OXFORDAQA
INTERNATIONAL QUALIFICATIONS

INTERNATIONAL A-LEVEL

ECONOMICS

EC04

Unit 4 Economic Development and the Global Economy

Mark scheme

June 2024

Version: 1.0 Final

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 www.oxfordaqa.com

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**

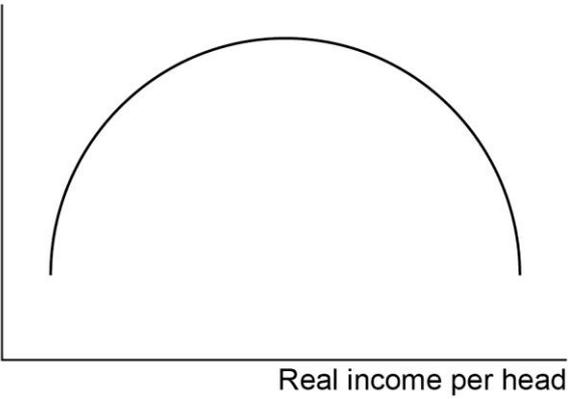| Question	Part	Marking guidance	Total marks
01		Which one of the following is most likely to be a **disadvantage** of globalisation for a more economically developed country (MEDC)? Answer: **C** (A rise in structural unemployment)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
02			1 AO2 = 1

	Apples		Oranges
Country X	16	**OR**	8
Country Y	8	**OR**	2

Using the model of comparative advantage, which one of the following terms of trade will allow both countries to benefit from trade?

Answer: **B** (3 apples = 1 orange)

Question	Part	Marking guidance	Total marks
03		Which one of the following is a function of the World Trade Organisation (WTO)? Answer: **B** (Helping countries reach agreements that lead to a reduction in tariffs)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
04			1 AO3 = 1

	Nominal GDP ($)	Population	Price index
2021	60 billion	10.0 million	120
2023	80 billion	10.2 million	140

Between 2021 and 2023, the country's real GDP per head increased by

Answer: **A** (12.04%)

Question	Part	Marking guidance	Total marks
05		The country with the franc as its currency has a higher rate of inflation than other countries. All other things being equal, which one of the following diagrams illustrates the most likely effect of the country's higher rate of inflation on the price of the franc? Answer: **D**	1 AO2 = 1

Price of the franc

S_1

S_2

P_1

P_2

D_1

D_2

O

Quantity

Question	Part	Marking guidance	Total marks
06		As a result of this increase in spending on infrastructure, in the short run, aggregate demand and national income will increase by Answer: **B** ($11.67 billion)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
07		Damage to the environment Real income per head The environmental Kuznets curve suggests that Answer: **B** (at high levels of real income per head, damage to the environment falls as real income per head increases.)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
08		The financial institutions in the shadow banking market Answer: **B** (are not licensed and regulated by governments or central banks.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
09			**1** **AO2 = 1**

	€ million
Balance of trade in goods	–26 719.1
Balance of trade in services	12 845.0
Primary income	368.7
Secondary income	1 233.8
Capital account	4 000.9
Financial account	7 107.6
Balancing item	1 163.1

Which one of the following is correct?

In 2021, Greece

Answer: **A** (had a current account deficit of €12 271.6 million.)

Question	Part	Marking guidance	Total marks
10		Which one of the following is most likely to explain why the value of remittances received by many LEDCs has grown? Answer: **C** (An increase in the number of people living and working abroad)	**1** **AO1 = 1**

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

| Question	Part	Marking guidance	Total marks
11	**1**	What is the difference between the money market and the capital market? **A full and precise explanation of the difference is given (2 marks)** Examples of acceptable explanations worth 2 marks: • the money market provides short-term finance to individuals, firms and governments whereas the capital market provides medium and long-term finance • the money market is where securities with a short time to maturity are bought and sold whereas the capital market trades securities with at least a year to maturity. **The substantive content of the difference is correct, but there may be some imprecision or inaccuracy (1 mark)** Examples of explanations worth 1 mark: • an accurate definition of the money market, for example, where securities with a short maturity are bought and sold • an accurate definition of the capital market, for example, where securities with a medium or long time to maturity are traded • the money market deals in bills whereas the capital market deals in bonds and shares.	**2** **AO1 = 2**

Question	Part	Marking guidance	Total marks
11	2		4 AO1 = 1 AO2 = 3

Option	Rate of interest	Period of loan
1	6.7%	3 years
2	5.8%	4 years

Calculate the difference between the amount of interest the firm would have to pay for Option 1 compared to Option 2.

Calculation:

Option 1

Interest = $275 000 × 0.067 × 3 = $55 275

Option 2

Interest = $275 000 × 0.058 × 4 = $63 800

The difference in the amount of interest the firm would have to pay is $63 800 – $55 275 = $8525 (allow –$8525)

Response	Max 4 marks
For the correct answer (with or without working): $8525	**4 marks**
For the correct answer but with missing/incorrect units: eg 8525 <u>or</u> £8525	**3 marks**
For the correct interest for Option 1 <u>and</u> Option 2 with the correct units, but the difference is missing/incorrect: $55 275 <u>and</u> $63 800 **OR** For the difference if the interest is compounded annually: $10 507	**2 marks**
For the correct interest for Option 1 <u>and</u> Option 2, with missing/incorrect units <u>and</u> the difference is missing/incorrect: eg 55 275 <u>and</u> 63 800 **OR** For the correct interest for Option 1 <u>or</u> Option 2 with the correct units: $55 275 <u>or</u> $63 800 **OR** For the correct method throughout but the wrong answer	**1 mark**

Question	Part	Marking guidance	Total marks
11	3	Explain, using a diagram, how a fall in interest rates is likely to affect a country's short-run rate of economic growth.	4 AO1 = 1 AO2 = 3

Level	Marks	Descriptor
2	3–4	• Shows good knowledge and understanding of how a fall in interest rates is likely to affect a country's short-run rate of economic growth. • 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 how a fall in interest rates is likely to affect a country's short-run rate of economic growth. • 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 is an AD/AS diagram, showing a rightwards shift (increase) in AD. However, short-run economic growth could also be illustrated using a production possibility diagram.
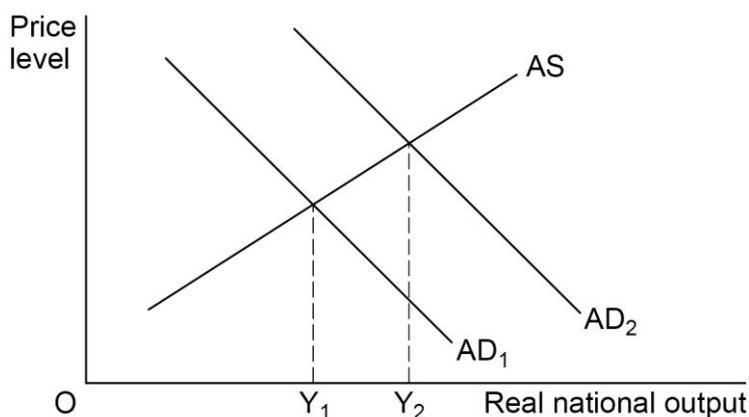
Acceptable labels include:

For an AD/AS diagram:
Vertical axis: Price level, PL, Inflation, currency symbol such as $ or € but not Price or P.
Horizontal axis: Real GDP, Real Output, Total Output, National Output, Y, RNO and NI but not Quantity or Q.

For a production possibility diagram the two axes should relate to the macroeconomy, for example:
Goods and Services.
Good A and Good B would not be acceptable labels

An example of an acceptable explanation:

Short-run economic growth is the annual percentage change in a country's national output/real GDP. It is affected by aggregate demand. If interest rates fall, it is cheaper to borrow and less rewarding to

save. Therefore a fall in interest rates is likely to increase consumption and investment. A fall in interest rates might also lead to a fall in the country's exchange rate, increasing exports and reducing imports. As a result, aggregate demand will increase and firms are likely to produce more goods and services, leading to short-run economic growth. In the diagram, this is shown by AD shifting from AD_1 to AD_2 and real national output rising from Y_1 to Y_2.

Credit valid alternative content.

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 world market price of copper and the terms of trade for Chile. Explain why the price of copper is likely to affect the terms of trade for Chile.	**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:

- definition of the terms of trade
- statement of the formula for the terms of trade
- identification of copper as a major export for Chile
- explanation of why a rise (fall) in the price of copper is likely to lead to an increase (decrease) in Chile's index of export prices
- explanation of what is meant by an improvement in the terms of trade, eg more imports can be obtained for a given quantity of exports, the numerical value of the terms of trade index increases
- explanation of why, other things being equal, an increase in the price of copper and in Chile's index of export prices will lead to an improvement in Chile's terms of trade
- explanation of what is meant by a deterioration in the terms of trade
- explanation of why, other things being equal, a decrease in the price of copper and in Chile's index of export prices will lead to a deterioration in Chile's terms of trade.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
12	2	To what extent do the data suggest that the price of copper affected the terms of trade for Chile between 2012 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 the price of copper affected the terms of trade for Chile. • Includes a supported judgement concerning the extent to which the price of copper affected the terms of trade for Chile.
1	1–2	• Includes some limited evidence that indicates the extent to which the price of copper affected the terms of trade for Chile. • May attempt a judgement concerning the extent to which the price of copper affected the terms of trade for Chile.
	0	No creditworthy material

Indicative content:

- between 2012 and 2021 the price of copper rose from US$7962 per tonne to US$9317 per tonne (17%) while Chile's terms of trade improved from an index of 109.2 to an index of 132.0 (21%), consistent with a direct relationship between the price of copper and Chile's terms of trade
- between 2012 and 2015 the price of copper fell from US$7962 per tonne to US$5510 per tonne (31%) while Chile's terms of trade deteriorated from an index of 109.2 to an index of 100.0 (8%), which is also consistent with a direct relationship between the price of copper and Chile's terms of trade
- unlike the previous years, between 2015 and 2016 the price of copper fell from US$5510 per tonne to US$4868 per tonne (12%) while Chile's terms of trade improved from an index of 100.0 to an index of 103.1 (3%), which is not consistent with a direct relationship between the price of copper and Chile's terms of trade
- during this period, changes in the price of Chile's other exports, changes in the price of its imports and changes in the exchange rate may, for example, have had a more significant impact on Chile's terms of trade
- however, for most years between 2016 and 2021, there is a direct relationship between the price of copper and Chile's terms of trade, for example, between 2018 and 2019 the price of copper fell from US$6530 per tonne to US$6010 per tonne (8%) while Chile's terms of trade deteriorated from an index of 109.2 to an index of 107.3 (2%)
- overall, the data show a generally consistent and strong, direct relationship (positive correlation) between the price of copper and Chile's terms of trade.

Credit valid alternative content.

MAXIMUM FOR QUESTION 12: 8 MARKS

Question	Part	Marking guidance	Total marks
13		**Extract B** (line 1) states: 'Copper is the third most widely-used metal in the world but its price fluctuates.' Explain possible reasons for fluctuations in the world market price of copper.	**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:

- explanation of what is meant by fluctuations in the price of copper
- distinction between short-run and long-run fluctuations
- statement that the world market price of copper is largely determined by the demand for and supply of copper
- explanation of why fluctuations in the world market price of copper are caused by shifts in the demand for and supply of copper

- explanation of how the following factors may affect the demand for copper:
  - growth in the world economy
  - relevance of income elasticity of demand for copper
  - global spending on infrastructure
  - changes in the price of substitutes such as aluminium
  - cross elasticities of demand
  - the impact of policies to reduce global warming
- explanation of how the following factors may affect the supply of copper:
  - investment in copper mines
  - recycling of copper
  - new discoveries of copper
  - changes in costs of production
  - changes in technology in the mining industry
  - natural disasters in copper-producing regions
  - industrial action by workers
  - environmental protests and regulations
- explanation of the significance of price elasticities of demand and supply
- stocks of copper and their release onto the world market (or additions to stock)
- explanation of the impact of speculation
- explanation of how changes in the value of the US$ can lead to fluctuations in the world market price of copper.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
14		**Extract C** (line 5) states: 'Chile has been the world's largest producer of copper for over 30 years.' Discuss ways in which the copper industry affects the economic development of Chile.	**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 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:

- explanation of what is meant by economic development
- explanation of factors that affect a country's economic development, eg ability to consume goods and services, health, education, inequality, incidence of poverty, opportunities for people, environmental factors, sustainability
- analysis of the impact of the copper industry on Chile's national income and rate of economic growth
- analysis of demand-side and supply-side effects of the copper industry on the performance of Chile's economy
- explanation of the multiplier effects of the copper industry
- discussion of how the copper industry has helped develop the country's infrastructure and its contribution to Chile's general economic development
- analysis of how the copper industry affects employment within the industry and in other sectors of the economy
- discussion of whether the impact of the copper industry is likely to be localised and have its main impact on particular regions of Chile
- discussion of how the copper industry may affect inequality and poverty
- the impact of the copper industry on exports and the balance of payments
- explanation of how export earnings from copper may increase Chile's foreign exchange reserves and the ability to manage its exchange rate, supporting economic stability
- discussion of how fluctuations in the world market price of copper may affect the exchange rate and the stability of the economy
- discussion of the significance of the natural resource curse/Dutch disease effects on the economy of Chile
- explanation of how the copper industry may help provide tax revenue and how this may help finance increased public expenditure
- evaluation of the impact of higher public expenditure on economic development, eg via education, health care and measures to reduce inequality
- evaluation of the significance of the instability in the tax revenue generated by the industry for sustained economic development
- evaluation of the significance of the role of transnational corporations in Chile's copper industry
- evaluation of the possible environmental costs of copper mining and the role of government in minimising these costs
- evaluation of the importance of the relative contribution of the copper industry to the economy of Chile, eg compared to the service sector
- evaluation of possible short-run and long-run impacts on the economy of Chile and its economic development
- use of data from the extracts to support the evaluation of issues discussed
- an overall assessment of how the copper industry affects the economic development of Chile.

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		New Zealand's current account deficit increased from $21.1 billion (6.0% of GDP) in 2021 to $33.8 billion (8.9% of GDP) in 2022. Expenditure-reducing policies can help to reduce a deficit on the balance of payments but may damage the domestic economy. Evaluate the advantages **and** disadvantages of using expenditure-reducing policies to decrease a deficit on the current account of a country's balance of payments.	**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 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 expenditure-reducing policies and the current account of the balance of payments
- explanation of what is meant by a current account deficit
- analysis of how fiscal policy can be used to reduce aggregate demand (AD)
- analysis of how monetary policy can be used to reduce AD
- analysis of the effect of reducing AD on national income
- analysis and evaluation of how a reduction in AD and national income affects the demand for imports and hence the current account deficit
- analysis and evaluation of the significance of the marginal propensity to import (or YED for imports) in determining the advantages and disadvantages of using expenditure-reducing policies to decrease a current account deficit
- analysis of the effect of reducing AD on inflation, competitiveness and hence the current account deficit
- analysis of the effect of reducing AD on the amount of spare capacity and hence the ability of the economy to supply exports and the incentive to produce import substitutes
- evaluation of the advantages and disadvantages of using expenditure-reducing policies in achieving a sustained, long-run decrease in a current account deficit
- analysis and evaluation of the circumstances when the use of expenditure-reducing policies to decrease a current account deficit is appropriate, eg when the economy has a positive output gap and is experiencing inflationary pressures
- analysis and evaluation of the circumstances when the use of expenditure-reducing policies to decrease a current account deficit is not appropriate, eg when the economy has a negative output gap and is experiencing unemployment and low growth
- analysis and evaluation of how the advantages and disadvantages of using expenditure-reducing policies to decrease a current account deficit depend on the cause of the deficit, eg is the deficit caused by trade in goods, trade in services, primary income flows or secondary income flows
- evaluation of the advantages and disadvantages of using expenditure-reducing policies to decrease a current account deficit compared to other methods, eg expenditure-switching policies and supply-side policies
- an overall assessment of the advantages and disadvantages of using expenditure-reducing policies to decrease a deficit on the current account of the balance of payments.

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		Foreign aid can help poor countries grow and develop. However, this is not always the case. Foreign aid can destroy local industries and the country receiving aid may become dependent on the country or organisation providing the aid. Evaluate the advantages **and** disadvantages of foreign aid for 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 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:

- definition of foreign aid and LEDCs
- different types of foreign aid, eg grants, soft loans, technical assistance, emergency aid, debt relief
- difference between multilateral and bilateral aid
- characteristics of LEDCs
- analysis of foreign aid as a way of filling the savings gap experienced by many LEDCs
- evaluation of the advantages and disadvantages of foreign aid as a way of filling the savings gap
- the advantages and disadvantages of foreign aid as a means of financing spending on infrastructure, investment in human capital and relieving poverty
- the advantages and disadvantages of foreign aid as a way in which LEDCs can receive technical assistance and expertise, helping individuals, communities and the economy to develop
- evaluation of how the advantages and disadvantages of foreign aid to LEDCs may depend on the type of aid
- evaluation of the advantages and disadvantages of tied aid to LEDCs
- explanation of how foreign aid may create dependence on the donor
- evaluation of how the advantages and disadvantages of foreign aid may depend on the donor and conditions attached to the aid
- explanation of how foreign aid is a way in which LEDCs can obtain the foreign currency needed to buy essential imports
- explanation and evaluation of how foreign aid can lead to an increase in overseas indebtedness and high interest payments, often in foreign currency
- analysis of why an increase in the burden of debt, resulting from some forms of foreign aid, can lead to the government having to spend more on paying interest and less on, for example, capital spending and welfare
- analysis of why an increase in the burden of debt may mean that a high proportion of the foreign currency earnt from exports is used to service the overseas debt, making it hard for the LEDC to buy essential imports
- analysis and evaluation of the advantages and disadvantages of foreign aid in promoting economic development in the long run
- evaluation of the advantages and disadvantages of humanitarian aid to deal with short-term problems, eg natural disasters, famine
- analysis of how foreign aid may harm domestic producers, eg food aid can harm the country's agricultural sector
- how government failure and/or corruption may mean that foreign aid is not well spent
- evidence of the advantages and disadvantages of foreign aid to particular countries
- an overall assessment of the advantages and disadvantages of foreign aid for 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.

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	1	3			**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	**21**	**22**	**27**	**20**	**90**