OXFORD
INTERNATIONAL
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INTERNATIONAL A-LEVEL
ECONOMICS
EC04

Unit 4 Economic Development and the Global Economy

Mark scheme

June 2023

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236XEC04/MS

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from oxfordaqaexams.org.uk

International A-level Economics mark scheme

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:
- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students 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.

The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in question 13 more weight should be given to AO3 than to AO1 and AO2. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A   **Total for this section: 10 marks**

Question	Part	Marking guidance	Total marks
01		Which one of the following identifies **two** functions of money? Answer: **D** (Store of value and measure of value)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
02		<table><tr><td></td><td>**Index of export prices**</td><td>**Index of import prices**</td></tr><tr><td>**2021**</td><td>100</td><td>80</td></tr><tr><td>**2022**</td><td>160</td><td>100</td></tr></table> Between 2021 and 2022, the country's terms of trade Answer: **D** (improved by 35)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
03		Which one of the following statements is correct? Answer: **A** (Individuals who buy shares become owners of the firm.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
04		Price The amount of government tax revenue raised from the tariff is $(P_2 - P_1)$ multiplied by Answer: **C** $(Q_4 - Q_2)$	1 AO2 = 1

Question	Part	Marking guidance	Total marks
05		Which one of the following is a function of a central bank? Answer: **B** (To act as lender of last resort)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
06			1 AO3 = 1

	Exchange rate in Year 1	Exchange rate in Year 2	Price elasticity of demand for exports
Country W	$0.50	$0.45	–0.6
Country X	$1.00	$0.70	–0.9
Country Y	$1.50	$1.20	–1.2
Country Z	$2.00	$1.80	–1.5

All other things being equal, which one of the countries will have the largest increase in its exports between Year 1 and Year 2?

Answer: **B** (Country X)

Question	Part	Marking guidance	Total marks
07		Which one of the following statements about trading blocs is correct? Members of a Answer: **B** (customs union impose the same restrictions on trade with non-members.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
08			1 AO2 = 1

Item	$ billion
Balance of trade in goods	+400
Net direct investment	−200
Primary income balance	−350
Change in reserve assets	+125
Secondary income balance	+140
Balance of trade in services	−120

The country's balance of payments on current account is a

Answer: **C** (surplus of $70 billion.)

Question	Part	Marking guidance	Total marks
09			1 AO2 = 1

	Wheat (tonnes)	Barley (tonnes)
Country X	10	5
Country Y	30	6

Which one of the following is correct?

Answer: **D** (Country Y has a comparative advantage in the production of wheat and an absolute advantage in the production of barley.)

Question	Part	Marking guidance	Total marks
10			**1** **AO2 = 1**

	Brazil	**France**	**India**	**USA**
Exports (US$ bn)	317	921	643	2 533
Imports (US$ bn)	298	957	718	3 394
GDP (US$ bn)	1 608	2 935	3 178	22 998

Based on the data in **Table 5**, which country's economy is most dependent on international trade?

Answer: **B** (France)

Section B   **Total for this section: 10 marks**

Question	Part	Marking guidance	Total marks
11	**1**	Define 'an appreciation in the exchange rate'. **A full and precise definition is given (2 marks)** Examples of acceptable definitions worth 2 marks: • a rise in the value of a currency so that it buys more units of another currency **or currencies / basket of currencies** • when the price of a currency increases in terms of another currency • when there is an increase in the amount of a foreign currency that can be purchased with one unit of the domestic currency. **The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (1 mark)** Examples of definitions worth 1 mark: • an increase in the value of a currency • a rise in the price of a currency • the price of one currency in terms of another currency.	**2** **AO1 = 2**

Question	Part	Marking guidance	Total marks
11	2	Explain, using a diagram, the effect of a fall in spending on imports on a country's exchange rate.	4 AO1 = 2 AO2 = 2

Level	Marks	Descriptor
2	3–4	• Shows good knowledge and understanding of the effect of a fall in spending on imports on a country's exchange rate. • Includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.
1	1–2	• Shows some limited knowledge and understanding of the effect of a fall in spending on imports on a country's exchange rate. • May include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.
	0	No creditworthy material

Indicative content:

The expected diagram involves a shift of the supply curve to the left, resulting in an increase in the exchange rate.
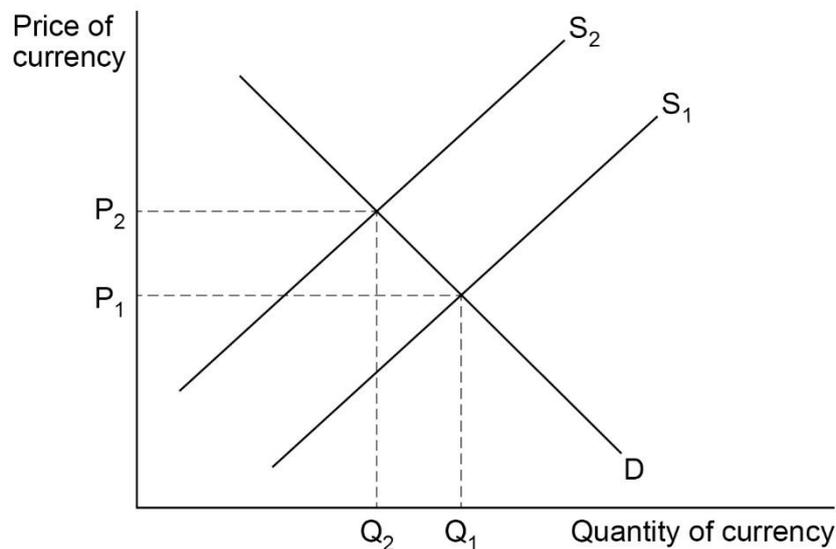
Given that the question asks for the effect on the exchange rate, the diagram is acceptable even if the equilibrium quantities (Q_1 and Q_2) are not shown on the horizontal axis.

Acceptable labels include:

Vertical axis: Price of currency, Price, P, currency symbol such as $ or $:£, exchange rate but not Price level or PL.

Horizontal axis: Quantity of currency, Quantity, Q but not GDP or real national output.

An example of an acceptable explanation:

Imports are goods and services bought from another country. To pay for imports, foreign currency is needed. The importer obtains foreign currency by exchanging their domestic currency for foreign currency. If spending on imports falls, the amount of domestic currency supplied on the foreign exchange market also falls. In the diagram, this is shown by a leftward shift in the supply curve. There is excess demand for the currency at P1 and therefore, the exchange rate rises to P2. Other things being equal, a fall in spending on imports is likely to lead to an appreciation in the exchange rate.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
11	3		4 AO1 = 1 AO2 = 3

	Price of a computer from the USA	Exchange rate
May 2022	$220	$1 = 140 dinars
May 2023	$210	$1 = 170 dinars

Calculate the percentage change, between May 2022 and May 2023, in the amount an importer has to pay, in dinars, for a computer from the USA.

Give your answer to **one decimal place**.

Calculation:

Price of computer in May 2022 = 220 × 140 = 30 800 dinars
Price of computer in May 2023 = 210 × 170 = 35 700 dinars

Percentage change = $\dfrac{35\ 700 - 30\ 800}{30\ 800} \times 100$

= 15.90909

= 15.9% (1dp)

Response	Max 4 marks
For the correct answer: 15.9% (with or without working)	**4 marks**
For the correct answer but with missing/incorrect units: eg 15.9 or 15.9 dinars **OR** For the correct answer but not rounded to 1 decimal place: eg 15% or 15.90909% **OR** For an error in rounding: 16.0%	**3 marks**

14			For the correct calculation of the price in dinars in May 2022 **and** May 2023: 30 800 dinars **and** 35 700 dinars **OR** For the correct calculation of the percentage change of the price in dollars to 1 decimal place and the percentage sign: –4.5% or 4.5% **OR** For the correct method but the wrong answer	**2 marks**	
			For a correct calculation of the price in dinars in May 2022 **or** May 2023: 30 800 dinars **or** 35 700 dinars **OR** **For correct calculation of BOTH prices but without correct units specified** **OR** For the correct method of calculating a percentage change but the wrong answer	**1 mark**	

MAXIMUM FOR QUESTION 11: 10 MARKS

Section C   **Total for this section: 45 marks**

Question	Part	Marking guidance	Total marks
12	1	**Extract A** shows the GDP per capita and the Human Development Index (HDI) in Mexico between 2014 and 2021. Explain why Mexico's GDP per capita is likely to affect the value of its Human Development Index.	4 **AO1 = 1** **AO2 = 1** **AO3 = 2**

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
2	3–4	• Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. • Includes reasonable application of relevant economic principles to support the response. • Includes well-focused analysis with a clear, logical chain of reasoning.
1	1–2	• Shows some limited knowledge and understanding of relevant economic terminology, concepts and principles. • May include some application of relevant economic principles to the question. • May include some attempted analysis but the analysis is not adequately developed and/or may be confused.
	0	No creditworthy material

Indicative content:

- definitions of GDP per capita, Human Development Index
- GNI per capita is one of the components of the HDI. Since GNI and GDP are both measures of national income, they are closely related
- explain that since national income (GNI per capita) is a component of HDI, a change in the value of GDP per capita is likely to have a direct relationship with the value of HDI
- explain why GDP per capita affects people's ability to consume goods and services, including basic necessities such as food, clothing, shelter and energy. This will affect life expectancy which is included in the HDI
- explain that GDP per capita will affect the government's ability to raise taxes and hence spending on health and education
- explain why GDP per capita is likely to affect spending on both privately and publicly provided health care which will affect life expectancy
- explain why GDP per capita is likely to affect spending on both privately and publicly provided education which will affect mean and expected years of schooling. Mean and expected years of schooling are included in the HDI.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
12	2	To what extent do the data suggest that Mexico's GDP per capita has affected the value of its Human Development Index between 2014 and 2021? Use the data in **Extract A** to support your answer.	4 AO1 = 1 AO2 = 1 AO4 = 2

Examiners are reminded that AO1, AO2 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
2	3–4	• Includes sound evidence that indicates the extent to which Mexico's GDP per capita has affected the value of its HDI. • Includes a supported judgement concerning the extent to which Mexico's GDP per capita has affected the value of its HDI.
1	1–2	• Includes some limited evidence that indicates the extent to which Mexico's GDP per capita has affected the value of its HDI. • May attempt a judgement concerning the extent to which Mexico's GDP per capita has affected the value of its HDI but this is not adequately supported by the data.
	0	No creditworthy material

Indicative content:

- over the period 2014 and 2021, GDP per capita has fallen from US$9426 to US$9255 and Mexico's HDI has also decreased from 0.764 to 0.758
- in every year between 2014 and 2018, an increase GDP per capita is associated with an increase in Mexico's HDI, for example, between 2016 and 2017, GDP per capita increased from US$9752 to US$9842 and the HDI increased from 0.772 to 0.775
- however, between 2018 and 2019, Mexico's GDP per capita fell from US$9946 to US$9820 while the HDI continued to increase from 0.777 to 0.779. Over the period shown, this is the only time when there is a negative relationship between Mexico's GDP per capita and its HDI
- between 2019 and 2020, there is a large fall in GDP per capita from US$9820 to US$8923 and also a large fall in the HDI from 0.779 to 0.756
- when the growth in GDP per capita resumes between 2020 and 2021, from US$8923 to US$9255, the value of the HDI also increases, from 0.756 to 0.758
- the strength of the relationship between GDP per capita and the HDI differs from one year to another, for example, between 2014 and 2015 GDP per capita increases by 2.0% and HDI increases by 0.52% whereas, between 2015 and 2016, GDP per capita only increases by 1.4% and the HDI increases by a similar 0.52%
- since HDI is a composite index of economic development, other factors are likely to affect HDI, for example, anything that affects life expectancy and education
- since GDP per capita is in US$, Mexico's exchange rate may also affect the relationship
- factors that cause differences between Mexico's GDP and GNI will also affect the relationship between GDP per capita and HDI
- students are likely to conclude that there was a (strong) positive relationship/correlation between GDP per capita in Mexico and the country's HDI between 2014 and 2021.

Credit valid alternative content.

MAXIMUM FOR QUESTION 12: 8 MARKS

Question	Part	Marking guidance	Total marks
13		**Extract B** (line 10) states: 'FDI has contributed to Mexico's economic growth'. Explain why an increase in foreign direct investment (FDI) is likely to affect Mexico's economic growth.	12 AO1 = 3 AO2 = 3 AO3 = 6

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	9–12	• Is well organised and develops one or more of the key issues that are relevant to the question. • Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. • Includes good application of relevant economic principles and/or good use of data to support the response. • Includes well-focused analysis with a clear, logical chain of reasoning. • May include a relevant diagram that is accurate and used appropriately to support their explanation.
2	5–8	• Includes one or more issues that are relevant to the question. • Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. • Includes reasonable application of relevant economic principles and/or data to the question. • Includes some reasonable analysis but it might not be adequately developed and may be confused in places. • May include a relevant diagram to support their explanation.
1	1–4	• Is very brief and/or lacks coherence. • Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. • Demonstrates very limited ability to apply relevant economic principles and/or data to the question. • May include some very limited analysis but the analysis lacks focus and/or becomes confused. • May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.
	0	No creditworthy material

Indicative content:

• definitions of FDI, economic growth
• distinction between short-run and long-run economic growth
• explanation of FDI as an injection into the circular flow of income, leading to an increase in aggregate demand (AD) and short-run economic growth
• explanation of why FDI may lead to an increase in exports and import substitution, increasing AD
• explanation of possible multiplier effects
• explanation of possible accelerator effects stimulating investment

- explanation of why FDI increases productive capacity, shifts LRAS to the right and increases long-run economic growth
- explanation of the impact of FDI on productivity and long-run economic growth
- explanation of why FDI may lead to investment in human capital
- explanation of why FDI may also lead to an increase in the productivity and efficiency of domestic producers
- explanation of why FDI may lead to investment in infrastructure and increase long-run economic growth.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
14		**Extract C** (lines 1–2) states: 'Over the last 30 years, Mexico has not performed as well as similar countries in terms of growth and in reducing poverty.' Discuss how policies to reduce inequality and poverty could contribute to Mexico's economic development.	**25** **AO1 = 4** **AO2 = 3** **AO3 = 9** **AO4 = 9**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	16–20	**Sound, focused analysis and some supported evaluation that:** • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
3	11–15	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	6–10	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.
1	1–5	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- definitions of inequality, poverty, economic development
- explanation of why economic growth is not the same as economic development but that sustained economic growth, of the right kind, can contribute to economic development
- explanation of how government spending might be used to reduce poverty and inequality, for example, government spending on welfare, education and health care
- explanation of how progressive taxes might be used to reduce poverty and inequality
- explanation of how policies to promote employment and growth in the less prosperous regions in Mexico might be used to reduce poverty and inequality, for example, setting up SEZs and supporting diversification to reduce dependence on subsistence agriculture
- explanation of how an increase in the country's national minimum wage may help to reduce poverty and inequality
- explanation of how policies to promote employment in the formal sector of the economy may help to reduce poverty and inequality
- discussion of the advantages and disadvantages of policies identified and the extent to which they are likely to contribute to economic development
- explanation of why a reduction in poverty and inequality will, in itself, contribute to economic development
- explanation of why the existence of poverty and inequality means that the potential of those who are poor will not be fully exploited, restricting economic growth and economic development
- discussion of the extent to which investment in human capital may help to reduce inequality, contributing to higher living standards and economic development
- discussion of the impact of poverty and inequality on health, life expectancy, quality of life, and hence economic development
- discussion of the impact of poverty and inequality on people's access to education and hence their quality of life and standard of living, affecting sustained economic development
- discussion of how providing access to finance to people in Mexico can help reduce poverty and inequality, contributing to economic development
- discussion of whether policies that reduce inequality may inhibit economic development by reducing incentives to work, invest and set up businesses
- use of the extracts to support judgements
- discussion of other policies that may help to promote economic development in comparison to policies used to reduce poverty and inequality
- an overall assessment of the contribution that policies to reduce poverty and inequality can make to Mexico's economic development.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

Section D   **Total for this section: 25 marks**

Question	Part	Marking guidance	Total marks
15		The recent rise in global commodity prices has led to an increase in inflation. There is also a risk that this will lead to a recession in the world economy. Discuss the economic effects of a significant increase in global commodity prices on less economically developed countries (LEDCs).	**25** **AO1 = 4** **AO2 = 3** **AO3 = 9** **AO4 = 9**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	16–20	**Sound, focused analysis and some supported evaluation that:** • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
3	11–15	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	6–10	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.

1	1–5	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- definitions of commodity, less economically developed country (LEDC)
- distinction between LEDCs that are exporters of commodities and those that are major importers of commodities
- explanation of why LEDCs that produce oil and natural gas will benefit significantly when oil prices are rising but LEDCs that rely on imports of oil and gas will suffer
- recognition that the extent of the changes in the prices of different commodities will determine how different LEDCs are affected
- explanation of the significance of price elasticity of demand
- discussion of the impact on the balance of payments for different LEDCs
- discussion of the impact on the country's exchange rate and the significance of changes in the exchange rate for other aspects of an LEDC's economic performance
- discussion of the impact on the terms of trade and how that may affect the economic performance of an LEDC
- discussion of the possible impact on the government's budget balance and the effect that may have on the wider economy
- analysis of why rising commodity prices are likely to lead to rising inflation, at least in the short run plus the impact of rising inflation on LEDCs
- discussion of the impact on living standards in LEDCs
- discussion of the impact of rising food and fuel prices on the poorest people in LEDCs
- discussion of the possible impact on an LEDC's external debt
- discussion of possible consequences for employment and growth
- discussion of the impact on different parts of the LEDC's economy, for example, a significant increase in the world market price of tea will benefit tea growers in countries such as India, China and Sri Lanka
- application of student's knowledge of the impact of rising commodity prices on different countries to support their analysis and evaluation
- discussion of the significance of commodity price fluctuations, recognising that a large increase in commodity prices is often followed by a fall
- an overall assessment of the impact of a significant increase in global commodity prices on LEDCs.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
16		Recent trends in the global economy show that many countries have adopted protectionist policies aimed at restricting international free trade. Assess the view that the use of protectionist policies by a more economically developed country (MEDC) is likely to reduce the standard of living of its citizens.	**25** **AO1 = 4** **AO2 = 3** **AO3 = 9** **AO4 = 9**

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	16–20	**Sound, focused analysis and some supported evaluation that:** • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
3	11–15	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	6–10	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.

| 1 | 1–5 | **A very weak response that:**
• includes little relevant knowledge and understanding of economic terminology, concepts and principles
• includes application to the given context which is, at best, very weak
• includes attempted analysis which is weak and unsupported. |
| | 0 | No creditworthy material |

Indicative content:

- definitions of protectionist policies, more economically developed country (MEDC), standard of living
- examples of protectionist policies including: tariffs, quotas, subsidies, import ban/embargoes, exchange controls and other non-tariff barriers including regulations such as minimum environmental standards
- explanation of the principle of comparative advantage and why the principle suggests that free trade benefits all countries, including MEDCs
- explanation of reasons why MEDCs adopt protectionist policies, eg to protect sunrise and sunset industries, to prevent structural unemployment, to reduce imports from low-wage economies, to reduce a balance of payments deficit, to protect strategic industries, to diversify the economy, to prevent dumping, to protect the environment and for health and safety reasons
- protectionism by MEDCs as a response to growing competition from rapidly developing LEDCs
- explanation of why protectionist policies adopted by an individual, or group of, MEDCs may be in retaliation for protectionist policies imposed by other countries
- analysis and evaluation of the effects of tariffs, quotas, subsidies
- reasons why protectionist policies may reduce living standards in MEDCs:
    - discussion of the impact of protectionist measures on import prices and inflation
    - explanation of the effect of higher import prices and inflation on households' real income and hence living standards
    - discussion of the impact of protectionist policies on consumer surplus
    - protectionism and the consequent reduction in foreign competition may result in domestic producers becoming less efficient and less likely to innovate
    - may lead to the creation of domestic monopolies and the abuse of monopoly power
    - may lead to less variety of products and less choice for consumers
    - may result in retaliation, making everyone worse off
- reasons why protectionist policies may improve living standards in MEDCs:
    - may help to reduce structural unemployment and help maintain the incomes of people working in industries vulnerable to foreign competition, particularly when labour is either occupationally and/or geographically immobile
    - may reduce the amount the government needs to spend on welfare and lead to lower taxes
    - the revenue earnt from a tariff might be used to support the less well-off
    - protectionism may give an industry time to invest, increase productivity, become efficient and compete with overseas producers
    - may prevent the import of unsafe products or those that may damage the environment, for example, cars with high emissions of greenhouse gases
    - protection against dumping allows an efficient domestic industry to survive and continue to provide income and employment
    - protectionism, that reduces imports, leads to a reduction in withdrawals from the circular flow of income, increasing aggregate demand, output and employment
- discussion of whether protectionist policies may reduce the standard of living of some citizens in MEDCs but increase living standards for others
- an overall assessment of whether protectionist policies are likely to reduce (or improve) the living standards of the citizens of MEDCs.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

Assessment Objectives Grid

	AO1	AO2	AO3	AO4	Total
Section A					
01	1				**1**
02		1			**1**
03	1				**1**
04		1			**1**
05	1				**1**
06			1		**1**
07	1				**1**
08		1			**1**
09		1			**1**
10		1			**1**
Section B					
11.1	2				**2**
11.2	2	2			**4**
11.3	1	3			**4**
Section C					
12.1	1	1	2		**4**
12.2	1	1		2	**4**
13	3	3	6		**12**
14	4	3	9	9	**25**
Section D					
15 and 16	4	3	9	9	**25**
Unit total	**22**	**21**	**27**	**20**	**90**