GCE MARKING SCHEME

SUMMER 2024

ECONOMICS - UNIT 3
1520U30-1

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About this marking scheme

The purpose of this marking scheme is to provide teachers, learners, and other interested parties, with an understanding of the assessment criteria used to assess this specific assessment.

This marking scheme reflects the criteria by which this assessment was marked in a live series and was finalised following detailed discussion at an examiners' conference. A team of qualified examiners were trained specifically in the application of this marking scheme. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners. It may not be possible, or appropriate, to capture every variation that a candidate may present in their responses within this marking scheme. However, during the training conference, examiners were guided in using their professional judgement to credit alternative valid responses as instructed by the document, and through reviewing exemplar responses.

Without the benefit of participation in the examiners' conference, teachers, learners and other users, may have different views on certain matters of detail or interpretation. Therefore, it is strongly recommended that this marking scheme is used alongside other guidance, such as published exemplar materials or Guidance for Teaching. This marking scheme is final and will not be changed, unless in the event that a clear error is identified, as it reflects the criteria used to assess candidate responses during the live series.

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Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good learner to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

Below are the assessment objectives for this specification. Learners must demonstrate their ability to:

AO1 Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues

AO2 Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues

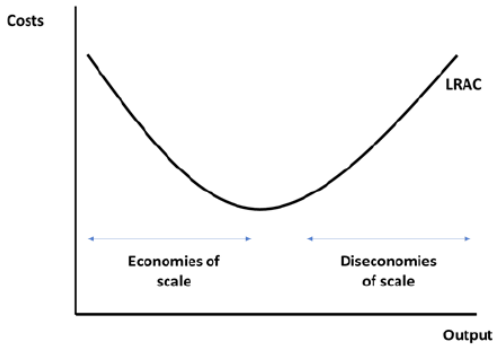
AO3 Analyse issues within economics, showing an understanding of their impact on economic agents

AO4 Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

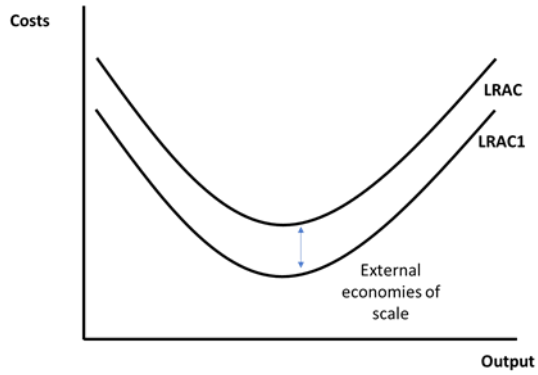
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GCE A LEVEL ECONOMICS – UNIT 3

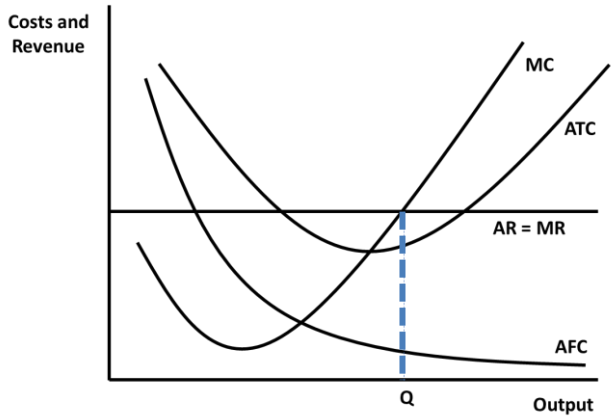
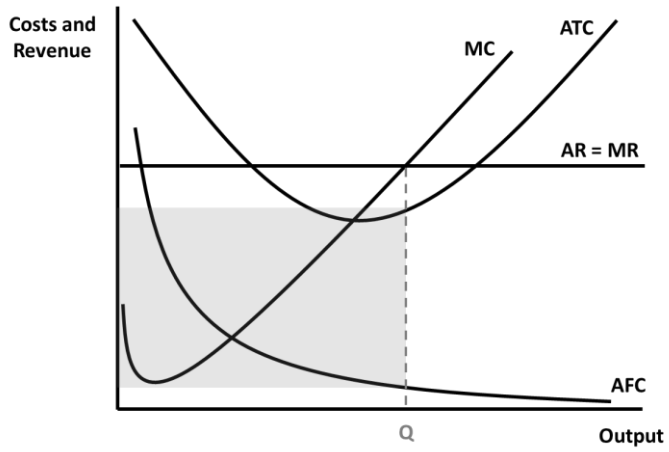
SUMMER 2024 MARK SCHEME

Question	Mark Scheme	Total
1. (a)	**Using a diagram, and with reference to the data, outline the difference between internal economies of scale and internal diseconomies of scale.** AO1 – 2 marks Award **1** mark for understanding of the difference between economies and diseconomies of scale. E.g. economies of scale occur when average/unit costs fall as output rises. Whereas diseconomies of scale occurs when average/unit costs rise as output rises. (Can be described or labelled on the diagram) Award **1** mark for correctly drawn LRAC curve (do not accept AC) Anticipated diagram:  AO2 – 2 marks Award **1** mark for Tesla internal economies of scale e.g. link to new battery factory to reduce the unit cost of lithium batteries. Award **1** mark for Tesla internal diseconomies of scale e.g. half a million battery cells scrapped each day due to carelessness, poor communication and employee stress.	**4**

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Question	Mark Scheme	Total
1.(b)	**Using a diagram, outline how Tesla might benefit from external economies of scale in Nevada.** AO1 – **2** marks Award **1** mark understanding of external economies of scale i.e. firms experiencing reduced LRAC at each level of output due to growth in the size of the industry. Alternatively, changes occurring outside of a business but within the same industry. This may be implied through use of the case. Award **1** mark for Correct diagram e.g.  Do not accept AC as a label, unless shown in a full cost and revenue diagram. AO2 – 2 marks Award **1** mark for linking to the data e.g. building of more motorways by the Nevada government as a result of growth in the area for factories and distribution centres Award **1** mark linking data to how LRAC will fall for Tesla e.g. improved motorways reduces transportation times, increases productivity, and therefore lowers average costs of production (e.g. reduced wages of drivers / fuel / congestion / delays in the supply chain). If candidates use a cost and revenues diagram, they may link this to the impact on profits.	**4**

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Question	Mark Scheme	Total
2. (a)	**On the diagram, indicate the level of output produced by this firm. [1]** AO2 – 1 mark  Allow 1 mark when a candidate marks the output where MC = MR on the diagram even if this is not shown on the output axis.	1
2. (b)	**Shade the area that represents the firm's total variable costs of production.** AO2 – 2 marks  OFR: If quantity from part a was indicated incorrectly. Award 1 mark if the candidate has identified the distance between ATC and AFC at their level of output to show AVC.	2

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Question	Mark Scheme	Total
2. (c)	**Explain what will happen to this firm's level of output in the long run.** AO1 – 1 mark Award **1** mark for understanding of a feature of perfect competition that is linked to output/ quantity. E.g., that in perfect competition new firms can easily join the market due to low barriers to entry AO2 – 1 mark Award **1** mark for recognising this firm is earning abnormal (supernormal) profit, and this is attractive to new firms AO3 – 2 marks Award **1** mark for limited explanation Award **2** marks for developed explanation **Indicative content:** New firms entering the market cause the market price and the firm's AR/MR to fall (1), so the new profit maximising level of output at MR = MC will decrease (1). Note that candidates may show this on the diagram rather than using words, and this is acceptable.	**4**

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Question	Mark Scheme	Total
3.	**Evaluate the view that Angola's privatisation programme is likely to be successful.**	8

Band	AO2 2 marks	AO3 2 marks	AO4 4 marks
3			**4 marks** Excellent evaluation of the likely success of Angola's privatisation programme. Answers within this band are likely to have a judgement that weighs up both sides of the arguments.
2	**2 marks** Good use of the data and application to Angola for both sides of the argument.	**2 marks** Good analysis of why Angola's privatisation programme might be successful (or unsuccessful). Analysis is detailed with a developed chain of argument(s).	**2 - 3 marks** Good well-balanced evaluation of the likely success of Angola's privatisation programme. A well-developed counter-argument(s).
1	**1 mark** Superficial use of the data on both sides of the argument or good use of the data on only one side of the argument'.	**1 mark** Limited analysis of why Angola's privatisation programme might be successful (or unsuccessful). Superficial analysis.	**1 mark** Limited evaluation of the likely success of Angola's privatisation programme. A counter-argument is present but not developed.
0	**0 marks** No relevant application.	**0 marks** No relevant analysis.	**0 marks** No relevant evaluation.

Indicative content:

- Angola is an LEDC (low HDI, civil war, inequality) and so government finances may be limited, therefore there is a large opportunity cost of operating state owned enterprises (SOE's) – privatisation may relieve pressure on government finances and the need to raise tax revenue.
- Angola is described as a fast-growing economy with large natural reserves – this could attract FDI and portfolio investment, as high growth may indicate stability – if foreign investors buy shares when companies are privatised this might stimulate further investment.
- Risk of undervaluing the SOE's because of poor accounting and weak capital markets – this may prevent privatisation from taking place or deter investors; the government may not receive as much from the sale as it could.
- Success may depend on the business acumen of those who own the shares after privatisation, and the ability of owners to hold managers to account; risk of principal- agent problem; risks may be higher in a developing country with low levels of education and practice at running businesses.
- High levels of inequality in Angola suggests that only those who are already relatively well-off will be able to buy shares – this could worsen inequality in Angola.
- If shares are bought by overseas investors (as is likely in an LEDC) then net primary income on the current account may well be in deficit in the future as returns-to-factors leave Angola, causing the exchange rate to weaken and raise the price of essential imports.
- Impact on efficiencies because of privatising the different SOEs.
- Accept reference to real world situations e.g. impact of the oil industry due to the Russia-Ukraine conflict, and impact on negative externalities produced from the SOEs as a result of privatisation.

Note – this is a reversible answer (for band 2 marks)

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Question	Mark Scheme	Total
4.	**Analyse the likely impact of negative interest rates on aggregate demand in Sweden.**	6

Band	AO1 2 marks	AO2 2 marks	AO3 2 marks
2	**2 marks** Good knowledge of negative interest rates on both savers and borrowers.	**2 marks** Good consideration of the context. Good use of the data with specific references to the chart.	**2 marks** Good analysis of the impact of negative interest rates on AD in Sweden. Analysis is detailed with a developed chain of argument(s).
1	**1 mark** Limited knowledge of negative interest rates on savers and/or borrowers.	**1 mark** Limited consideration of the context. There is at least one reference to the chart.	**1 mark** Limited analysis of the impact of negative interest rates on AD in Sweden. A superficial analysis. Answers may refer to AD as a whole rather than the effect on specific components of AD.
0	**0 marks** No relevant knowledge or understanding	**0 marks** No relevant application	**0 marks** No relevant analysis

Indicative content:

- Negative interest rates are unusual – it means that there is a cost to savers of saving and borrowers are rewarded for taking out loans – alternative approach to monetary policy.
- Negative interest rates are in response to significant recessions / depressions
- Consumption impact: C should rise as households are less incentivised to save and more incentivised to borrow.
- Investment impact: I should rise as businesses are more incentivised to borrow and purchase capital.
- Government spending impact via bonds: no reward for saving and so those with 'spare' income may want to buy bonds instead, because the return is higher; this pushes up demand for bonds and therefore their price, which lowers bond yields making it cheaper for the government to borrow, so G may rise.
- Net trade via exchange rate: outflow of hot money as interest rates abroad are likely to be higher, which causes the Swedish exchange rate to depreciate, making exports relatively more price competitive and imports relatively less price competitive, which in turn causes net trade to rise.
- Central banks charge a fee to commercial banks on their deposits held there. The idea is to encourage commercial banks to put their money to more productive use, lending it to households and businesses and thereby increasing aggregate demand.

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Question	Mark Scheme	Total
5. (a)	**Using the data in Figure 2, calculate a price index for Germany in March 2023, taking March 2022 as the base period.** AO2 – 2 marks AO3 – 1 mark Correct method: $\frac{(22.3 \times 24) + (21.9 \times 28) + (11.9 \times 12) + (5.1 \times 8) + (2.1 \times 22) + (-16.9 \times 6)}{100}$ $= \frac{535.2 + 613.2 + 142.8 + 40.8 + 46.2 - 101.4}{100} = 12.768\%$ Price index of 112.8 (1dp) Allow a Price index of 112.7 - 113 for all three marks Two marks in total if the candidate calculates the percentage change of 12.8% without expressing it as an index Award 1 x AO3 for the use of weighted price index method (regardless of whether the answer is correct or not) Allow other alternative methods e.g. (22.3 x 0.24) + …… If +16.9 is used rather than -16.9, leading to a Price index of 114.8 (115). 1xAO3 and 1xAO2 (2 marks) in total is awarded.	**3**

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Question	Mark Scheme		Total
5. (b)	**Assess whether Germany is likely to experience a wage-price spiral.**		8

Band	AO2 2 marks	AO3 2 marks	AO4 4 marks
3			**4 marks** Excellent evaluation, of whether Germany is likely to experience a wage-price spiral. Answers within this band are likely to have a judgement that weighs up both sides of the arguments.
2	**2 marks** Good use of the data. There are references to at least two different figures in total. Data is used to build arguments on both sides of the question	**2 marks** Good one-sided analysis of a wage-price spiral in Germany. Analysis is detailed with a developed chain of argument(s).	**2 - 3 marks** Good evaluation of whether Germany is likely to experience a wage-price spiral. A well-developed counter-argument(s).
1	**1 mark** Limited use of the data and application to Germany. Application to one figure or for one side of the argument only.	**1 mark** Limited one-sided analysis of a wage-price spiral in Germany. Superficial analysis.	**1 mark** Limited evaluation. A counter argument is present but not developed.
0	**0 marks** No relevant application.	**0 marks** No relevant analysis.	**0 marks** No relevant evaluation.

Indicative content:

Useful data references include:

- Figure 1 shows Germany's inflation rising from around its ECB target of 2% in mid-2021 to 9% at the end of 2022 – this is a significant rise
- Figure 2 shows that many essential items have experienced inflation that is much higher than the average rate of 9% e.g. food at 22.3% and energy at 21.9% - these are necessities with price inelastic demand, so households will have little choice but to pay the higher prices
- However, Figure 2 also shows that motor vehicle fuel has fallen significantly in price, by 16.9%
- Figure 3 shows rising nominal wages e.g. a rise of around 3 percentage points in nominal wages between 2021 and 2022, and 8 percentage points over the period shown
- However, Figure 3 also shows that real wages have fallen by about 3% between 2021 and 2022
  A 2% inflation target for Euro Area countries set by the ECB.

Analysis of a wage-price spiral:

- A wage-price spiral typically occurs as a result of rising inflationary pressure in an economy
- Higher price levels lead to increased demands for higher wages by workers
- Higher wages, in turn, lead to cost-push inflationary pressure
- This could be illustrated using an AD/AS diagram
- This process continues, as the inflation caused by higher wages leads to further demands by workers for increased pay

Possible evaluation points could include:

- A wage-price spiral is unlikely because the ECB inflation target is 2%, which helps to anchor inflationary expectations at a low, stable level – Figure 1 shows that this has been mostly successful until 2021
- Inflation is not a cost push problem it is a monetary problem.
- It depends on ECB policies to reduce inflation and overall confidence in achieving this.

Note – this is a reversible answer (for band 2 marks)

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Question	Mark Scheme	Total
6. (a)	**(i) Using the data in Table 1; calculate the percentage change in the <u>dollar</u> price of palm oil between 2019 and 2022.** **Indicative content** The dollar price has risen from \$524 to \$794= **+\$270** (1 mark) In \$ terms the % change in price is (\$794 - \$524) / \$524 x 100 = **51.526%** (1 mark) Accept any answer between 51.5% to 52% for 2 marks. **(ii) The cedi depreciated sharply against the dollar in 2022 and, although it recovered a little towards the end of the year, it was still 50% weaker than in 2019 (line 3-5).** **Calculate the percentage change in the <u>cedi</u> price of palm oil between 2019 and 2022.** **From the data**: the cedi has fallen by 50% against the dollar, therefore, the cost of buying \$1 with cedi has doubled. Effectively, for Ghanaians, the price \$794 is twice as high – for Ghanaians, it will be like paying \$1 588 (1 mark - for interpreting the impact of the change in the value of the cedi) Therefore the % change in the cedi price can be given by (1588 – 524) / 524 x 100 = **203%** (nearest whole number) (1 mark) *Alternatively:* *Originally the relative cost was 794/524 = 1.515 times as much.* *Because of the cedi losing half its value, the cost is now 3.03 times as much* *Therefore, the percentage change is 203%. (2 marks)* *(This can be seen clearly using the actual cedi exchange rates from the relevant period (not given in the exam – for illustration purposes for examiners only):* *At \$0.16 to the cedi in 2019, \$524/tonne was 3275 cedi* *At \$0.08 to the cedi in 2022, \$794/tonne was 9925 cedi* *(9925-3275)/3275 x 100% = 203%)* If candidates increase the 2022 price of \$794 by 50% rather than 100% (\$1,191) <u>and</u> has an answer of (1191 – 524) / 524 x 100 = 127.29% award 1 mark in total. (Accept rounding of 127%, 127.2%, 127.3%).	**2** **2**

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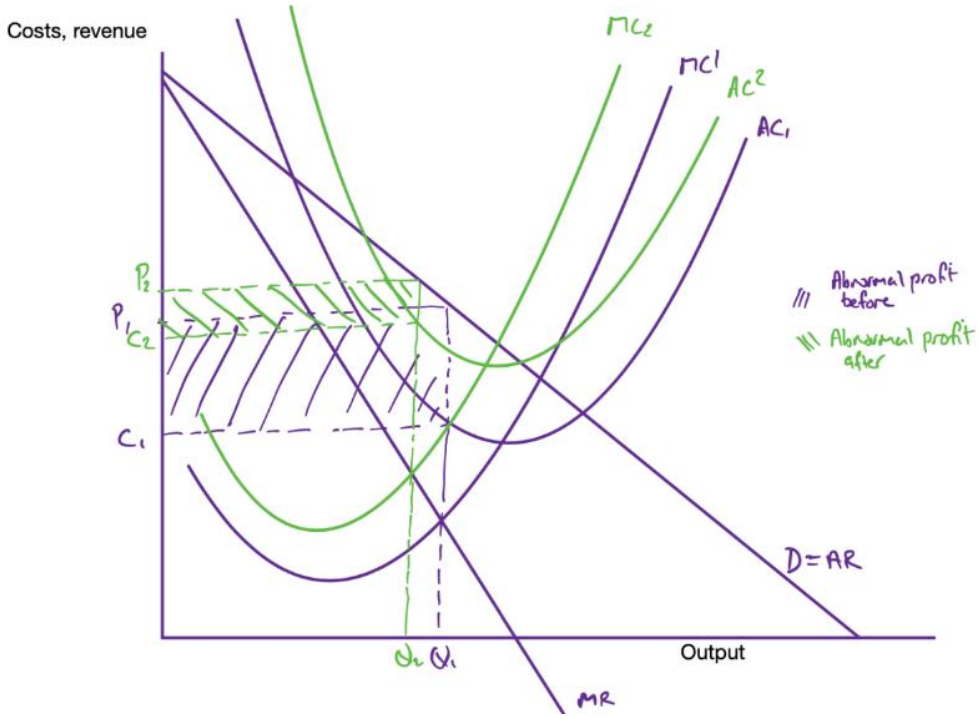
Question	Mark Scheme	Total
6. (b)	**With reference to the data and using a cost and revenue diagram, show how the weak cedi has resulted in higher prices, fewer sales and falling profits for firms in Ghana that import commodities.**	6

	AO1	AO2
Band 3	**4 marks** **Excellent knowledge** Accurate diagram showing higher MC, AC and price, lower output and profit.	
Band 2	**2-3 marks** **Good Knowledge** Largely accurate diagram with some errors. 3 marks if MC and AC is accurately shifted upwards, but there is one labelling error (axis / profit area). 2 marks if MC and AC is accurately shifted upwards, but there is more than one labelling error (axis / profit area). 2 marks if MC or AC is shifted upwards with accurate labelling of the profit area.	**2 marks** **Good application** Data is used convincingly as part of the answer.
Band 1	**1 mark** **Limited knowledge** Weaker diagram with a number of errors. 1 mark if MC and AC shift upwards with no attempt at labelling. 1 mark if MC or AC shifted upwards with inaccurate labelling of the profit area.	**1 mark** **Limited application** Data is referenced as part of the answer.
Band 0	**0 marks** Diagram is absent or insufficiently accurate for credit.	**0 marks** There is no relevant data reference.

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Indicative content

AO1



MC and AC shift up (MC2, AC2) (1 mark)
New accurate lower output at MR=MC2 (Q2) (1 mark)
New accurate higher price (P2) (1 mark)
New accurate lower profit (P2-C2*Q2 (1 mark)

Note: allow 4 x AO1 marks for candidates that draw a cost and revenue diagram for a perfectly competitive firm – this would be acceptable given the reference to commodity markets.

Note: if only AC or MC is shifted upwards, then allow 1 mark for the shift in the curve and 1 mark for showing lower profit i.e. 2 marks maximum, for either a price-making or price-taking firm.

AO2
Weaker cedi (fallen by 50% since 2019) has driven up costs for firms importing components (MC and AC rise).
Global instability is driving prices of imported components up as well – examples of this in Table 1.

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Question	Mark Scheme			Total
7.	**Evaluate the extent to which Ghana's economic difficulties in 2022 were the result of external rather than internal factors**			8
	AO2	**AO3**	**AO4**	
Band 3			**4 marks** **Excellent evaluation** Well-rounded judgement is made as to whether the problems were external or internal. Top band answers will understand that the problems arise from a mix of both. Answers within this band are likely to have a judgement that weighs up both sides of the arguments.	
Band 2	**2 marks** **Good application** Data is used well to support both sides of the argument.	**2 marks** **Good analysis** Well-developed chains of reasoning arguing that Ghana's economic difficulties were (or were not) the result of external factors.	**2-3 marks** **Good evaluation** A well-developed counter-argument(s). Well-developed chains of reasoning arguing that Ghana's economic difficulties were the result of internal factors /qualifying the arguments that external factors were also to blame.	
Band 1	**1 mark** **Limited application** Data is used to a limited extent – there is only superficial coverage, or for one side of the argument only.	**1 mark** **Limited analysis** Chains of reasoning exist supporting the view that Ghana's economic difficulties were (or were not) the result of external factors, but these are limited / not well-developed.	**1 mark** **Limited evaluation** Chains of reasoning exist arguing that Ghana's economic difficulties were the result of internal factors/qualifying the arguments that external factors are to blame, but these are limited / not well-developed.	
Band 0	**0 marks** There is no application to Ghana.	**0 marks** Chains of reasoning are not sufficiently developed for credit.	**0 marks** Answer is one-sided.	

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Indicative content

External factors:

- The current problems have stemmed partly from the strength of the dollar and the dollar appreciating is not inside the control of the Ghanaian authorities. Rather, this was the result of global economic uncertainty and increases in US interest rates, leading to capital flight and weakening the cedi. This in turn led to:
  - Rising inflation inside Ghana.
  - Damage to Ghanaian businesses' profitability made worse by the need to pay in $.
    - although this could be argued to be the result of previous policy indiscretions internally, making suppliers unwilling to accept cedi.
  - Rising national debt and debt service issues, draining forex reserves and constraining the Ghanaian government's policy options.
    - The depreciation of the cedi is far more than the appreciation of the dollar, suggesting that Ghana is more vulnerable to external events than other countries, possibly as a result of internal policy decisions, such as running large budget deficits.
- Problems stem from short term attitudes of international investors – the reversal of capital inflows from net $4bn into net $2bn out inside 12 months suggests that external forces are at play – internal factors don't change so rapidly, suggesting that if investors were happy 12 months ago then it is changes on the world stage that are the issue.

But (internal factors)

- The external environment hasn't been entirely unfavourable – rising commodity prices have helped to support key export sectors such as oil, gold and cocoa.
- IMF views the issues as internal – not every country has had to go to IMF for support and the aim of this support is to "restore macroeconomic stability and debt sustainability" – whilst this can be externally linked, there is an implication that internal governance is the issue.
- Some argument that Ghana's issues stem from a lack of industrialisation; the economy is still too primary product dependent, which might be argued to be the result of internal policy failings. "Some have argued that Ghana needs a national industrialisation plan to develop its manufacturing sector"
- Internal governance issues are present.
  - History of running large budget deficits meant that Ghana was more vulnerable to external events.
  - Fiscal irregularities made this worse and presumably restricted funds that could have been used for infrastructure and industrialisation which might have helped insulate Ghana from external events.
  - Governments have failed to control inflation in the past (rarely below 10%) again making Ghana vulnerable to external factors.

This is a reversible answer (for band 2)

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Question	Mark Scheme	Total
8.	**Discuss whether the Ghanaian authorities should have intervened or not in the ways suggested in lines 17-22 to strengthen the cedi.**	**10**

	AO2	AO3	AO4
Band 3	**4 marks** **Excellent application** Data is embedded throughout the answer with good use on both sides of the argument for each of the ways in lines 17-22.	**3 marks** **Excellent analysis** Well-developed chains of reasoning arguing that the authorities should have intervened in the ways suggested to support the cedi	**3 marks** **Excellent evaluation** Well-rounded judgement is made as to whether intervention should have occurred and in what form. Reference to both forms of intervention will have been made in the answer. Answers within this band are likely to have a judgement that weighs up both sides of the arguments.
Band 2	**2 -3 marks** **Good application** Data is well used on both sides of the argument. Bottom band answers may have limited case use on one side for both of the ways in lines 17-22. Data is used well for one of the two ways in lines 17-22.	**2 marks** **Good analysis** Well-developed chains of reasoning arguing that the authorities should have intervened in the ways suggested to support the cedi but the range is narrow.	**2 marks** **Good evaluation** Well-developed chains of reasoning, qualifying arguments in favour of intervention or arguing that the authorities should not have intervened to support the cedi. A well-developed counter-argument. Bottom band answers may have a limited range of qualifiers / counterarguments.
Band 1	**1 mark** **Limited application** Data is used to a limited extent – there is only superficial coverage.	**1 mark** **Limited analysis** Chains of reasoning exist supporting the view that intervention should have occurred, but these are not well-developed.	**1 mark** **Limited evaluation** Chains of reasoning exist qualifying arguments in support of intervention should have occurred, but these are not well-developed.
Band 0	**0 marks** Answer is largely theoretical and no application is present.	**0 marks** Chains of reasoning are not sufficiently developed for credit.	**0 marks** Answer is one-sided.

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Indicative content

Support

- Depreciating currency is driving up the real value of dollar denominated debt, therefore it makes sense to support the currency:
  - Ghana's national debt is over 80% of GDP.
  - 70% of tax revenue is spent servicing the debt when Table 2 shows that greater investment in health, education and infrastructure would probably be useful.
  - But Ghana now has package of support from IMF – therefore maybe less important? Although early intervention might have prevented the need for the IMF in the first place?
- Firms are suffering as a result of the weaker cedi – profits being hit, prices increased
  - Weak cedi is hitting living standards.
  - Further fuelling inflation already standing at over 40%.
- Raising interest rates would achieve two goals – supporting the cedi and tackling inflation through both demand and cost side impacts.
  - But case argues that this will damage both investment and economic growth, hitting government funds, firms' profitability and worsening the debt issue.
  - Might not work in any case – very difficult to reverse capital flight once it has begun and issues are arguably more to do with dollar strength than cedi weakness. Then the authorities have simply caused additional damage for no reward.
- Currency instability is causing capital outflows, depriving the banking system of funds and reducing financial investment into the Ghanaian economy ($4bn of net inflows in 2021 turned to $2bn of net outflows in 2022).

Don't support (in addition to qualifiers above)

- Use of foreign currency reserves is likely to be ineffective – it doesn't change the underlying factors which are pushing the currency down and the firepower of any central bank is less than that of the market overall. In any case, Ghana doesn't have the reserves to use this type of intervention as shown by chart 3, indicating that reserves have fallen 30-40% between 2021 and 2022.
  - But could help support an increase in interest rates and might convince investors that the authorities are serious about supporting the currency.
- Weaker currency might support exports/improve current account in the long run.
  - But prices of key exports are rising on world markets anyway.
  - exports often priced in $ - impact may therefore be limited.
- Raising interest rates may not attract hot money flows as they are already very high and there has been a rise in capital outflow.
- Raising interest rates further may have an adverse effect on AD.

If one of the two ways are evaluated – maximum band 2 marks (7 out of 10).

Allow any other valid case use or arguments. This answer is reversible.

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Question	Mark Scheme			Total
9.	**With reference to the case, discuss whether living standards in Ghana are likely to be improved by Ghana's decision to go to the IMF for financial support.**			12
	AO2	**AO3**	**AO4**	
Band 3	**4 marks** **Excellent application** Case is embedded throughout, with good use on both sides of the argument.	**3 marks** **Excellent analysis** Well-developed chains of reasoning arguing that living standards will be improved as a result of the decision. Clear focus on living standards indicators.	**5 marks** **Excellent evaluation** Well-rounded judgement is made as to whether the decision to seek IMF support will be good for living standards. Answers within this band are likely to have a judgement that weighs up both sides of the arguments.	
Band 2	**2 - 3 marks** **Good application** Case is well used but is more limited on one side of the argument.	**2 marks** **Good analysis** Well-developed chains of reasoning arguing that the decision was a good one, but there is less focus on living standards or the range is narrow.	**3-4 marks** **Good evaluation** Well-developed chains of reasoning, arguing that the authorities should not have sought IMF support. Well-developed counter-argument(s). Bottom band answers may have a limited range of qualifiers/counter-arguments.	
Band 1	**1 mark** **Limited application** Data is used to a limited extent – there is only superficial coverage.	**1 mark** **Limited analysis** Chains of reasoning exist supporting the decision, but these are not well-developed.	**1-2 marks** **Limited evaluation** Chains of reasoning exist, qualifying arguments supporting the decision or arguing that the authorities should not have sought IMF support, but these are not well-developed.	
Band 0	**0 marks** Answer is largely theoretical.	**0 marks** Chains of reasoning are not sufficiently developed for credit.	**0 marks** Answer is one-sided.	

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Indicative content

- IMF "aims to restore macroeconomic stability and debt sustainability while laying the foundation for stronger and more inclusive growth."
    - Macroeconomic stability will allow for growth and jobs and will help to stabilise the currency. This may allow private and government sector investment into tackling some of the issues in table 2 such as limited access to clean water, electricity, and tertiary education.
        - Although, adult literacy is actually already high by lower middle income country standards and internet access is also relatively strong.
- $3bn bailout package might free government funds for use elsewhere. Currently 70% of the budget is being spent on debt service, meaning that there is little left for addressing the issues suggested by table 2
    - But many Ghanaians fear that this agreement with the IMF will force the government to impose austerity measures. The IMF doesn't have a great track record on support packages for developing economies, so this fear has some grounding in reality.
- Suggestion that IMF's neoliberal / free market model may conflict with more interventionist solutions.
    - Targeted intervention may be needed if the underlying issues facing Ghana are to be solved
    - Some implications in the data about primary product dependency (75% of export revenue from oil, gold and cocoa), so developing a wider industrial base, perhaps built on processing output from some of these sectors might make sense.
    - Developing such sectors may be a different route to fiscal sustainability, but might require government sector investment to be viable
- Some suggestion that internal reform is more important than external support – improvements in the debt position won't help if policy is poorly targeted by the government:
    - Tax breaks for large corporations linked to the government
    - Increases in G in election years
    - Financial irregularities in the public sector
    - Inability to control inflation
        - But – IMF packages often come with conditionality linked to greater transparency and governance reforms
- This is the 17th time that Ghana has gone to the IMF for help in the last 60 years. Maybe it's time to try something new?

For band 3 responses there needs to be a clear focus on living standards and the impact the IMF support may have on living standard indicators.

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AO Grid					
Question	**AO1**	**AO2**	**AO3**	**AO4**	**Total**
1	4	4			8
2	1	4	2		7
3		2	2	4	8
4	2	2	2		6
5		4	3	4	11
Total	**7**	**16**	**9**	**8**	**40**

AO Grid					
Question	**AO1**	**AO2**	**AO3**	**AO4**	**Total**
6 (a)		4			4
6 (b)	4	2			6
7		2	2	4	8
8		4	3	3	10
9		4	3	5	12
Total	**4**	**16**	**8**	**12**	**40**

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