PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



MARK SCHEME

UNIT 4: GROWTH AND DEVELOPMENT IN DEVELOPING, EMERGING AND DEVELOPED ECONOMIES

SCORE	PERCENTAGE
/302	%

STEMUP

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Mark Scheme

Q1.

Question	Answer	Mark
	Knowledge 2, Application 2, Analysis 2 **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and Analysis** Up to 2 marks for identifying two benefits and up to two marks for linked explanations showing the benefits of the growth in the number of tourists, e.g.: • Likely to increase AD as a result of increase in FDI **(1)** which could lead to increase in economic growth via the multiplier **(1)** • Create employment as tourism is a labour-intensive industry **(1)** raising incomes/living standards, and therefore increasing HDI/ economic development **(1)** • Increased tax revenues for the government from higher profits, incomes, expenditure by the tourists **(1)** may be used to reduce fiscal deficit/fund spending on public services **(1)** • Helps attract FDI by TNCs **(1)** who might invest in infrastructure, hotels and associated services, increasing LRAS **(1)** • Important source of foreign exchange **(1)** as tourists spend on goods/services provided in the local economy and this helps fill the foreign exchange gap **(1)** • Improvement in the balance of payments position **(1)** through the inflows into the capital and financial account as a result of the FDI / inflows into current account as a result of tourists spending **(1)**	
	Application Up to 2 marks for application to tourism, e.g.: • Figure1: the number of tourist arrivals increased from 0.99m in 2013 to 1.34m in 2017 **(1)** • Real GDP growth rose from 3.3% in 2013 to 3.9% in 2017. This was mainly a result of significant growth in the tourism sector **(1)** • Earnings from tourism exceeded $1 billion **(1)** • Sector is expected to grow by an average of 6% every year between 2018 and 2023 **(1)** • Tourism contributes nearly 7% of Mauritius' GDP **(1)**	**(6)**

Q2.

Question	With reference to Extract A, analyse **two** benefits of Indonesia's increasing population to its economy. **Answer**	Mark
	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two benefits and up to 2 marks for linked explanations, e.g.: • Larger pool/supply of workers **(1K)** will put downward pressure on wages, reducing firms' cost of production and export prices / exports become more internationally competitive **(1AN)** • Increased tax revenue for the government **(1K)** can be used for spending on other areas, e.g. human capital and infrastructure to reduce labour immobility **(1AN)** • Increased consumption/consumer spending **(1K)** leads to higher real output and economic growth as AD will increase **(1AN)** • Increased productive potential **(1K)** resulting in the PPF shifting to the right / rightward shift in LRAS **(1AN)** • May give greater access to skilled labour **(1K)** which is likely to increase productivity **(1AN)** **Application** Up to 2 marks for application to Extract A (1+1): • In 2022 Indonesia had a population of 276 million people **(1)** • Population was the largest in Southeast Asia **(1)** • Population had increased by 26 million since 2012 / from 250 million in 2012 **(1)** • Population increased 10.4% **(1+1)** • Relatively young population **(1)** • Real GDP increased by 5.3% **(1)**	**(6)**

Q3.

Question	Analyse why Thailand **and** Singapore 'are experiencing low rates of economic growth' (Extract A, line 22). **Answer**	**Mark**
	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, application and analysis** 1 mark for identifying one reason for each country and one mark for each linked explanation and application, e.g.: • Thailand: ○ the rate of inflation is rising faster than the GDP growth rate / fall in real income **(1AP)** results in a ○ fall in consumption/consumer demand/consumer spending **(1K)** causing ○ AD/real output to decrease **(1AN)** • Singapore: ○ slowdown in China's economy **(1AP)** leads to a ○ fall in exports to China/less imports from China/fall in net exports **(1K)** ○ resulting in a decrease in AD/real output/injections into the circular flow of income **(1AN)** **NB Decrease in AD/real output can be shown on an accurately drawn and labelled diagram**	**(6)**

Q4.

Question	Evaluate the likely benefits to a developing country of joint ventures between local businesses and transnational companies as a means of promoting economic development. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Understanding of joint ventures • Understanding of economic development

	Benefits may include: • Allows sharing of costs with TNCs – could gain internal economies of scale thus reducing cost of production and export prices, leading to growth: this raises government revenue for investment in infrastructure/human capital • Local businesses could gain access to resources including technology human capital and finance – investment in R&D/innovation allows for economic development by improving access to the internet • Risks are shared as the firms contribute a portion of the resources needed, lowering financial burden of R&D. The risk of the product and the project failing and having negative impact on profits is lower - firms will undertake more investment in technology and infrastructure, leading to development • Access to newer/wider geographic markets, customer bases and larger distribution networks: increasing output and exports, hence increased employment, incomes and standard of living • Increase in allocative efficiency – new range of products, lower price and higher quality, making goods attractive in export markets: raised demand for exports, hence increased employment, incomes and standard of living • An increase in government tax revenues which could be spent on health and education, so improving HDI and therefore economic development • Positive externalities – other local businesses benefit from skill transfer as workers move to their businesses, capital transfer, multiplier effects as workers of the joint venture spend money in the wider economy leading to higher living standards **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer** **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Depends on the number and size of the joint ventures taking place • Impact on economic development is likely to be large as there has been a "significant increase in the number of joint ventures between local businesses and transnational companies" • Impact depends on the industries which experience a rise in joint ventures and their contribution to the country's GDP • If joint ventures use large quantities of capital rather than labour, then the improvements in skills/incomes will not be achieved • It takes much time and effort to build business relationship with TNCs; if there are conflicting business objectives it may not enable growth and development: leading to firms reducing their investment • Diseconomies of scale – communication and coordination issues may arise; costs increase, and export prices may rise, leading to low exports • A joint venture is only temporary arrangement with TNCs: once this ends investment may decrease and hence economic development may not be sustained for a longer time period due to reduced infrastructure/technology spending • Success of joint ventures with TNCs depends on business objectives – may not allow firms to invest in R&D, thus restricting economic development • Any extra tax revenues generated from joint ventures may not be used to promote economic development e.g. they may be used on defence • If tax incentives are offered to the joint venture/TNC this is likely to reduce the tax revenues earned and the ability to improve health and education

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q5.

Question	Answer	Mark
	Application 2 Quantitative skills assessed: **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes. **Application** Up to 2 marks for calculations: • (1.34m – 0.97m) / 0.97m x 100 **(1)** • 38.14 **(1)** **Award full marks for the correct answer (38.14, 38.1, 38)**	**(2)**

Q6.

Question	With reference to Figure 1, calculate the increase in the price of coal between January 2020 and April 2022. You are advised to show your working. **Answer**	**Mark**
	Application 2 Quantitative skills assessed: **QS5:** Calculate and interpret index numbers. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • 500 - 100 **(1)** • 400% **(1)** **NB** Award 2 marks for correct answer (400%) **NB** Award only 1 mark for 400 without % sign	**(2)**

Q7.

Question	With reference to the information provided, examine **two** problems arising from the dependence on copper for the Zambian economy. **Answer**	Mark
	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and Analysis** Up to 2 marks for knowledge of two problems, and 1 mark for linked expansion of each problem • Price fluctuations/ volatility **(1)** makes it difficult for copper producers to plan output, employment and investment **(1)** • Deterioration of public finances **(1)** as tax revenues are heavily dependent on copper, so a fall in price would lead to a fall in government revenue **(1)** • Worsening of Zambia's terms of trade **(1)** with reference to the Prebisch-Singer hypothesis **(1)** • Deterioration in current account of BOP **(1)** if copper price falls and remains low, export earnings would fall as Zambia is heavily dependent on copper **(1)** • Fall in the rate of economic growth **(1)** as fall in exports causes a fall in AD, leading to lower real output **(1)** • Higher barriers due to political tensions **(1)** reducing exports **(1)** • Higher external costs **(1)** due to pollution from copper mining **(1)** • Stock level of copper, a non-renewable resource, is likely to be depleted **(1)** reducing the government's tax revenue **(1)**	

	Application Up to 2 marks for application to sources, e.g.: • Use of Figure 1 to show fluctuating copper prices **(1)** • Real GDP growth decreased from 4% in 2018 to 2% in 2019 **(1)** • More than 25% of its tax revenues **(1)** • Copper contributes to 30% of Zambia's GDP **(1)** • 70% of its foreign exchange earnings **(1)** • Increased trade tensions between the USA and China led to a decline in the global demand for copper **(1)** **Evaluation** Up to 2 marks for evaluative comments: • When copper prices are high, revenues would be high improving public finances; **(1)** may be used to improve public services **(1)** • When copper prices are high, export earnings are high, improving the balance of trade **(1)** which may be used to purchase imports of other goods/services so helping to increase living standards **(1)** • Zambia may have gained revenue from FDI in copper industries, when prices were rising **(1)** This would help achieve growth in GDP before the fall in the price, and thereby widening the tax base **(1)** • A fall in copper prices is likely to cause depreciation of *kwacha* **(1)** which may provide incentives to diversify into other industries **(1)** • Despite its dependence on copper it has grown to middle income/ fastest growing economy in Africa **(1)** where real GDP grew by an average of 7.5% per year **(1)** • Copper significantly contributes **(1)** to Zambia's GDP, tax revenues and foreign exchange earnings, so the impact will be large **(1)**	**(8)**

Q8.

Question	Discuss economic factors, apart from primary product dependency, that may constrain Zambia's economic growth. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (8 marks) – indicative content** • High inflation rate – "rose from 7.5% in 2018 to 9.2% in 2019": leads to uncertainty and reduces investment as the demand for exports fall as a result of relatively higher export prices • Higher interest rate – "raise the base interest rate by 1.75 percentage points to 11.5%": increases the cost of borrowing and reward for saving reducing consumption and investment, hence real output and economic growth • Higher interest rates could lead to currency appreciation against South Africa's currency, resulting in a fall in net trade and lower real output • Poor human capital – "The quality of education, healthcare … has also been weak": leading to lower productivity and lower potential output • Poor infrastructure – "The quality of … infrastructure has also been weak": increases unit costs and relative export prices as efficiency decreases • Foreign exchange gap – the "falling foreign currency reserves caused by debt servicing and low production in the copper mining sector": Zambia will find it hard to import capital goods for investment reducing potential growth • Debt – funds being diverted towards "debt servicing" instead of being used to improve potential output, e.g. human capital and infrastructure

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	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. Answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content • High inflation rate impact will depend on inflation rates in trading partners • Impact on the *kwacha* would depend on the price elasticity of demand for exports and imports; reference to Marshall-Lerner condition • Foreign exchange gap could be filled through debt relief – "falling foreign currency reserves caused by debt servicing": may not be significant • Higher base interest rate of "11.5%" could control inflationary pressures • TNCs are likely to have access to unskilled labour – "Wages in Zambia are lower than in most middle-income countries": this will help keep unit labour costs low enabling firms to remain competitive and increase investment • As Zambia has copper endowments, TNCs could improve infrastructure to facilitate its business investment in exchange for copper: may gain from increased inward FDI • SR vs LR considerations: progress in being made to diversify the economy through the "developments in tourism, infrastructure, and information and communication technology", so economic growth is "expected to increase in the long-term"

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	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q9.

Question Number	Quantitative skills assessed	Answer	Mark
	-	**The only correct answer is D** ***A*** *is not correct because this is an economic factor* ***B*** *is not correct because this is an economic factor* ***C*** *is not correct because this is an economic factor*	**(1)**

Q10.

Question	Explain what is meant by a 'foreign currency gap' (Extract A, line 12). **Answer**	Mark
	Knowledge 2, Application 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for understanding foreign currency gap, e.g.: • Currency inflows are less than **(1)** currency outflows **(1)** • Lack of capital/currency inflows **(1)** to finance the deficit on the current account of the balance of payments **(1)** • Lack of foreign exchange/currency reserves **(1)** • It is a constraint to economic growth/development **(1)** • Difference between the present currency reserves **(1)** and the reserves needed to achieve an increase in economic growth/ development **(1)** **Application** Up to 2 marks for application to foreign currency gap, e.g.: • Significant decline in foreign currency reserves from $16 billion in June 2021 to $10 billion in June 2022 **(1)** • Between June 2021 and June 2022 foreign currency reserves fell by 37.5% / $6 billion **(1+1)** • Rising foreign currency gap would have a negative impact on its ability to import **(1)** • Rising foreign currency gap was likely to increase further because of higher debt servicing payments **(1)** • Suggested a temporary ban on import of non-essential goods **(1)**	**(4)**

Q11.

Question	Evaluate the possible causes of the increase in global commodity prices. Refer to examples of commodities in your answer. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** Understanding of commodities • Candidates may separate causes into demand-side or supply-side factors and there may be evidence of a diagram(s) • Increasing growth rates of emerging economies/economic recovery in developed and developing countries since the global health crisis has increased demand for all commodities • Saudi Arabia/OPEC reduction in supply of oil/keeping oil supply low; may refer to overt collusion by oil exporting nations / a decrease in non-OPEC production for oil • Price inelasticity of supply and/or demand increasing global commodity prices e.g. oil • Slowdown in technological progress e.g. USA and shale oil production due to increased environmental concerns • Reduction in supply due to external shocks e.g. greater conflict/civil wars in countries • Significant decline in production and/or productivity in the agriculture sector, increasing unit costs and export prices of commodities/oil e.g. weather/climate change • Increase in price of fertilisers caused by a large reduction in supply of agricultural commodities • Lack of reliability of non-renewable sources of energy e.g. solar, wind, therefore increasing demand for oil • Stricter government regulations on pollution associated with commodity production in certain countries • Weaker external value of the US dollar (as most commodities are generally priced in dollar terms) • Increased sanctions against commodity/oil exporting countries; would reduce commodity/oil exports • Under-investment in commodity production e.g. metals and oil **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to examples of commodities in their answer**

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	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Significance of causes change over time • Prioritisation of the most significant cause • Different causes will be important for different commodities • Combination of factors will have a greater impact on commodity prices • SR v LR/time period considerations, e.g. oil prices may fall in the future • Cyclical effects – economies could fall back into recession or experience low rates of economic growth, thus reducing demand • Increase in current investment into new mines etc. will eventually lead to a fall in price e.g. as a result of increase in global supply • Comment on why oil prices may have increased faster than commodity prices in general • Significance of PED and PES in explaining the extent of the rise in price • Some commodities may have fallen in price over the same period	

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	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q12.

Question Number	Quantitative skills assessed	Answer	Mark
	QS3: Understand and use the terms mean, median and relevant quantiles **QS5:** Calculate and interpret index numbers **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **QS11:** Understand composite indicators.	**The only correct answer is B** ***A*** *is not correct because literacy rates are likely to be higher in Chile than in Uruguay* ***C*** *is not correct because average incomes are higher in Chile than in Uruguay* ***D*** *is not correct because the provision of healthcare is likely to be better in Chile than in Uruguay*	**(1)**

Q13.

Question	With reference to Extract B, discuss how demographic factors may constrain economic growth of developed economies. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (8 marks) – indicative content** Understanding of economic growth Understanding of demographic factors

	• Ageing population and early retirement – could lead to: ○ labour shortages: there will be low participation rates/decrease in numbers of economically active people in the population; shortage of workers could increase wages, leading to wage inflation and thus reducing growth ○ a rise in dependency ratio: workforce may experience a rise in income tax in order to support older population. This creates disincentives to work and will discourage firms to invest - therefore there could be fall in productivity and economic growth ○ increased social welfare responsibilities: a higher proportion of older workers would require the government to increase its spending on health care/pensions, whilst older people pay lower income taxes as they are not working; opportunity cost of lower spending on capital/ infrastructure

	• Migration – "decline in international migration" could lead to: ○ fewer migrant workers bringing a range of skills/human capital to the labour market that complement each other, reducing productivity and lowering average incomes ○ job vacancies being unfilled and firms unable to increase production: "many companies decreasing production due to a lack of workers" – impact on PPF/LRAS ○ reduction in labour force participation as there will be lower working-age population, hence increasing the dependency ratio (as size of the population falls) and decreasing the potential output of the economy ○ a reduction in consumer spending/consumption within the economy, lowering aggregate demand and hence real output

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content
	• Different impact on different developed countries, e.g. the UK and the USA • Consideration that it is likely to be a combination of factors have severely constrained the economic growth of developed countries • Significance of factors over time, e.g. demographic pressures, especially an ageing population that has now been exacerbated by the "decline in international migration" • Demographic factors may not be the main reason that constrains economic growth of developed countries; a more important factor could be reduction in labour force participation rate where some workers "have left the workforce" and do not want to "rejoin the labour force" • Ageing population and early retirement: ○ If workers are still part of the labour force, they may have valuable skills and experience to pass on to the next generation: helping with long-term productivity and growth ○ Available to support younger families with childcare when they retire early, allowing them to attend/focus on work; contributing to higher productivity and hence growth ○ In France and Spain, employment has returned to its pre-crisis level and labour force participation rates have risen rapidly • Migration: ○ If migrants are not employed, they would not participate in the labour force leading to greater unemployment and lost output ○ Migrants may not possess the skills to effectively contribute to output

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q14.

Question	With reference to Extract A and your own knowledge, discuss market-orientated strategies that the Indonesian Government might use to increase its rate of economic growth. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (8 marks) – indicative content** • Definition/understanding of economic growth rate • Understanding of market-orientated strategies • Removal of government subsidies – forcing firms to focus on being more competitive rather than relying on subsidies, e.g. by increasing productivity: "removal of government subsidies on oil and fuel" • Floating exchange rate systems – might make exports more internationally competitive, increasing export-led growth • Privatisation – increases efficiency in markets due to greater competition; attracts more investment, therefore greater injections into the circular flow of income: "To take advantage of the rising global demand for electric vehicles, the Government announced plans to increase privatisation" • Deregulation – it reduces the costs for businesses to comply and implement regulation, quicker to employ and lay off workers as required: "Government relaxed its previously strict employment regulations to create more jobs, fill vacancies and promote innovation. This encouraged more FDI" • Promotion of FDI – e.g. tax breaks could help technology transfer and help with training of the workforce; leads to increased productivity and economic growth: "To take advantage of the rising global demand for electric vehicles, the Government announced plans to … promote foreign direct investment" • Trade liberalisation/removal of trade barriers

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Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (6 marks) – indicative content

- Problems of each of the strategy discussed:
  - removal of government subsidies – on e.g. essential goods such as oil, may lead to an increase in absolute poverty
  - floating exchange rate systems – the depreciation is likely to make Indonesia's imports relatively more expensive, leading to cost-push inflation and hence poverty
  - deregulation- could result in exploitation of labour
  - privatisation – could result in monopolies that may exploit their market power and charge higher prices/reduce quality
  - promotion of FDI – could lead to TNCs exploiting the environment and labour; engage in tax evasion/avoidance or transfer pricing
- Assessment of the significance of the strategies considered in analysis
- Policy may be less effective as an increase in inflation might reduce economic growth because it could lead to greater uncertainty/lower international competitiveness of firms – "In 2023 it was forecast that Indonesia's rate of inflation would increase to 5.5%"
- Policy may be less effective if the central bank raises the base interest rate to tackle inflation as this might restrict economic growth in the long-run
- Corruption might limit future economic growth as any Government revenue may be diverted into the wrong channels: "Indonesia scored 38 out of 100 on the corruption index"
- Interventionist strategies could be more successful in increasing economic growth: "the Government must aim to develop the country's human capital and infrastructure"

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q15.

Question Number	With reference to Extract B, discuss the likely economic benefits to the EU of forming a trade agreement with Mercosur. Indicative content
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application and Analysis (8 marks) – indicative content** Benefits include: • Trade creation: an analysis based on the law of comparative advantage that increases specialisation and trade, raising world output and living standards. • Firms in the EU can raise production and can benefit from economies of scale. These firms will have access to larger lucrative South American markets thus allowing them to increase sales and expand their customer base • Consumers are likely to receive lower prices for goods and services, thereby increasing their consumer surplus. There will be more choice available, e.g. larger choice of agricultural goods and lower prices of cars and beef • Increase in competition could lead to reduction in x-inefficiency and greater allocative efficiency; "greater competition for Mercosur's car manufacturers and for the EU's beef farmers" • Increase in innovation and transfer of ideas. This will lead to an increase in dynamic efficiency and lead to long term productivity gains • Tariff diagram to show impact of trade agreement

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content • Imports from Mercosur may increase more than exports to Mercosur from the EU. This will lead to deterioration in the current account of balance of payments for EU countries • If the USA decides to impose trade barriers on the EU, it could lead to trade diversion, which would distort any comparative advantage causing a loss of specialisation and dampen the effects of trade with Mercosur; "Donald Trump is threatening to increase trade barriers with China and the EU" • Firms in the EU may be unable to compete with the goods and services from Mercosur and could go out of business, causing a rise in unemployment. EU firms would face large unrestricted competition from powerful TNCs based in Mercosur countries • Greater competition for EU's beef producers – might make them unprofitable • Quality of goods and services from Mercosur countries may not be as high as compared to the EU. Consumers are unlikely to benefit from this trade deal • Germany is strongest participant in the EU and may be able to dictate terms to suit themselves at the expense of other EU member countries. So benefits of the trade agreement will not be equally shared by all • Trade agreement is unlikely to be highly successful if there is no perceived coordination between all member countries in both trading blocs; "There has also been disappointment amongst EU countries about the lack of co-ordination"

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q16.

Question	In 2020 Pakistan had a Human Development Index (HDI) score of 0.60 whereas Argentina had a HDI score of 0.85. Evaluate economic factors that constrain the growth and development of a developing country. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Understanding/definition of economic growth • Understanding/definition of economic development
	Economic factors include: • Volatility of commodity prices: due to price fluctuations, the producers do not have stable incomes and hence, cannot plan future output and investment • Primary product dependency (the Prebisch-Singer hypothesis): countries that export commodities would be able to import less for given volume of exports; terms of trade between primary products and manufactured products worsen over time due to the low-income elasticity of demand for primary products • Savings gap (the Harrod-Domar model): low savings, low investment, low capital accumulation, low growth/income; can be caused by factors such as lower GDP per capita, debt repayments, capital flight, absence of FDI • Foreign currency gap: developing countries may face a shortage of foreign exchange because of their dependence on export earnings from primary products; this is lower than their expenditure on imports of manufactured goods/capital • Capital flight: individuals/firms in developing countries decide to remove their deposits in domestic banks and place them in foreign banks, or buy shares or assets in foreign countries – contributes to savings gap and foreign currency gap restricting economic growth and reducing the tax base of the country • Demographic factors (size and age distribution of population; migration): population growth leads to greater supply of labour and hence lower wages, GDP per capita will fall if GDP does not rise as fast as the population; ageing population will raise

	dependency ratio, puts an upward pressure on public goods/services; emigration of skilled labour will lead to less productive workforce available • Debt (household and overseas): developing countries borrowed funds when interest rates were low and face debt servicing costs, hence fewer funds available for capital investment; poorer households in these countries borrow money to pay off previous debt rather than using it productively • Access to credit and banking: there is an absence of credit markets in many developing countries, which deters lenders and borrowers; markets do not form as a result of high risks associated with lending in developing countries • Infrastructure: poor network of utilities/structures makes it difficult for many developing countries to attract both domestic and foreign investment • Education and skills: Developing countries' education standards are not very high and they usually have low school enrolment; this is likely to reduce the human capital and productivity of the workforce – HDI falls - will deter FDI **N.B. Non-economic factors e.g. corruption/poor governance should only be rewarded if they are linked to economic growth and development** **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer** **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to both growth and development in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

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Evaluation (8 marks) – indicative content

- Volatility of commodity prices: when prices rise, the producers will earn high incomes and increase their foreign exchange earnings as demand for, and the supply of, primary goods is price inelastic
- Primary product dependency: some countries have grown on the basis of their primary products; if a country has comparative advantage in primary products, then its resources will be used more efficiently in specialising in the production of that product
- Savings gap (the Harrod-Domar model): could be filled by aid, FDI, debt relief, microfinance, borrowing from IMF/World Bank; other factors apart from savings also affect investment such as confidence, interest rate, etc
- Capital flight: not an issue if developing countries establish good governance to ensure the political stability within a country; the government must stamp out corruption that results in capital outflows; few developing countries have successfully reduced capital flight by introducing capital control policies
- Demographic factors: population growth may increase technical progress and thus increasing AS/rightward shift in the PPF; more workers are available to produce goods/services, so output may rise faster than population, therefore increasing per capita incomes
- Debt: if household debt and overseas debt are accumulated as a result of investment in human capital/capital goods, then it will improve long term growth and development prospects; not an issue if external debt is a small percentage of GDP and if it can be paid off at low interest rates
- Access to credit and banking: microfinance schemes are available to help low income families grow their business or engage in productive activities – helps increase incomes of the poor and reduce vulnerability to external shocks
- Infrastructure: less of a constraint for the resource-rich developing countries who are benefiting from foreign investment in return for commodities; TNCs may build infrastructure for the country to support its business investment
- Education and skills: developed countries usually demand workers with low levels of human capital for unskilled work as they can pay them lower wages
- Significance of factors in short-run and long-run/changes over time; e.g. primary product dependency could be the most significant constraint on growth and development in light of falling commodity prices
- Non-economic factors may be more significant than economic factors in limiting growth and development e.g. civil wars/terrorism

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q17.

Question	In Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019. Evaluate interventionist strategies that a government in a developing country of your choice might use to increase *economic development*. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

	Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of economic development/HDI • Development of human capital – government investment in healthcare and education can increase human capital and productivity; increases HDI as it increasing life expectancy and mean years of schooling • Protectionism – by imposing restrictions on free trade, the government helps domestic (infant and geriatric) industries therefore maintaining employment; increases HDI as per capita incomes increase • Managed exchange rates – countries with an overvalued exchange rate can import raw materials and capital goods at a relatively lower price promoting advances in technology; e.g. increases proportion of people with access to mobile phones and the internet • Infrastructure development – investment in physical capital, e.g. power and water supplies, transport links and telecommunication networks will increase efficiency and reduce unit costs; e.g. increases the proportion of people with access to energy and clean water • Promoting joint ventures with TNCs – allows sharing of costs with the TNCs thereby gaining internal economies of scale that reduces export prices; local businesses could access resources including technology/human capital • Buffer stock schemes – by setting a floor and a ceiling price, governments reduce uncertainty caused by price volatility; this would therefore stabilise incomes and increase HDI **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer** **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Increase in government spending could worsen fiscal position; if government spending is financed through borrowing it could increase external debt and subsequently lead to crowding out: resource and financial • Impact of the policies employed might depend on the state of the economy • A combination of policies may have to be implemented by the government to experience a large increase in economic development and HDI • Depends on the quality of education and healthcare programmes, e.g. if the government is investing in science/technology/maths based subjects, it may have a larger impact on economic development • Protectionism could lead to a distortion of comparative advantage and hence resources will be allocated inefficiently; the lack of competition for domestic industries could result in higher x-inefficiency • Overvalued exchange rate would make exports relatively more expensive therefore reducing demand for domestic goods and causing unemployment • Depends on the quality of the infrastructure developments • A joint venture is only a temporary arrangement with TNCs: once this ends, investment may fall and economic development may not be sustained; may not raise investment if firms have conflicting objectives and reaches a point of diseconomies of scale, causing export price to rise • Government failure: information gaps for the government, unintended consequences, moral hazard, excessive administrative costs e.g. due to high costs of storage and security associated with buffer stock schemes • Some of these policies will only have an impact after a significant time lag e.g. infrastructure developments

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q18.

Question	In South Sudan HDI was 0.43 in 2010 and 0.39 in 2022. Evaluate market-orientated strategies that a government in a developing country of your choice might use to increase *economic development*. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Understanding of HDI • Understanding of economic development Strategies include: • Trade liberalisation - removing protectionist measures and exposing the domestic economy to global competition, resulting in higher efficiency; link to comparative advantage and living standards • Promotion of FDI – e.g. tax breaks could help technology transfer and help with training of the workforce: increases productivity/employment/incomes • Removal of government subsidies – government's scarce tax revenue can be spent on improving health and education, increasing HDI • Privatisation – increases efficiency in markets due to greater competition hence contributing to lower prices, better quality and more choice: this is likely to improve living standards • Floating exchange rate systems – makes exports more internationally competitive, increasing domestic employment/incomes and thus HDI • Microfinance schemes – these small-scale loans allow low-income producers to invest in physical and human capital, improving productivity/incomes **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer** **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Problems of each of the strategies discussed ○ Trade liberalisation – could harm domestic infant and geriatric industries, increasing unemployment and hence reducing HDI ○ Promotion of FDI – could lead to TNCs exploiting the environment and labour; engaging in tax evasion/avoidance or transfer pricing ○ Removal of government subsidies – on e.g. essential goods, such as fuel, food, electricity and water supply, may lead to absolute poverty ○ Privatisation – could result in monopolies that could exploit their monopoly power and charge higher prices/reduce the quality ○ Floating exchange rate systems – imports could become relatively more expensive, leading to cost-push inflation and hence poverty ○ Microfinance schemes: lenders charge borrowers very high interest rates to cover the risk of default, and can result in more indebtedness • Assessment of the significance of the strategies considered in the analysis • Interventionist strategies could be more successful in increasing the HDI • Contrast the effectiveness of strategies used by different countries

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q19.

Question Number	Indicative content
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

	Knowledge, application and analysis (12 marks) – indicative content Definition or understanding of economic development and aid • Money could be used to reduce absolute poverty; this will help lower child and maternal mortality, increasing HDI • Reduction of inequality and relative poverty as GNI per capita incomes would increase significantly • Increase level of human capital – through resources provided for education; increase in the mean years of schooling would increase standard of living • Can fill in the savings gap that can be used to invest in capital, which would not be possible due to low levels of savings to finance investment • Can fill in the foreign currency gap which may be used to import the necessary capital equipment. This will increase prospects for higher economic growth and employment and therefore greater living standards in the future • Can use funds for investment in infrastructure; essential for industrialisation as investment is an injection into the circular flow of income. This would increase the mobility of labour allowing access to employment, education and healthcare • Promote entrepreneurship which will help establish new businesses and lead to higher development through higher incomes • Countries could use saved interest repayments to reduce absolute poverty. This will help reduce child and maternal mortality. • The aid often comes with advice to help make it more effective **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Dependency culture could arise as developing countries are likely to become dependent on aid. They are unlikely to pursue sound macroeconomic policies to become independent, leading to moral hazard. • Dependency theory usually reinforces the dominance of donor countries over developing countries • Corruption in developing countries means that funds might not reach those for whom it's intended/may be diverted to government officials • IMF and World Bank have conditions attached to aid. This may include cuts in food subsidies to reduce government spending, or removal of import controls which could harm the countries' development • Danger of tied aid/aid fatigue/wrong type of aid leading to an inefficient allocation of resources as aid distorts market forces • Proportion of aid could be relatively small and might not have a significant impact on the country's economic development. Recently the aid given to relatively rich developing countries has been greater than that given to poorer developing countries • Aid in the form of concessionary loans involves interest repayments and hence carries an opportunity cost; less spending on education and health • The advice given with the aid may not be best suited to the local context • The size of the aid given – in the case of Yemen (an increase of almost 200%), it is significant

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q20.

Question	
	In 2020 the International Monetary Fund (IMF) provided financial assistance of $13 billion to low-income developing countries. In addition, the World Bank provided financial assistance of $43 billion to low-income developing countries. Evaluate the role of international institutions in promoting *economic development*. Refer to examples of developing countries in your answer. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

	Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of economic development • Understanding of international institutions • The IMF – ○ fosters international monetary co-operation and provides temporary financial assistance to countries to help ease the balance of payments adjustment ○ promotes trade, economic growth and high levels of employment ○ promotes exchange rate stability, and ensures orderly exchange rate arrangements to secure financial stability ○ provides capacity development: technical assistance, policy advice and training of government officials to support developing countries strengthen economic institutions ○ offers debt relief/cancellation to help reduce absolute poverty • The World Bank – ○ gives grants, interest-free credit and provides low-interest loans ○ focuses on strengthening the private sector in developing countries ○ offers debt relief/cancellation to help reduce absolute poverty ▪ These can be used by developing countries for education, infrastructure, healthcare, housing projects; link to HDI ▪ Candidates may refer to other relevant institutions e.g. WTO, NGOs **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer** **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country/developing countries in their answer** **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to more than one international institution in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

- Financial assistance by international institutions may be dependent on the countries adopting free market economic strategies e.g. removal of price controls, tariffs, that may reduce economic development
- Questions raised on the extent of debt relief offered by the World Bank and the IMF: the data is for all low-income developing countries, so does each low-income country get enough funds to generate economic development
- There are political power imbalances in their governance structures: the poor developing countries are structurally under-represented in decision-making processes
- Economic policies promoted by IMF and World Bank have conditions attached – it undermines the sovereignty of borrower (developing) countries, limiting their ability to make policy decisions and reducing their ownership of national development strategies
- International institutions may be perpetuating low levels of development by supporting corrupt governments
- Conditions set by international institutions for aid and loans may result in the protection of inefficient industries and result in higher prices for domestic citizens, so reducing economic welfare
- To what extent do international institutions know what is best for developing countries? The governments of developing countries may be best placed to know what the most urgent problems and best solutions are
- Problems of debt relief/aid - the type of aid, tied aid, aid fatigue etc.
- Criticisms of international institutions, e.g. of the IMF's poverty reduction strategies; transparency/engagement of institutions has been questioned

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q21.

Question	With reference to the third paragraph of Extract A, examine **two** economic benefits of the increase in the number of tourists visiting Southeast Asian countries. **Answer**	Mark
	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two benefits and up to 1 mark for linked explanation of each benefit, e.g.: • More tourists result in more spending on goods/services in the local economy **(1K)** and this will help to fill the foreign exchange gap/greater foreign exchange **(1AN)** • Increase in the rate of economic growth **(1K)** as a result of an increase in (X-M) component of AD/greater injections **(1AN)** • Improvement in the balance of trade **(1K)** as a result of an increase in invisible exports **(1AN)** • Increase in employment/decrease in unemployment **(1K)** leading to higher real incomes/standard of living **(1AN)** • More FDI by TNCs **(1K)** hence more investment in infrastructure, hotels, and associated services **(1AN)** • More tax revenue for the government from higher expenditure by the tourists **(1K)** is available to reduce inequality through income redistribution/preserve national heritage **(1AN)**	

	Application Up to 2 marks for application to the source (1+1), e.g.: • Each of these Governments have relaxed border controls that were introduced during the global health crisis **(1)** • Between February 2022 and May 2022, Indonesia experienced a 1 050% increase in the number of tourists **(1)** • During the same period Vietnam experienced an 8 629% increase in the number of tourists **(1)** **Evaluation** Up to 2 marks for evaluative comments: • Benefits are likely to be significant **(1)** as there has been a very large increase in tourist numbers in Indonesia and Vietnam **(1)** • Impact will be felt differently for different countries, e.g. Vietnam may benefit more as tourist numbers are 7 579 percentage points higher than Indonesia **(1+1)** • Benefits may only last for a short time **(1)** if border controls are reintroduced due to re-emergence of the global health crisis / if other countries open their borders **(1)** • More tourists will increase external costs **(1)** as there will be more pollution/waste/environmental damage **(1)** • Tourism is a labour-intensive industry **(1)** so will have a significant impact on employment **(1)** • Demand for tourism changes at different times of the year **(1)** therefore employment may not be permanent/may be seasonal unemployment **(1)** • Benefits of tourism may be reduced if TNCs use transfer pricing **(1)** to move profits out of the country **(1)** • Could lead to inflationary pressures as a result of an increase in AD **(1)** hence reducing purchasing power/living standards **(1)**	**(8)**

Q22.

Question	With reference to Extract A, examine **two** likely problems for the Indonesian economy of its dependence on commodities. **Answer**	Mark
	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two problems and up to 2 marks for linked explanations, e.g.: • Commodities are subject to large price fluctuations **(1K)** giving producers unstable incomes / making it difficult for producers to plan future output and investment **(1AN)** • A fall in prices of commodities would cause a decline in the rate of economic growth **(1K)**; fall in exports cases AD to fall, lower real output and employment – can be shown diagrammatically **(1AN)** • Export earnings are heavily dependent on commodities **(1K)** so if prices of commodities fall and remain low, this would result in a deterioration in the balance of trade **(1AN)** • Tax revenues are heavily dependent on commodities **(1K)** so if prices of commodities fall and remain low, this would result in deterioration in Indonesia's public finances **(1AN)** • If the prices of commodities fall, export prices will fall and this would result in deterioration in Indonesia's terms of trade **(1K)**; reference made to the Prebisch-Singer hypothesis **(1AN)** • Commodities such as nickel and coal are finite resources, which will eventually be depleted, **(1K)** hence Indonesia will need to diversify its economy into other industries **(1AN)**	

	Application Up to 2 marks for application to Extract A, e.g.: • Indonesia is a net exporter of commodities/nickel, coal, rubber and palm oil **(1)** • Indonesia is the world's largest producer of nickel, an important component in electric vehicle batteries **(1)** • Indonesia's exports of commodities, make a more significant contribution to the country's current account surplus and to its economic growth rate **(1)** • It was forecast that advanced economies would experience lower rates of economic growth in 2023. This would result in a fall in demand for Indonesia's commodities **(1)** • The current account surplus increased from $3.5 billion in 2021 to $13.2 billion in 2022 **(1)**	**(8)**

	Evaluation Up to 2 marks for evaluative comments: • Forward markets in commodities may reduce the impact of price fluctuations on the producers of commodities **(1+1)** • With growth in real GDP before the fall in the price of commodities **(1)**, there was an opportunity to widen the tax base **(1)** • When prices of commodities are high, export earnings are high so improving the balance of trade **(1)**; these export earnings may be used to purchase imports of other goods and services so helping to increase living standards **(1)** • When prices of commodities are high, tax revenues would be high, so improving the public finances **(1)** and these tax revenues may be used to improve public services **(1)** • A fall in prices of commodities might cause a depreciation in the exchange rate **(1)** which may provide an incentive to diversify into other industries / increase competitiveness of other industries **(1)** • Indonesia may have gained revenue from FDI in the commodity industries **(1)**, especially when prices were rising **(1)** • Indonesia's dependence on commodities is unlikely to be an issue if it has a comparative advantage in their production **(1)** as Indonesia can continue to specialise and trade in these commodities **(1)** • Exports from the manufacturing sector increased during 2022 **(1)** so may reduce its dependence on commodities in the long-run **(1)**	

Q23.

Question Number	With reference to Figure 1, Figure 2 and Extract A, examine **two** reasons why 'there is concern that the future rate of economic growth in the EU might be much lower' (Extract A, lines 12-13). Answer	Mark
	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	

Knowledge and Analysis

Up to 2 marks for identifying two reasons and 1 mark for linked expansion of each reason (2+2), e.g.:

- Rising oil prices **(1)** increases the cost of imports for many firms in the EU as oil is an essential raw material used in the production process/EU countries are net importers of oil **(1)**
- Low R&D spending **(1)** reduces innovation, decreases dynamic efficiency and firms in the EU become less non-price competitive in domestic/foreign markets, hence reducing demand due to lack of competitive advantage **(1)**
- Shortage of skilled labour **(1)**; productivity falls increasing cost per unit and raising export prices; therefore becoming less price competitive, thereby reducing aggregate demand **(1)**
- Slowdown in China **(1)** Less export-led growth as China imports from the EU, leading to lower injections into the circular flow **(1)**

Application

Up to 2 marks for application to sources (1+1), e.g.:

- Figure 1: Real GDP is increasing at a slower rate in 2018 compared to 2017 **(1)**
- Figure 2: Rising oil prices are expected to reduce foreign direct investment **(1)**
- Extract A: Spending on research and development is significantly lower than in most Asian countries/
- Shortage of skilled labour in the technology sector/
- Slowdown in China, following its trade war with the USA **(1)**

Evaluation

Up to 2 marks for evaluative comments (2+0, 1+1):

- Oil prices are volatile **(1)** and could fall in the future due to an increase in global supply, this would reduce costs for firms **(1)**
- R&D spending appears to be a significant factor as it is lower than its trading partners **(1)** and would require considerable investment to reduce the innovation gap **(1)**
- Shortage of skilled labour in the technology sector is likely to be on a global scale **(1)** and wages and salaries in the EU are likely to rise which may correct this problem **(1)**
- Economic growth in China could rise in the long term **(1)** when confidence grows, and there is less economic uncertainty in the region **(1)**
- The ECB has indicated that it is very likely that they could extend the quantitative easing programme **(1)** implying that the firms will have more access to finance and investment/FDI would remain high **(1)**

(8)

Q24.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because this is a non-economic factor* ***B*** *is not correct because this is a non-economic factor* ***C*** *is not correct because this would promote economic growth*	**(1)**

Q25.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because it will lead to a worsening in Nigeria's terms of trade* ***C*** *is not correct because it will reduce the transportation costs in Nigeria* ***D*** *is not correct because it will increase Nigeria's budget deficit*	**(1)**

Q26.

Question Number	Quantitative skills assessed	Answer	Mark
	-	**The only correct answer is B** ***A** is not correct because this is a market-orientated strategy* ***C** is not correct because this is a market-orientated strategy* ***D** is not correct because this is a market-orientated strategy*	**(1)**

Q27.

Question Number	Quantitative skills assessed	Answer	Mark
		The only correct answer is D ***A** is not correct because this is an example of an interventionist strategy* ***B** is not correct because this is an example of an interventionist strategy* ***C** is not correct because this is an example of an interventionist strategy*	**(1)**

Q28.

Question Number	Quantitative skills assessed	Answer	Mark
	QS6: Calculate cost, revenue and profit (marginal, average, totals). **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A** is not correct because government expenditure is UVML* ***C** is not correct because government expenditure is UVML* ***D** is not correct because government expenditure is UVML*	**(1)**

Q29.

Question	With reference to Extract A, analyse **two** roles of the IMF. **Answer**	Mark
	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two roles and one mark for each linked explanation, e.g.: • Help ease the balance of payments adjustment/reduce a country's current account deficit **(1K)** by providing loans/temporary financial assistance to countries **(1AN)** • Promotes exchange rate stability **(1K)** to maintain confidence in financial markets **(1AN)** • Fosters international monetary co-operation **(1K)** by ensuring orderly exchange rate arrangements to secure financial stability **(1AN)** • Offers debt relief **(1K)** to help reduce absolute poverty **(1AN)** • Encourage economic growth/higher levels of employment **(1K)** by promoting global trade **(1AN)** • Provides capacity development such as technical assistance/policy advice/training of government officials **(1K)** to support developing countries strengthen their economic institutions **(1AN)** • To provide research and monitoring of member countries' **(1K)** to inform policy decisions within those countries **(1AN)**	
	Application Up to 2 marks for application to the sources (1+1): • Pakistan's Government borrowed $1.2 billion from the IMF to prevent a further fall in foreign currency reserves **(1)** • IMF required the Government of Pakistan to meet certain conditions and reduce its fiscal deficit, partly by the removal of fuel and energy subsidies **(1)** • The IMF also required Pakistan's central bank to raise its base rate of interest to stabilise the rupee **(1)** • Previous governments of Pakistan have not always met the terms of their loan agreements with the IMF **(1)** • The IMF proposed that high-income households should pay significantly more income tax than low-income and middle-income households **(1)**	**(6)**

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Q30.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because this is a market-orientated strategy to promote economic growth and development* ***B*** *is not correct because this is a market-orientated strategy to promote economic growth and development* ***C*** *is not correct because this is a market-orientated strategy to promote economic growth and development*	**(1)**

Q31.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because this is the role of the IMF* ***C*** *is not correct because this is the role of the IMF* ***D*** *is not correct because this is the role of the WTO*	**(1)**

Q32.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because this would reduce economic development* ***B*** *is not correct because this would reduce economic development* ***D*** *is not correct because this would reduce economic development*	**(1)**

Q33.

Question	With reference to the fourth paragraph of Extract A and your own knowledge, analyse **two** roles of the IMF. **Answer**	Mark
	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two roles and one mark for each linked explanation, e.g.: • Provides loans/temporary financial assistance to countries **(1K)** to help ease the balance of payments adjustment **(1AN)** • Promotes exchange rate stability/reduce exchange rate fluctuations **(1K)** to maintain confidence in financial markets **(1AN)** • Offers debt relief **(1K)** to help reduce absolute poverty/improve economic development/increase living standards **(1AN)** • Encourage economic growth/higher levels of employment **(1K)** by promoting trade/investment **(1AN)** • Fosters international monetary co-operation **(1K)** by ensuring orderly exchange rate arrangements to secure financial stability **(1AN)** • Provides capacity development such as technical assistance/policy advice/training of government officials **(1K)** to support developing countries in strengthening their economic institutions • Implements structural reforms **(1K)** to help countries improve the state of their economy **(1AN)** • To provide research and monitoring of member countries **(1K)** to support/inform policy decisions within those countries **(1AN)** **Application** Up to 2 marks for application to Extract A (1+1): • A bailout of *$3 billion* from the IMF **(1)** • Ghana would take measures to reduce its debt **(1)** • This IMF deal could help restore business confidence in Ghana **(1)**	**(6)**

Q34.

Question Number	Quantitative skills assessed	Answer	Mark
	-	**The only correct answer is A** ***B*** *is not correct because this condition is related to the current account position of the BOP* ***C*** *is not correct because this model is related to industrialisation* ***D*** *is not correct because this model is related to the savings gap*	**(1)**

Q35.

Question	With reference to Extract B, discuss the strategies introduced by the Iranian Government to promote economic development. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (8 marks) – indicative content** Understanding of economic development • Industrialisation: o reduces dependency on primary products, e.g. oil o allows for the optimum utilisation of scarce resources – increases the quantity and quality of manufactured goods and contributes to Iran's national income by adding value to primary resources o large scale production of goods available to consumers at low prices - increases consumer surplus and quality of living/living standards o creates job opportunities and raises per capita incomes, reducing poverty – reference to the Lewis structural dual-sector model o savings and the share of profits should both rise as a proportion of GDP – more funds available for investment in infrastructure and/or technology

	• Infrastructure development: ○ a strong network of utilities will make it easier for Iran to attract both domestic and foreign investment – improve infrastructure/technology ○ broadband users increased by 94.4m (between 2014 and 2021) and mobile phone users increased by 71.6m (between 2013 and 2021) ○ reduces geographical immobility of labour allowing workers to move for work – increases long term productivity and raises incomes ○ reduces unit costs and relative export prices as efficiency improves – trade/globalisation increases and incomes in Iran rise ○ helps to reduce bottlenecks in transport and telecommunications - this helps raise the total factor productivity through a fall in costs for the private sector, allowing more efficient use of productive inputs • Privatisation: ○ selling industries can raise government revenue that could be used to fund spending on improving human capital/technology/infrastructure ○ private sector may be more innovative than state-run firms and this leads to a more dynamic economy, which raises living standards ○ firms are run more efficiently, increasing economic welfare as prices will be lower for consumers – leading to higher real incomes ○ private sector firms will be able to raise additional capital for further investment in infrastructure/technology ○ if privatisation allows foreign ownership this may attract flows of FDI, which could be invested into technological advancements **NB Award maximum of level 2 for strategies not included in the extract** **NB Award maximum of level 2 if strategies do not link back to economic development**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content • Industrialisation: ○ Primary product dependency has enabled development in Iran and some other countries ○ Not desirable if Iran has a comparative advantage in oil production ○ Large industries lead to a fall in the number of infant industries – the gradual displacement of manpower will lead to rising unemployment ○ Increase in external costs – pollution, congestion, global warming; health issues; livestock close to extinction due to damage of habitat ○ Exploitation of workers including children and women – usually long working hours, poor working conditions, and relatively low wages

	• Infrastructure development: ○ Spending on infrastructure carries an opportunity cost and requires large public expenditure – Iran has a large national debt: Figure 3 ○ Planning infrastructure projects takes time, so not clear how quickly growth from this investment would become evident (time lags) ○ Economic development would depend on the quality of infrastructure projects undertaken ○ "Iranian Government restricts the content its citizens can access." – highly regulated by Government • Privatisation: ○ May lead to job losses as objective of private firms is to maximise profits whereas state-run firms' objective is to maximise welfare ○ If private firms gain monopoly power, they could charge higher prices (e.g. on energy, gas, water) to increase supernormal profits – this will reduce consumer surplus and greatly impact low income households ○ If the industry is not contestable, there is no guarantee that private firms would be necessarily more efficient than state-run firms ○ "many Iranians invested ... in the country's volatile stock market." – when the stock market crashes, people are likely to lose incomes

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q36.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because this is the role of the IMF, not the World Bank* ***B*** *is not correct because this is the role of the IMF, not the World Bank* ***C*** *is not correct because this is the role of the WTO, not the World Bank*	**(1)**

Q37.

Question Number	Quantitative skills assessed	Answer	Mark
	-	**The only correct answer is A** ***B*** *is not correct because this is related to industrialisation* ***C*** *is not correct because this is related to the current account position of the BOP* ***D*** *is not correct because this is related to primary product dependency*	**(1)**

Q38.

Question	With reference to Figure 2 and Extract B, examine **two** reasons why the demographic changes in Japan may constrain its rate of economic growth. **Answer**
	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two reasons and 1 mark for each linked explanation linked to the rate of economic growth, e.g.: • Increased government expenditure on social welfare / proportion of older workers would require the government to increase spending on pensions, **(1K)** creating an opportunity cost of lower spending on capital **(1AN)** • Labour shortages **(1K)**: fewer people in the workforce which could increase wages, leading to wage inflation and therefore reducing economic growth/ lower levels of real output **(1AN)** • Aging population (rise in the proportion of older people in the population) / high dependency ratio **(1K)**: workers experience an increase in income tax to support older population creating disincentive to work: lower economic growth **(1AN)** • The decrease in population **(1K)** could potentially lead to a decrease in consumption/AD and therefore real GDP **(1AN)** • Fall in the size of the working population in the future **(1K)** could lead to lower productivity and therefore potential output **(1AN)**

	Application 1 mark for application to Figure 2, e.g.: • Proportion of over 65s has increased to just above 28% in 2020 / • Between 2010 and 2020, the proportion of over 65s has risen by around six percentage points **(1)** 1 mark for application to Extract B, e.g.: • Number of people under the age of 20 was at its lowest level since 1968 / • The number of people over the age of 65 had increased to a record level / • Between 2022 and 2040 it is estimated that its population will decrease by a further 16 million / • Population decreased by 630 000 people in 2021 **(1)**

	Evaluation Up to 2 marks for evaluative comments (2+0 or 1+1): • Most significant reason is labour shortages **(1)** as there are "significant concerns regarding how Japan's economy can continue to function with a smaller workforce" **(1)** • If older workers are still part of the labour force, they may have valuable skills and experience to pass on to the next generation **(1)** helping with long-term productivity and hence economic growth **(1)** • Older people are available to support younger families with childcare if they retire early **(1)**, allowing younger workers to attend/focus on work; contributing to higher productivity and hence economic growth **(1)** • Size of the population decreased (630 000) **(1)** therefore the overall impact on economic growth will be quite substantial **(1)** • Size of the population decreased (630 000/125.8 million) by 0.5% **(1)** thus the overall impact on economic growth may be less significant **(1)** • Long-term issue **(1)** as the population is estimated to decrease significantly (by 16 million/approximately 12.5%) in the future **(1)**

Q39.

Question Number	Quantitative skills assessed	Answer	Mark
	-	**The only correct answer is D** ***A** is not correct because this links to primary product dependency* ***B** is not correct because this links to the current account position of the balance of payments* ***C** is not correct because this links to the savings gap*	**(1)**