • Population grew by 5.6% from 2013 to 2015 (2) • Rwanda's GDP grew by almost 9% in 2015 (1) • Absolute poverty declined by 20 percentage points from 2001 to 2014 (1) **Evaluation:** 2 marks for two evaluative comments OR 2 marks for identification and linked development of one comment Evaluative comments (1+1), e.g. • Larger population may increase unemployment if number of jobs do not also increase (1) • Government expenditure on providing education, health, etc. may increase (1), cancelling out benefits from extra tax revenue (1) Impact on AD/AS may be shown diagrammatically	**(8)**

Question Number	Indicative Content	Mark
(c)	**Knowledge 2, Application 2, Analysis 2,** • Aid has fallen from around $103 per capita to around $91 • Less funding for supply-side policies such as improvements to education, which may impact Rwanda's 'near-universal primary school enrolment' and healthcare- perhaps slowing the fall in child mortality, which has dropped by two-thirds • Less injections into Rwanda's circular flow of income/less aggregate demand in Rwanda • Fall in standard of living in Rwanda • Less investment/capital accumulation (Harrod-Domar model) • Reduction in support to lift people out of absolute poverty- perhaps absolute poverty won't fall further than the 39% it was in 2017 • Less funding for schemes to reduce inequality • Increase in Rwanda's budget deficit/national debt as government attempt to make up for shortfall in aid funding	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

Question Number	Indicative Content	Mark
(c) continued	**Evaluation 4** • Private investment may have increased over time • Government may now be more capable of funding education/healthcare schemes • Significance of fall in aid funding • Aid money increased the following year • Absolute poverty decline 59% to 39% 2001 to 2014 (or other references to extract B) suggesting there is less need for aid	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative Content	Mark
(d)	**Knowledge 2, Application 2, Analysis 4** Likely impacts might include e.g.: • Increase in price of imported textiles • Lower standard of living • Loss of consumer surplus- e.g. higher prices of clothing for consumers • Increased producer surplus • Rwandan firms (e.g. factory in Kigali from extract A) able to sell at higher prices, therefore increased profits • tariff revenue can be used to subsidise clothing retailers/ provide consumers with healthcare and education • Risk of retaliation from other countries such as USA **NB To access Level 3 there must be an accurate diagram, for example:**  	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative Content	Mark
(d) continued	**Evaluation 4** • Depends on elasticity of demand for imports • Significance of increase in tariff • Increase in employment in domestic textile industry would benefit consumers • Domestic producers may still be unable to compete with significantly cheaper used clothing imports	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(e)	**Knowledge 3, Application 3, Analysis 3** Policies the Rwandan government could use include: • Subsidising textile manufacturers to purchase new machinery to increase efficiency • Improve infrastructure, e.g. roads & ports, to make it easier/cheaper for Rwandan firms to export their clothing • Increased education spending to improve efficiency of workforce • Investment in cheaper renewable electricity for factories to reduce their costs • Deregulation to increase efficiency • Reduce corporation tax to encourage firms to invest more • Incentives to encourage FDI into Rwandan manufacturing industry **NB: Do not award discussion of import tariffs**	**(9)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(e) continued	**Evaluation 6** • Opportunity cost of government spending- money could have bigger impact on Rwandan economy if invested in other industries or used to improve public services • Rwanda should focus on industries where it has a comparative advantage, not textiles • Time lag for policies to have any significant impact • Risk of corruption, e.g. funding for construction projects may not be spent where it was intended • Highly educated workforce may emigrate to more developed countries that offer higher wages	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Q12.

Question Number		Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge/understanding and analysis:** Oligopoly (1) OR Legal monopoly (1) OR Monopoly only if monopoly POWER is implied e.g. using CR calculation (1) OR Duopoly only if duopoly POWER is implied e.g. using CR calculation (1) AND Understanding of market structure identified, e.g. a market *dominated by* a few firms, or *interdependent* (1) Explanation of the process linking to the market structure to the action of firms e.g. high concentration means that firms may exhibit collusion, price rigidity, use of non-price competition, profits are not competed away (1)	

	Application (1+1): 2 marks for data references from Figure 1 and other sources (at least 1 mark must be related to Figure 1) e.g. Others 29% • Concentration ratio calculation e.g. 2 firm CR is 44% 3 firm CR is 53% 4 firm CR is 60% 5 firm CR is 66% 6 firm CR is 71% (2) • Costa (31%) is >25% market share (2) • Strong brand names, brand logos e.g. Caffè Nero and Costa (1) have been dominating the UK market Fig. 1/Extract A (1) • Market power is likely to be high (1) with reason e.g. consumer loyalty (1) shown in Figure 3 as price differences tolerates/illustrate market power (1) coffee has price inelastic demand (1) so people are prepared to pay more (1)	**(5)**

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Question Number	Indicative content	Mark
(b)	**Knowledge 2, Application 2, Analysis 4** **Pricing strategies** - must be linked to ***profit***, and may include: • Price leadership/price matching – some brands seem very similar in pricing e.g. use kinked demand theory • Predatory pricing • Limit pricing (with view to higher future profits) • Price wars (with view to higher future profits) • Collusion/collaboration - reward the use of game theory/pay off matrix to support this • Undercutting close rival e.g. Costa (with view to higher profits) • Also award, if linked to profit: sales max, exploiting economies of scale, cost cutting, or competitive pricing linked to elastic demand, price rises and/or price discrimination	
	Non-pricing strategies – linked to ***profit***, might include: • Loyalty schemes, e.g. Starbucks only allow its own cup for reuse in store, • Paying for central and expensive locations for stores • Opening up new stores near to competitors to undermine the competition, e.g. at a London location there are many competitors • Closing down non-profitable stores as rationalisation policy • Strengthening the brand by advertising • improving reputation for recycling washable cups/fair trade coffee, sharing with other brands not just Starbucks coffee cups which can be washed in store and re-used • Extension of product range • Focus on quality **NB Award collusion and BOGOF-style approaches as either pricing or non-pricing strategies.** **NB For a Level 3 answer, there must be both price and non-price strategies, and reference to the context of *profitability* of *Starbucks*.**	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(b) continued	**Evaluation 4** • Weighing up of reasons for using price or non-price competition, e.g. • Not likely to use price competition - e.g. better to collude and keep higher joint profits. • Non-price competition can have very uncertain results/be expensive • Effects in the short run and long run might vary e.g. rising costs lead to falling profits, but long run demand rises leading to better results • Relative effectiveness of measures e.g. limit pricing may be static in long run and predatory pricing changes when other firms leave • Some of these strategies are illegal and could lead to fines, which might reduce overall profitability • Unstable nature of game theory equilibria • The effectiveness of the competition authorities might be considered e.g. regulatory capture • Depends on the strength of brand loyalty • Limitations of loyalty schemes, e.g. cost, consumer behaviour.	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number		Mark
(c)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge (1+1)** e.g. • Fall in consumption of non-renewable products (1) • Rise in tax revenues (1) • Reduction in external costs/greater environmental awareness (1) • Soft touch regulation/allows consumer choice (1) **Application (2 or 1+1)** e.g. • Use of reusable cups as a means of reducing demand for disposable cups (i.e. a substitute, Extract C) (1) • Extract B – 5p charge is a small proportion of £2.60 (1) • 85% reduction in plastic bags (1) • This might be illustrated through the use of a correct supply curve shift, e.g. a fall in consumption or production of cups on x axis (1) **Analysis (1+1)** e.g. • Indirect taxes may raise prices (1) • Increases in costs of production (1) • Link between unit tax, tax revenue and reduction in demand for cups (1) • A supply and demand diagram showing an indirect tax (supply shift upwards/leftwards) or an externalities diagram might be used (1) • tax revenue could be used to subsidise other products, e.g. recyclable cups (1)	

	Evaluation (2 marks for any relevant point or 1+1). Points might include: • It depends if the tax is passed on to the consumer • Other policies may be considered e.g. new recycling specialist facilities, regulation • PED might be used, e.g. a 5p tax on the price of a £2.60 coffee might have very little effect on demand, or, a cup of coffee may be a small percentage of consumer income, depends on the availability of substitutes • Regressive nature of the tax – has a greater effect on lower incomes • Other approaches considered, e.g. subsidising reusable cups as in Ext B changing the technology in the recycling **NB award two advantages. A diagram can be credited as analysis or application (1+1) up to 2 marks in total.**	**(8)**

Question Number	Indicative content	Mark
(d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** **Microeconomic influences may include:** • Level of demand or expected demand, prospect for profit • Cost of labour, minimum wage, spare capacity in the labour market • Rent/land prices • Contestability of market/barriers to entry e.g. how long and it takes and ease of setting up business • Legal system and other legislative issues • Property rights • Extent of regulation • Existing PED • Brand loyalty • Sunk costs **Macroeconomic influences may include:** • Levels of competitiveness e.g. price and non-price, which might relate to competitiveness ranking, e.g. infrastructure, human capital, institutions • Macroeconomic environment, e.g. inflation • Membership of EU or other trade bloc issues • Value of currency • Level of corporation tax. • Transfer pricing possibility, as outlined in Extract A, as impact on profitability (not costs) • Level/rate of national income/economic growth and spare capacity/unemployment • Growth of household incomes in different countries, e.g. Chinese coffee shops are the most profitable, growing quickly in number • Strength and stability of local economy • Political and social stability	

	NB competitiveness, corporation tax, incomes, unemployment and contestability can be seen as a micro or macro approach. • Possible evaluation points include: • Factors might balance each other out • Changes in tax rates, e.g. government cutting corporation tax significantly • Starbucks is starting to report UK profits – perhaps it has had too much negative publicity from the low profit tax paid, Extract A reduction by a third in sales at Starbucks. Also it is moving headquarters from Netherlands to UK • Different influences affect different firms	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic factors. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced, leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** **Microeconomic effects may include:** • Effects on consumers – e.g. higher prices (or lower prices if increased competition), more consumer spending on high street. Might include PED, YED (this might be developed as evaluation) • Effect on workers – higher incomes, more jobs • Effect on firms, e.g. increase in profits, revenue/decrease for independent non-branded coffee shops; cost of employing specific skilled workers e.g. baristas or other factors of production • Increase negative externalities e.g. more coffee cups • External economies of scale e.g. ancillary services such as cup manufacturers **Macroeconomic effects may include:** • Increased employment in service industry • Balance of payments e.g. outflow of profits to Starbucks • Effects on primary product producers • AD increase, negative/positive multiplier effects (local businesses might lose out to branded supermarket coffee outlets), inflation/growth • Tax implications e.g. transfer pricing • Income inequality • Environmental impacts	

	NB environmental impacts, labour markets, taxation or incomes can be seen as a micro or macro approach. **Evaluation points may include:** • Extent of negative externalities depends on whether new processing plants for cups are set up/how alternatives are produced. • Depends on the extent of the increase in demand, PED, YED, XED – and if other areas are seeing declines. • Depends on the size of the multiplier • Depends on the level of spare capacity (LRAS for example) • Depends on growth levels, point at which AD and AS meet (if Keynesian approach) • Depends on the performance of other firms • Depends on the extent to which local shops are displaced • Depends on the extent to which substitution can occur – e.g. people drink coffee instead of going to pubs • Depends on degree of profit repatriation, remittances, transfer pricing • Depends on whether coffee shops extends consumption spending or replaces demand for something else which might have different benefits/costs	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic factors. The answer demonstrates logical and coherent chains of reasoning.

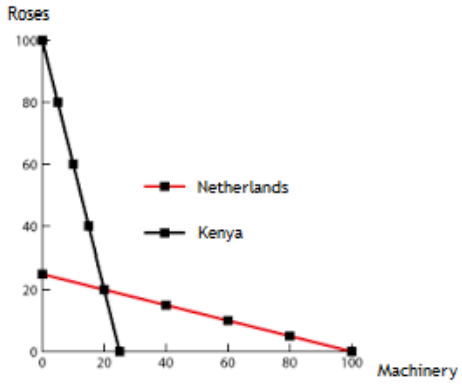
Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced, leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

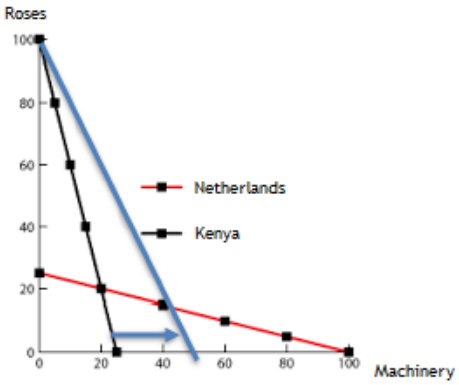
Q13.

Question Number	Indicative content	Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge and analysis: up to 3 marks.** **Points might include:** • Lewis model suggests that countries dependent on agriculture would see productivity gains and growth if they moved to industrialisation • unproductive agriculture moves to more productive and profitable manufacturing • reference to law of diminishing returns, e.g. farming has a very low marginal productivity • surplus labour moving to industrial production has very low opportunity cost • productivity gains in industrialisation means that the sector can grow (linear growth model) • dual economy of rural agriculture and urban manufacturing/reference to migration/mobility of labour • model of structural change e.g. increasing the industrial sector rather than agriculture • growth in industry and manufacturing can be achieved without reducing agricultural • everyone becomes better off than they were • movement away from subsistence sector (non-market transactions/informal sector/hidden economy) **Application (2 marks for 1 point, or 1 + 1)** e.g. • flower farming is more productive than traditional farming, and involves higher skills and technology than other agriculture • industrialisation can still involve agriculture • 'do more manufacturing or stay poor' • 'industries without smoking chimneys' • Kenya and processing of flowers • well paid jobs with greater opportunities	**(5)**

Question Number	Indicative content	Mark
(b)	**Knowledge 2, Application 2, Analysis 2 Evaluation 2** **Knowledge/implicit understanding of two factors, which could either improve or worsen development** (1 + 1) e.g. • health care issues e.g. child mortality rates/changes in number of children • falling birth rate • fertility changes/other reproductive issues • increased life expectancy • higher school enrolment/literacy rates/other education • urbanisation • falling dependency ratio • larger population • larger workforce • declining family size **Application:** (1 +1 or 2): e.g. • Figure 2 shows 53.7 million population in 2020 • Kenya's population has doubled over the last 25 years, to about 40 million people (Fig 2) • due to high fertility in previous decades, there are many more families in Kenya today (Ext E) • life expectancy is projected to increase from 54 years today to 68 years by 2050 (Ext E) • only 6% over age 60 (Ext E) **Analysis** (1+1) Development of points made, **must make reference to development not just growth (might be implicit)** e.g. • higher literacy rates/life expectancy may mean higher productivity, greater employment opportunities • there are more people of working age relative to people who depend on them, so living standards will improve • smaller families will make it easier to borrow so there will be more investment to increase opportunity for firms to set up • falling birth rates mean savings are higher so there will be more opportunities to improve living standards	**(8)**

	Evaluation (2 marks for any relevant point, or two points 1 +1): e.g. • the population is rising very rapidly • changes will be seen over time • higher working population now is a benefit, but there might be a demographic time bomb when this generation is over 60 • comments about the relative significance of the factors/combination of factors	

Question Number	Indicative content	Mark
(c)	**Knowledge 2, Application 2, Analysis 4** **Knowledge and analysis** • more flowers with a lower average cost than another country **Application** • heating costs make Dutch flowers more expensive to produce despite lower transport costs to the UK • high altitude with cool nights • proximity to equator and sunlight hours • cheaper labour • end to seasonal production • 365-day a year absolute advantage • application marks may be awarded on the diagram/table • Creates additional employment (100,000 directly and two million indirectly) **Analysis** Example of analysis:  Diagram showing outward shift in Kenya's PPF e.g.	(8)



Numerical analysis e.g.

Output, per unit of resources:	Flowers	Machinery
Kenya	100	25
Netherlands	25	100

Output, after specialisation:	Flowers	Machinery
Kenya	200	0
Netherlands	0	200

Leads to growth: this might be shown by an outward shift of the PPF, or use of output table, e.g.

Output, per unit of resources:	Flowers	Machinery
Kenya	100	100
Netherlands	100	100

NB for a Level 3 response there must be at least one valid diagram or numerical example clearly linked to costs absolute or comparative advantage (i.e. relative costs/opportunity costs)

Other analysis:

- countries can focus all of their production in one product and swap/trade it for a greater quantity of the other good.
- Kenya may benefit from economies of scale as they produce more
- enables larger exports and GDP
- example of before and after output and then gains from trade e.g. pre-trade 125F and 125M, after trade (full specialisation) 200F and 200M, so gains from trade = 75F and 75M

- terms of trade lie between opportunity cost ratios
- calculation of a suitable terms of trade e.g. F=2M, meaning Kenya can swap 200F for 400M

NB allow reference to comparative advantage also countries could have both absolute and comparative advantage. Allow diagrams/tables showing both concepts.

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(c) continued	**Evaluation 4** • limitations of the model e.g. immobility of factors/trade barriers, transport costs, more products/trade conflicts or dependence between countries in the world/can average costs be easily compared/are there constant returns to scale? • if energy costs change then the absolute advantage might be eroded • monopsony buyers e.g. supermarkets make a huge advantage and erode any benefits for Kenya • global health crisis has reduced international flights so costs have risen/no spare capacity on flights • other factors that could have a more significant impact on growth e.g. interest rates • only 1% of GDP so may not be that significant • short run/long run considerations e.g. in changing from one type of production to another	**(4)**

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Microeconomic effects of decreasing interest rates • lower costs to businesses, so fixed costs fall and increase competitiveness. May be shown using a cost/revenue diagram • greater credit for businesses to expand/invest in R&D and gain dynamic efficiency • higher consumer demand as consumption increases; greater consumer surplus • impact on Kenya's housing market • Mr Matsiko in Ext G pays 22% not 7%, and there is a large information gap for lenders (asymmetry of information in credit markets) • labour market effects (derived demand) • lower prices for consumers • less available credit (so less investment, dynamic efficiency etc) Macroeconomic effects may include: • lower saving (unlikely in the context) but easier to borrow, so consumption and investment increases; hence AD rises with multiplier effects. May be shown using AD/AS analysis or diagram • lower exchange rates – improvement in current account position of BOP, with effects on competitiveness and trade • lower cost of financing public deficit/debt may mean greater government spending elsewhere • redistribution of income, e.g. from savers/lenders to borrowers • impact on LRAS/PPF over time if investment continues to grow **NB for a Level 4 response, there must be micro and macro effect(s). Income distribution, investment changes and competitiveness, for example, can be used as either micro or macroeconomics.** **NB if there is no reference to a developing country then award a maximum of Level 3 KAA.** **NB Effects in KAA could be used as evaluation and vice-versa. Counter-effects may be used as evaluation.**	**(25)**

	9 marks for evaluation – points might include: • interest rate is not the only cost for firms e.g. depends on how much the interest rate costs are as a percentage of costs overall • impact on real output depends on level of spare capacity/elasticity of LRAS/other components of AD • the central bank rate is not the rate that individuals can access • degree to which the factors might be a success • depends on other countries' interest rates are (relative competitiveness issue) • fixed interest rates and other short term/long term issues • interest rates are low in Kenya compared to other sub-Saharan countries • impact on borrowers will depend on whether people have assets or collateral • magnitude/pattern of the interest rate change	

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1 - 4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5 - 8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9 - 12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13 - 16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Microeconomic strategies may include: • state provision or tax relief to encourage increased job opportunities • other attempts to encourage private production e.g. flower firms benefit from airport improvements • methods to improve value of workers' output e.g. vocational training at school, or improving student attendance • disease prevention and cures e.g. polio vaccine • infrastructure • skills • technology • government intervention e.g. minimum wage or subsidies Macroeconomic strategies may include: • trade liberalisation e.g. promote international trade, e.g. absolute advantage means there are gains from international trade but currently 90% flowers are from the Netherlands • privatisation – the flower industry is private • information and health assistance to lower birth rate • development of human capital, e.g. better healthcare in other areas, spending on education and skills • increased FDI by shoring up capital markets • aid • debt relief • microfinance **Accept standard government/international institution/NGO policies to promote macroeconomic stability or growth if linked to development e.g. fiscal policy aimed at reducing inequality**	**(25)**

	NB for a Level 4 answer there must be reference to Kenyan data or another developing country **NB many strategies such as vaccines, tourism, education/skills, privatisation, microfinance, supply side policies or infrastructure could be counted as macro or micro** **NB Counter-effects can be counted as strategies or evaluation** 9 marks for evaluation – points might include: • There is a limit to what strategies can influence, e.g. health and education, if for example children are needed as a social insurance policy • Global health crisis has affected poor countries more profoundly • Comparison or contrast with another developing country or a more economically developed country e.g. as an example of how population growth can be limited	

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13 – 16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

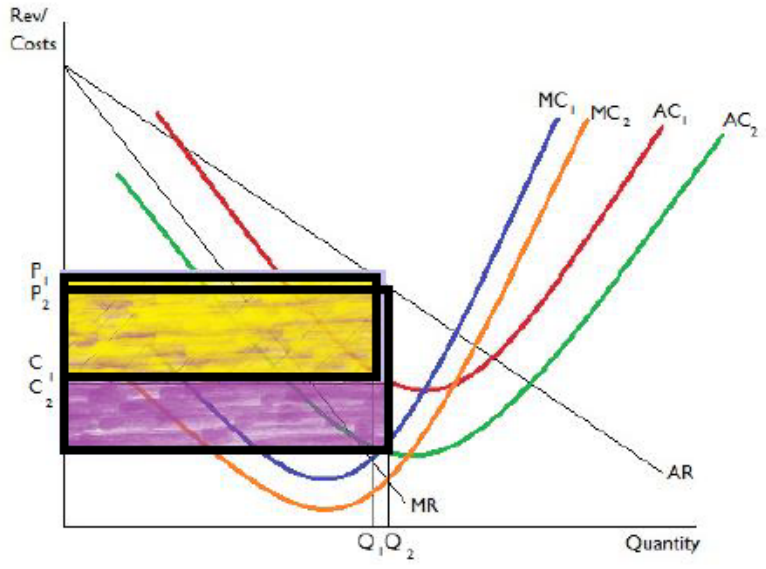
Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4 – 6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7 – 9	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Q14.

Question Number		Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge and analysis:** • Terms of trade definition or formula e.g. index of export prices / index of import prices x 100 (1) • Import prices have risen (1) (e.g. because exchange rate fell) relative to export prices (1) • Import prices stay constant (1) relative to main export prices falling (1) • Fewer imports can be bought for the same amount of exports (2) **Application** 2 marks for e.g. • It is likely to have worsened (1) • Coal is the main export (1), 11% of revenues (1) • Export prices/commodity prices have fallen Figures 4 & 5 e.g. coal prices have fallen Fig 4 (1+1) • Export price of coal has fallen from US$125 to US$50 per tonne (1+1) • The exchange rate (rupiah) has fallen (1) 30% (1) **NB award application if the answer says that the terms of trade falls, goes down, or that it is a negative change**	**(5)**

Question Number		Mark
(b)	**Knowledge 2, Application 2, Analysis 2 Evaluation 2** **Diagram (2) Reserve 2 marks for costs and revenue diagram.** This can be awarded as 2 application marks or 1AN + 1AP. **Knowledge and analysis (1+1): e.g.** • Increasing efficiency resulting from investment lowers costs for firms **(K)** which means AC falls – might also show fall in MC **(A)** • Profit increases **(K)** with new area shown on diagram linking the new MC=MR with the AR and new AC **(A)** **Application (2 or 1+1):** answer relates to the output of farmers increasing relative to input, e.g. Productivity of each farm increases (1) as rice output doubles (1); Plans for 65 dams, 16 already under construction (1) Or: 'two harvests a year' (1) means more output from same fixed land/factor (1)	

Diagram e.g. shows a decrease in AC (if fixed costs) or decrease in AC and MC (if variable costs) e.g. as shown below. The diagram must be **consistent** with the description, although shift/non shift in MC might be implicit.



- 1 mark for correct shift in cost (relevant to answer given) and
- 1 mark for new correct profit area shown.

Diagram may show a fall in costs and/or an increase in revenue **if linked** to double the number of harvests, or a decrease in revenue **if linked** to falling worldwide prices, more firms entering the market. Diagram may be perfect competition.

	Evaluation (2 marks for any relevant point, or two points 1+1) • The investment is taking many years and may not be completed • Governments might increase tax on farmers to compensate for increased costs of dam investment • The farmers might face other increased costs as output rises e.g. law of diminishing returns • There may be more efficient and effective ways of increasing output, e.g. better technology, fertiliser • Increased world supply could lower the price per unit, and with low PED the revenue and therefore profit could fall.	**(8)**

Question Number	Indicative content	Mark
(c)	**Knowledge 2, Application 2, Analysis 4** • Specific impact on Indonesia: ○ Recovery from the Tsunami / financial crisis (Extract D); ○ impact of reconstruction investment; ○ impact on the likely poverty trap that many Indonesians will find themselves in; ○ the impact of the cash transfer; ○ the long term problems of conditional loans; ○ the long term impact of constructing two new power stations (via Japan's development agency) ○ lack of tax revenue due to inefficient tax collection and low tax base (10%) Ext E. • Aid is the transfer of resources on concessional terms – allow wide variety of aid e.g. from international institutions such as the IMF/World Bank, from NGOs, concessional loans (interest paid is below market rates, or with softer repayment conditions than in free market) • Aid is being used to pay for education and health, transfers of cash, $2.3 billion a year • Consideration of macro effects, e.g. multiplier effects, shifts in AD, equality • Consideration of development theory, e.g. Harrod-Domar, plugging the savings gap / foreign exchange gap	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(c) continued	**Evaluation 4** • Aid can lead to moral hazard, over-dependence, corruption, poor governance e.g. Ext E tax incentives offered by Mr Widodo might widen inequality • Dependency theory might be use to show the problems of aid • Alternative to aid e.g. debt relief, microfinance, investment by TNCs, loan from the World Bank • Conditions attached to aid may have negative consequences, e.g. not clear that the loans offered in Extract D are concessionary, or interest rates may still have a high opportunity cost • Aid may be more effective if used in conjunction with supply side measures • The concessionary loans need to be paid back, Extract E. These can increase a country's indebtedness and exposure to risk, and could affect government finance, where tax collection is inefficient and tax base (10%) is small.	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** **Microeconomic effects might include:** • Producer revenue from exports is volatile from primary products. Firms might close down when prices fall. • Other primary product dependency arguments – a diagram showing low PED and PES might be used. • Labour market – impact on wages and employment • Diagram showing effects on revenue, consumer/producer surplus, price, profits might be used • Local firms might go out of business **Macroeconomic effects might include:** • Balance of payments problems – Prebisch-Singer (declining terms of trade) might be used for products such as coal in reference to falling prices (NB this only addresses part of the volatility issue) • Government finances – the government might rely on export taxes • Primary product dependency/over-dependence on one sector can cause problems if natural disaster or changes in worldwide demand, e.g. China slowdown • Dutch Disease impact on exchange rate – e.g. higher value of rupiah when coal prices rise • Increased use of protectionism • Inflation (Extract E) • Limits investment (might link to Harrod Domar model) • Limits government and private expenditure on health and education	

	NB Accept infrastructure, labour markets, tax incentives, inequality and poverty as micro or macroeconomics, if developed appropriately. **NB for a Level 4 answer there must be reference to the context of *Indonesia* and *volatility.*** **Evaluation points might include:** • Degree to which GDP is dependent on commodity exports. Data suggests Indonesia GDP has not suffered as much as other countries from the fall in commodity/coal prices (Extract E) and Figures 4 and 5 • Depends on the PED and/or YED of importing countries for the specific commodities • Fiscal expansion (Extract E) has offset the effects of falling prices • There may be no alternative to primary product dependency/Lewis model is flawed • Comparative advantage argument • The reduction in prices might be short term/there are benefits to rising prices/depends if it is just one commodity which distorts the exchange rate for other commodities ('Dutch disease') • Buffer stock schemes • Financial markets can help limit effects, e.g. through futures contracts • Improved infrastructure can help farmers be more aware of price trends and take products to markets at high prices	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic factors. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced, leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** **Microeconomic effects might include:** • on firms e.g. from quicker planning approvals, tax incentives locating to special economic zones, better roads and ports • improved quality of labour force e.g. from education and health reforms (Extract D) • lower bureaucratic costs • lower prices as competition increases **Macroeconomic effects might include:** • lower inflation (might be shown by rightwards or downwards shift of LRAS) • improved balance of payments as exports improve • infrastructure improvements attracts FDI • indirect increased AD via G, I or X, and multiplier effects • increase in real GDP	
	NB Accept infrastructure, labour markets, tax incentives, inequality and poverty as micro or macroeconomics if developed appropriately. **NB for a Level 4 answer there must be reference to the context of *Indonesia*.** **Evaluation points might include:** • impact will depend on success of policies – may refer to previous underinvestment in the Extract E, or higher investment in neighbouring countries • Some supply side policies conflict with other policies, e.g. fiscal and there is a fiscal constraint by law (Extract E) • depends on whether supply side policies are interventionist or market-based as to whether there will be an inflationary effect, crowding out effect etc. • labour market still appears to be inflexible (Extract E) • collecting tax to pay for the capital spending or repayment of loans can have negative impact, e.g. government failure, aid dependency	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic factors. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced, leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Q15.

Question Number	Answer	Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge and analysis (3):** • Definition of opportunity cost as the next best alternative foregone (1) • Governments have to pay interest (1) at the expense of other expenditure (1) • Servicing means paying back interest and minimum capital requirements (1) e.g. to prevent a default, loss of confidence, other repercussions (1) • The debt is external (1), and in this case owed by governments as they have been borrowing from abroad (1) • Use of PPF to show opportunity cost may be awarded as analysis (1) **Application (2 marks for 1 point, or 1 + 1)**: e.g. • Debt service payments above 20% of G (1) are unsustainable (Extract D) (1) • £20billion raised 2010-2015 (Extract D) (1) • Commodity prices soaring and foreign loans available' (Extract D) (1) • 'Heavy repayment schedules at a time of low commodity prices' (Extract D) (1) • Governments have taken to 'private debt too eagerly' (Extract D) (1) • 'Median level of debt risen from 34% to 48% in 2017' (Extract D) (1) is heavy because of 'low tax base' (Extract D) (1) • High levels of poverty – half of the 26 million people (1), so many feel the effects of reduced government expenditure (Extract E) (1) • 'non-existent tuna fleet' or other hidden debt (Extract D) or corruption (1) at the expense of other government spending (1) • Opportunity costs applied to any developing country, e.g. spending on poverty alleviation, education and health spending or recent cyclone April 2019 (1). **Award a maximum of 1 application mark if there is no reference to Extract D**	**(5)**

Question Number	Answer	Mark
(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge**/implicit understanding of **two** reasons why manufacturing firms stay small, **(1+1)** e.g. • Size of market/lack of access to export markets/low export earnings due to lack of demand • Absence of economies of scale, or insufficient incentive or ability to grow (apart from access to financial) • Problems of human capital, e.g. lack of educated workforce • Lack of infrastructure making expansion into new areas difficult, or small markets • Actions of foreign firms to foster dependency • Government or international actions to make it hard for firms to grow • Lack of TNC involvement in Mozambique/volatility of currency/capital flight • Firms want to remain close to customers- meet needs with specific goods. • Firms might be manufacturing niche products with inelastic demand and high-income elasticity • Small firms more able to manufacture and sell through selling online and have small assets. • Perfect / monopolistic competition characteristics, e.g. low barriers to entry • Non-economic factors, e.g. natural disasters, political tensions, drought • Cost of finance, cost of servicing loans, financial economies of scale and scope. Do not allow **access** to finance.	

	Application (1+1 or 2): e.g. • Further depreciation of the metical (Extract E) • Lack of economic stability (Extract E line 26) • Slowdown in FDI (Extract E) • Depressed global demand (Extract E) • Low levels of employment in the sector (Extract E) may imply lack of skilled workers • High interest rates (Fig. 2 and Extract E line 14) • High import costs (Extract E line 15) • Needs urgently to improve its investment environment and confidence (Extract E line 17) • Large scale emigration (Extract E) • High numbers of people 'below the poverty line' (Extract E line 6) mean the market/incomes are small • 'Economic dependence on South Africa' (Extract E) may limit prices/market power of firms.	

	Analysis (1+1) • Development of each point, up to 1 mark for each valid factor **Evaluation** (2 marks for any relevant point, two points 1+1): • The development of the gas fields (Extract E) will 'transform the economy' • Pick up in coal and electricity (Extract E) which are probably larger firms and may have impact on manufacturing • may consider whether this is because of choice or lack of opportunity • Long term 'prospects are promising' (Extract E, line 20) e.g. sustainable agreement, gas fields production in 2020s or other initiatives such as trade blocs **NB Cost of finance, financial economies of scale etc are allowed. It is only ACCESS to finance e.g. unavailability of microfinance, savings gap, loss of external lenders which is excluded.** **NB Access to finance *may* be credited as part of the evaluation but not as KAA**	**(8)**

Question Number	Indicative content	Mark
(c)	**Knowledge 2, Application 2, Analysis 4** • Microfinance meaning and role • Plugs the savings gap / Harrod-Domar model • Enables firms to be set up – fixed or start-up costs • enables firms to invest in human capital and overcome primary product dependency • Use of Figure 3 to illustrate size and importance of microfinance operations • Use of Extract F – e.g. '100 000 borrowers', many new business start-ups which could not have gained finance from any other source', 'unfulfilled demand for microfinance' • How borrowers benefit – small firms can be set up or expanded, allowing firms to gain capital and materials to set up businesses, provide more employment, lead to improved living standards • Borrowers lack collateral so cannot borrow from banks in the normal way • The money is in small amounts £200 to £300, paid back regularly and over a short period of time, on which basis the firm forms a business plan for which the lender will approve or advise • Microfinance allows firms to form without the stigma of aid or the dependence of FDI • Use of cost/revenue analysis to support arguments (perfect/monopolistic competitive market) • Macro analysis (AD/AS) must link back to borrowers, e.g. increased standard of living, allows firms to expand/invest **NB For Level 3, answers must link to borrowers** **NB The answer can take the form that there are more costs than benefits as part of the KAA, using the benefits as the evaluation**	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(c) continued	**Evaluation 4** • Use of Figure 2 to show high base rates and Figure 3 to show average 75% APR on microfinance • Large potential for expansion (Extract F) • May encounter lack of demand as more than half of the population live below the poverty line • Weak infrastructure does not allow borrowers to access markets • Alternatives to microfinance could be considered, e.g. aid, FDI, debt relief • Reasons why microfinance can be damaging to borrowers, e.g. pressure on women (98% of borrowers), over-indebtedness, poor guidance given to borrowers, macro-finance is needed for economies of scale, people borrowing multiple times, for uses which are social not business orientated. • Large numbers of people setting up similar businesses/highly competitive e.g. food stalls, so profits tend to be low/need for dynamic efficiency • Funds from private banks very different from NGOs – banks might be more cautious, and therefore more likely to succeed, might be better advice, support from specialists, softer terms from either institution might lead to moral hazard	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Microeconomic influences may include: • Labour force and other demographic factors e.g. emigration of skilled/educated workers, disease, low life expectancy • Small firms with low levels of capital • Low levels of personal saving/high levels of personal debt • Primary product dependency • Volatility of commodity prices • Debt – although do not award access to credit and banking. Allow arguments based on dependency or opportunity cost, for example • Lack of infrastructure/other capital • Absence of property rights • Non-economic factors e.g. natural disasters, social problems • Joint ventures with global companies Macroeconomic influences may include: • Trade liberalisation – may refer to tariffs or trade agreements • Role of FDI e.g. the tuna fleet cover-up dries up FDI • Government policy failure, e.g. weak expansion in fiscal policy, high interest rates, lack of subsidies, privatisation, interventionist strategies, e.g. management of exchange rate, buffer stocks • Actions of other international institutions e.g. IMF or NGOs • Macroeconomic stability, e.g. rate of inflation (might refer to Figure 2), rate of economic growth, exchange rate (metical at a 'new low')	

	Possible evaluation points include: • Degree to which the factors are inevitable • Signs of improvements in passages • Some factors are temporary, e.g. fall in commodity prices such as coal and drought affecting production and exports to other countries within Africa **NB Do not award KAA for arguments based on ACCESS TO credit and banking, although this approach is permitted as part of the evaluation** **NB for a Level 4 response there must be micro and macro factors (s). There must be reference to both growth and development for Level 4**	

	PPD/ Harrod-Domar/ debt/ aid/ debt relief/ cost of credit/ non-economic factors/currency issues / competitiveness index can be used as micro or macro.	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic factors. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
(e)	**Knowledge 4, Application 4, Analysis 8** **Evaluation 9** Microeconomic effects may include: • On people with debt (better off) and savings (worse off) • On people with fixed incomes – may refer to falling real incomes • On firms' profits, e.g. that face rising costs and if they cannot raise prices they will face falling profits, or falling sales as consumers delay purchases. This might be illustrated with cost/revenue diagrams. • On firms' costs if they face rises in interest rates as a policy corollary of high inflation, which might lead to lower profits. This might be illustrated with cost/revenue diagrams. • Opportunity cost, e.g. effects on a government's spending if costs of servicing debts fall • Effect on labour markets e.g. people might work more hours to cover increased cost of living **NB do not award fall in profits or revenue or rise in costs unless a valid chain of reasoning is given** Macroeconomic effects may include: • International competitiveness and balance of payments, between African countries and with the rest of the world. Exports likely to fall and imports likely to rise • Distribution of income and wealth • Confidence and investment in financial markets • Policy responses, e.g. rises in interest rates and effects on AD • Shift in AS and/or AD may be used as part of the analysis • High inflation might deter Investment and FDI	

	NB do not award rise in unemployment/fall in growth unless a valid chain of reasoning is given Possible evaluation points include that the effect depends on: • Whether wages rise in line with inflation • The degree of inflation, and the policy and international responses. • The PED of countries buying the African exports • The PED of importing countries as imports become relatively cheap	

	• Whether African countries are trading with each other the effects of inflation may be cancelled out e.g. use of Figure 2 to show neighbouring countries with higher inflation rates • Whether asset prices rise as to the redistributive impact • Depends on whether this is a long-term inflation problem- could be short term e.g. linked to commodity price rises. Only a problem if it is sustained. • The figures are in one month in July 2017 and may not reflect inflation story for full year. Time series data may be more useful. • Depends on the type of inflation – e.g. cost push or demand pull. • Impact on exchange rates e.g. higher inflation may erode the value of the currency. This might cancel out the impact on competitiveness **NB for a Level 4 answer there must be reference to the context of African countries (not just one)** **NB for a Level 4 response there must be micro and macro effect (s). Costs/ shift in PPF/ currency/labour markets/competitiveness etc. can be used as micro or macro.**	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic factors. The answer demonstrates logical and coherent chains of reasoning.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Q16.

Question Number	Answer	Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge/Understanding:** Up to 2 marks for e.g. • Absolute poverty: Lacking basic necessities to survive (1) • Relative poverty: Relatively poor compared to rest of your country (1) **Application:** Up to 2 marks for e.g. (1+1 OR 2) • Absolute poverty: World Bank definition: $1.90 a day (1) PPP values (1) • Relative poverty: 60%/50% (1) below median household income in your country (1) • Reference to Figure 1 or Extract A/B (1+1) **Analysis:** Up to 1 mark for e.g. • Absolute poverty can decline at the same time as relative poverty is increasing (1) • There may be relative poverty in a country but not necessarily absolute poverty (1)	**(5)**

Question Number	Answer	Mark
(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/Understanding:** Relevant factors identified (1+1), e.g. • Level of education • Level of healthcare • Level of infrastructure • Level of trade • Capital flows • Civil war • Drought • Poor governance • Liberalisation of trade/tariff cuts **Analysis:** Linked development of each factor (1+1), e.g. in Sub-Saharan Africa • Relative lack of education means a less skilled and therefore less productive workforce (1) • Relative lack of healthcare means people spend more time absent from work with illnesses and therefore reduces productivity (1) • Relative lack of infrastructure makes it more difficult and therefore expensive to move goods around the country to markets (1)	

	Application: 2 marks (1+1) for reference to the data/candidates' own knowledge, e.g. • Extract B: two thirds of 780 million illiterate adults are women • Extract B: poor people- more malnutrition, lower odds of receiving health care • Absolute poverty has declined far more rapidly in East Asia than Sub-Saharan Africa **Evaluation:** 2 marks for two evaluative comments OR 2 marks for identification and linked development of one comment Evaluative comments (1+1), e.g. • Significance of different factors • Improvements will only occur in the long term	**(8)**

Question Number	Indicative Content	Mark
(c)	**Knowledge 2, Application 2, Analysis 4** Possible policies might include e.g.: • Fiscal policy: increase people's disposable incomes, increase employment and so reduce downsides of low wages and unemployment due to foreign competition. A more redistributive tax/welfare system to reduce inequality/poverty caused by globalisation. • Expansionary monetary policy: cut in interest rates, rise in availability of credit, allows businesses to borrow for investment to help combat increased foreign competition. • Supply side policies, e.g. improved education, healthcare, infrastructure, etc.: Improvements in these will boost productivity and this boost GDP as well as meaning firms would be more likely to be able to pay higher wages. Higher productivity would enable firms to better compete with foreign competition in the form of lower prices. Candidates may discuss in the context of developed or developing countries **NB To access Level 3 there must be reference to two valid macroeconomic policies, apart from protectionism**	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative Content	Mark
(c) continued	**Evaluation 4** • Impact of expansionary fiscal policy on budget deficit • If business confidence is low, expansionary monetary policy may not lead to increased borrowing for investment • Supply side policies may not be effective in the short run or have public sector cost implications • Effectiveness of policies, e.g. lack of consumer confidence	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative Content	Mark
(d)	**Knowledge 2, Application 2, Analysis 2,** • Incentive to work hard in order to receive higher reward will help increase economic growth which can result in reduced absolute poverty • More innovation due to the profit motive for firms and inventors leads to more competitive industry and faster economic growth • Lower taxes or less redistribution may encourage entrepreneurs to relocate to the country • Reference to rising living standards in a largely market based economy, e.g. UK, US **NB Arguments for or against the benefits of inequality can be taken as KAA or evaluation**	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

Question Number	Indicative Content	Mark
(d) continued	**Evaluation 4** • Inequality reduces consumer confidence so less consumption, increase in saving. Aggregate demand may fall as a result. • Excessive inequality can lead to more crime, poorer healthcare, etc. • Low pay can act as a disincentive to seek employment and economic growth suffers as a result. **NB Arguments for or against the benefits of inequality can be taken as KAA or evaluation**	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(e)	**Knowledge 3, Application 3, Analysis 3** The role of the financial sector in the growth and development in developing countries includes: • facilitating saving so banks have more funds for lending, facilitating investment and therefore growth • promoting lending to enable more investment in the economy • exchanging currencies- enabling firms to imports parts and materials- often more cheaply- and also enabling them to export - helping to increase size of their market • providing a market for equities • Harrod-Domar model • Microfinance • Central banks/international organisations **NB For a Level 3 response candidates must refer specifically to growth/development in a developing country/countries/regions**	**(9)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(e) continued	**Evaluation 6** • Clear rule of law required for financial sector to develop • Risk of corruption • Risk of market failure in financial marketss • Lack of financial literacy in developing countries may limit potential • Other factors may play a larger role, e.g. healthcare, infrastructure, education	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Q17.

Question Number	Answer	Mark
(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge/Understanding:** Up to 2 marks for e.g. • Guaranteed minimum price (1) • Reduced fluctuations in income/price (1) • Fairtrade farmers/growers/suppliers receive a higher price for their crops (1) • Fairtrade 'premium' paid to farmers/growers/suppliers (1) • Extra financial support for farmers/growers/suppliers (1) • Increased income/profit for farmers/growers/suppliers (1) **Application:** Up to 2 marks for e.g. (1+1 OR 2) • 44% of Fairtrade premium was spent on improving business administration and infrastructure • 45% was spent on investing in farm equipment, training, and funding • Price volatility for farmers • Fragile incomes for farmers • Fluctuating world cocoa prices • Diversification into other crops • Median annual income for cocoa farmers in Ivory Coast of US$2 600/not a living income • Even tripling farm output would not provide a cocoa farmer with a living income **Analysis:** Up to 1 mark for e.g. • Fairtrade is designed to support people in developing countries (1) • Farmers can use additional income to invest into their business (1) • Fairtrade is democratic in the sense that farmers can choose how to spend their Fairtrade premium money (1) • Alternative to aid using the market system (1)	**(5)**

Question Number	Answer	Mark
(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/Understanding:** Relevant methods identified (1+1), e.g. • Diversification • Invest in technology/machinery • Improved use of resources • Increased processing of cocoa beans within the country **Application:** 2 marks (1+1 OR 2) for reference to the data/candidates' own knowledge, e.g. • World cocoa prices plunged by more than a third in 2017 • Average cocoa farm yields only half of what could be achieved • Fertilisers/replanting/tractors to increase output/yield • Diversification into livestock/other crops • Producing chocolate bars from cocoa beans	
	Analysis: Linked development of each factor (1+1), e.g. • Diversify into other crops to reduce impact of fluctuating prices • Machinery can speed up harvesting and reduce labour costs • Fertiliser can increase output of cocoa so farmers have more to sell • *Adding value* by processing beans **Evaluation:** 2 marks for two evaluative comments OR 2 marks for identification and linked development of one comment Evaluative comments (1+1), e.g. • Significance of different methods • Improvements will only occur in the long term • Increasing cocoa yields will further reduce cocoa prices	**(8)**

Question Number	Indicative Content	Mark
(c)	**Knowledge 2, Application 2, Analysis 4** • Fluctuating prices make it hard for farmers to plan ahead for future purchases of seeds, equipment, etc. and will discourage investment into the farm to improve productivity • Falling cocoa prices reduce profits for farmers • Falling cocoa prices reduce the Ivory Coasts' terms of trade, affecting their ability to buy important imports such as capital equipment • Fluctuating current account • Cocoa is over half of Ivory Coast's exports and thus is a significant part of the country's economy and changes will have a big impact on AD **NB For a Level 3 response candidates must refer specifically to Figure 2**	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative Content	Mark
(c) continued	**Evaluation 4** • Ivory Coast has comparative advantage in cocoa (climate, soil, etc.) so they should specialise in this to maximise output • Growth of schemes such as Fairtrade will help in the future	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative Content	Mark
(d)	**Knowledge 2, Application 2, Analysis 2,** Possible policies might include e.g.: • Supply-side policies to improve productivity such as improved education or healthcare will make workforce more efficient and thus reduce per unit costs to better compete with cheaper imports (allow more than one supply-side policy) • Deregulation policies (e.g. labour laws) to reduce production costs for firms and therefore they will be able to compete on price with other African countries better • Investment in infrastructure to reduce transport costs for exporters • Subsidies provided by the government to help firms adjust to new competition, e.g. could be used to purchase new, more efficient machinery • Demand-side policies such as reduction in taxes on businesses to reduce their costs and increase competitiveness on price	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

Question Number	Indicative Content	Mark
(d) continued	**Evaluation 4** • Education investment will take a long time until those students enter the workforce • Opportunity cost for the government of investment • Potential side effects of wage-related policies	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(e)	**Knowledge 3, Application 3, Analysis 3** • Trade creation as a result of joining the trading bloc • Increased specialisation & trade for countries & their firms, following theory of comparative advantage so total output of the economy can increase. Could potentially be explained diagrammatically or with a numerical example • Higher incomes for workers in the countries thanks to increased demand for the country's exports pushing up wages • Increase in jobs as domestic firms now have much larger market to sell their products to, improving standard of living for citizens of the countries **NB For a Level 3 response candidates must refer specifically to benefits for sub-Saharan African countries**	**(9)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
(e) continued	**Evaluation 6** • Trade diversion resulting in loss of efficiency as trade switches to less efficient producers within the trading bloc • More integration means financial crises will spread more quickly across the trading bloc • Loss of output due to cheaper competition from lower wage cost countries	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Q18.

Question Number	Answer	Mark
(a)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/Understanding:** Up to 2 marks for e.g. • Enabling growth/prevent recession • Providing temporary loans/credit • Promoting economic stability • Promoting international monetary cooperation • Promoting exchange rate stability **Application:** 1 mark for relevant example e.g. • $57bn lent to Argentina • Money helps to stabilise currency • Money enables Argentinian government to continue repayments on its debt • Other relevant examples **Analysis:** Up to 1 mark for e.g. • Countries such as Argentina relied on IMF as it would be too risky for financial markets to lend to them • IMF will insist on reforms to economy as part of financial assistance	**(4)**

Question Number	Answer	Mark
(b)	**The only correct answer is B** ***A*** *is not correct because that refers to an increase in the value of the currency* ***C*** *is not correct because that refers to direct intervention in the currency markets* ***D*** *is not correct because that refers to an increase in the value of the currency*	**(1)**