

General marking guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed-out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A: Essay questions

Please use the appropriate levels mark scheme for part (a) – 15 marks and part (b) – 25 marks, to mark this section.

Question Number	Indicative content	Mark
1 (a)	<p>Effects include:</p> <ul style="list-style-type: none"> • Cost push inflationary pressures - AD/AS analysis showing leftward shift in AS curve for manufactured goods. <i>But increased costs might be offset by increased productivity or efficiency gains.</i> • Danger of wage price spiral and rising inflationary expectations. <i>But... monetary policy might help to keep inflation under control.</i> • Lower growth - AD/AS analysis. <i>But... if the rise in commodity prices is caused by rapid world growth, then the impact on growth might be limited.</i> • Possibility of increased unemployment. <i>But not so likely if increased global demand is the cause of higher commodity prices.</i> • Impact on the trade in goods balance. <i>Differential effects depending on whether the country is a net importer or exporter of commodities. In the UK's case, there is likely to be an adverse effect on the trade in goods balance but countries exporting commodities will see a rise in their terms of trade and will benefit from increasing export revenues (assuming demand is price inelastic).</i> <p>N.B. If no part of the analysis is related to the global economy, restrict to Level 4.</p>	(15)

Question Number	Indicative content	Mark
1 (b)	<p>Policies include:</p> <p>Monetary policy</p> <ul style="list-style-type: none"> • Discussion of inflation targeting by the central bank; use of interest rates to achieve inflation target; transmission mechanism. • <i>Evaluation: consideration of whether it is appropriate to target inflation or asset prices; adverse effects on other variables of changing raising interest rates, e.g. on exchange rate; time lags; negative impact on growth and employment; inappropriate to raise interest rates when inflation is caused by cost push factors.</i> <p>Supply side policies</p> <ul style="list-style-type: none"> • Discussion of those which impact on the price level, i.e. measures to increase competition and productivity; transmission mechanism. • <i>Evaluation: some policies will have implications for public finances; time lags.</i> <p>Fiscal policy</p> <ul style="list-style-type: none"> • Discussion of deflationary fiscal policy; transmission mechanism. • <i>Evaluation: ineffective if consumers reduce savings following a rise in taxes; very blunt instrument - adverse impact on other variables, e.g. unemployment.</i> • In the case of oil, governments might react by cutting the tax on petrol. <p>N.B. If there is no reference to ‘slow economic growth’ then restrict to Level 4.</p>	(25)

Question Number	Indicative content	Mark
2 (a)	<ul style="list-style-type: none"> • Understanding of the term ‘trading blocs’ - usually groups of countries in specific regions that manage and promote trade activities. Could consider various types: free trade areas; customs unions; common markets; monetary unions. • Consideration of trade creation - based on the law of comparative advantage. • Consequent implications for: <ul style="list-style-type: none"> ○ global economic growth ○ resource allocation ○ global inflation rates ○ inequality. • Consideration of trade diversion - distortion of comparative advantage might be used in evaluation. • Free movement of labour within a common market leading to increased geographical and occupational mobility. • Increase in FDI. <p>Evaluative comments might include:</p> <ul style="list-style-type: none"> • <i>Differential impact on those countries in blocs and those outside blocs.</i> • <i>Trade diversion: distortion of comparative advantage.</i> • <i>Short-run and long-run effects, e.g. in long run WTO might have further success in reducing trade barriers between blocs.</i> • <i>Impact depends on number of trading blocs and on size and extent of protectionist measures.</i> <p>N.B. If no reference to the impact on the global economy then restrict to Level 3.</p>	(15)

Question Number	Indicative content	Mark
2 (b)	<p>Explanation of devaluation</p> <p>Effects include:</p> <ul style="list-style-type: none"> • Improvement in competitiveness of Venezuelan goods: fall in price of goods exported; increase in price in goods imported. • Impact on balance of payments. • On price level and real output (use of AD/AS analysis). • On employment. <p>Evaluation could include:</p> <ul style="list-style-type: none"> • <i>Discussion of size of devaluation, e.g. significance for inflation.</i> • <i>Short-run v long-run impact: J curve effect.</i> • <i>Significance if elasticities: Marshall-Lerner condition.</i> • <i>Impact on employment depends partly on elasticity of supply of exports.</i> • <i>Higher inflation might eliminate competitive advantage gained from devaluation.</i> 	(25)

Question Number	Indicative content	Mark
3 (a)	<ul style="list-style-type: none"> • Meaning of globalisation: increased economic interdependence between countries, e.g. increased trade as a % of GDP; more FDI. • Comment on increased significance of transnational companies as major cause of globalisation, e.g. growth of offshoring and outsourcing by multinationals resulting from factors such as: <ul style="list-style-type: none"> ○ reduction in transport costs ○ reduction in communication costs ○ low labour costs ○ regulations (health and safety and environmental) less stringent than in developed economies. <p>Other factors causing globalisation (these may be regarded as evaluation):</p> <ul style="list-style-type: none"> • <i>Reduction in trade barriers linked to the work of the WTO.</i> • <i>Application of theory of comparative advantage.</i> • <i>Opening up of economies to world market, e.g. China, former Communist countries.</i> • <i>Economic development in LDCs leading to more demand for foreign goods.</i> • <i>Higher real incomes create increased demand for imported goods (depending on value of the marginal propensity to import).</i> • <i>Increase in the number and size of trading blocs.</i> <p>Other evaluative comments could include:</p> <ul style="list-style-type: none"> • <i>Prioritisation of factors.</i> • <i>Critical view of accuracy of measures of trade and world GDP.</i> • <i>Application of concepts such as income elasticity of demand and marginal propensity to import.</i> 	(15)

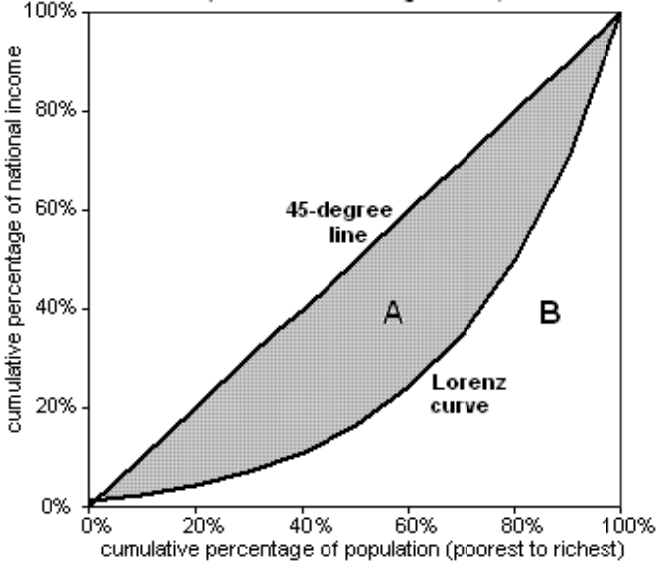
Question Number	Indicative content	Mark
3 (b)	<p>Costs of globalisation include:</p> <ul style="list-style-type: none"> • over-dependence on imports • exploitation of labour • negative externalities from increased trade, e.g. increased air freight causing pollution - climate change • increased inequality between developed economies and LEDCs • TNCs might engage in tax-avoidance policies so causing reduction in tax revenues for governments. <p>Benefits of globalisation include:</p> <ul style="list-style-type: none"> • application of the principle of comparative advantage explanation leading to: <ul style="list-style-type: none"> ○ increased world output ○ higher living standards • reduction in absolute poverty in LDCs • consumers: lower prices (increased consumer surplus); more choice • firms: larger markets; benefits arising from economies of scale. <p>Other evaluative approaches that may be rewarded include:</p> <ul style="list-style-type: none"> • <i>conclusions based on a weighing up of the arguments</i> • <i>assessment of the significance of the point(s) considered</i> • <i>prioritisation of the points made supported by reasoned arguments.</i> <p>N.B. Candidates may take either perspective and use the reverse arguments for evaluation.</p>	(25)

Section A Part (a) questions: performance criteria for mark base 15		
Level 0	0	<ul style="list-style-type: none"> No rewardable material.
Level 1	1-3	<ul style="list-style-type: none"> Displays knowledge presented as facts without awareness of other viewpoints. Demonstrates limited understanding with little or no analysis. Attempts at selecting and applying different economic ideas are unsuccessful. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
Level 2	4-6	<ul style="list-style-type: none"> Displays elementary knowledge of well-learnt economic facts showing a generalised understanding together with limited analysis, i.e. identification of points or a very limited discussion. Displays a limited ability to select and apply different economic ideas. Material presented has a basic relevance but lacks organisation but is generally comprehensible. Frequent punctuation and/or grammar errors are likely to be present which affects the clarity and coherence of the writing overall.
Level 3	7-9	<ul style="list-style-type: none"> Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues, i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark. Shows some ability to apply economic ideas and relate them to economic problems. Employs different approaches to reach conclusions. Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.
Level 4	10-12	<ul style="list-style-type: none"> Displays a good knowledge of economic principles, concepts and theories, together with an analysis of the issues involved. Demonstrates an ability to select and apply economic ideas and to relate them to economic problems. Evidence of some evaluation of alternative approaches leading to conclusions. Material is presented in a generally relevant and logical way, but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.
Level 5	13-15	<ul style="list-style-type: none"> Displays a wide range of knowledge of economic principles, concepts and theories, together with a rigorous analysis of issues. Demonstrates an outstanding ability to select and apply economic ideas to economic problems. Evaluation is well balanced and critical leading to valid conclusions. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Section A Part (b) questions: performance criteria for mark base 25		
Level 0	0	<ul style="list-style-type: none"> No rewardable material.
Level 1	1-5	<ul style="list-style-type: none"> Displays knowledge presented as facts without awareness of other viewpoints. Demonstrates limited understanding with little or no analysis. Attempts at selecting and applying different economic ideas are unsuccessful. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
Level 2	6-10	<ul style="list-style-type: none"> Displays elementary knowledge of well-learned economic facts showing a generalised understanding together with limited analysis, i.e. identification of points or a very limited discussion. Displays a limited ability to select and apply different economic ideas. Material presented has a basic relevance but lacks organisation, but is generally comprehensible. Frequent punctuation and/or grammar errors are likely to be present which affects the clarity and coherence of the writing overall.
Level 3	11-15	<ul style="list-style-type: none"> Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues, i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark. Shows some ability to apply economic ideas and relate them to economic problems. Employs different approaches to reach conclusions. Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.
Level 4	16-20	<ul style="list-style-type: none"> Displays a good knowledge of economic principles, concepts and theories, together with an analysis of the issues involved. Demonstrates an ability to select and apply economic ideas and to relate them to economic problems. Evidence of some evaluation of alternative approaches leading to conclusions. Material is presented in a generally relevant and logical way, but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.
Level 5	21-25	<ul style="list-style-type: none"> Displays a wide range of knowledge of economic principles, concepts and theories, together with a rigorous analysis of issues. Demonstrates an outstanding ability to select and apply economic ideas to economic problems. Evaluation is well balanced and critical leading to valid conclusions. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Section B: Data response

Question Number	Answer	Mark
4 (a)	<p>Absolute poverty: insufficient resources to meet basic needs, e.g. food, shelter, water, clothing (2) OR measurement of absolute poverty: those living on less than \$1.25 a day (accept \$1 or \$2 a day) (2)</p> <p>Relative poverty: those living below a certain income threshold in a country (1) OR measurement of relative poverty: e.g. the % of the population living below 60% (accept 50%) of the median income (1)</p> <p>Application: reference to example from Extract 1: e.g. China: fall in absolute poverty (1); rise in relative poverty (1)</p> <p>2 marks for knowledge; 2 marks for application/i.e. two data references.</p>	(4)

Question Number	Answer	Mark
4 (b)	<p>Lorenz curve diagram: 4 marks awarded as follows. Axis correctly labelled (allow cumulative percentage of income and cumulative percentage of population; numbers need to be included): (1 + 1 marks) Line of income equality (45° line): (1) Lorenz curve: (1)</p>  <p>Explanation of measurement of Gini coefficient: Area A (between 45° line and Lorenz curve) ÷ Area A + B (whole area under 45° line) (2) Application: Specific data reference from Figure 1 e.g. to a specific country and its Gini Coefficient (2)</p>	(8)

Question Number			Mark
4 (c)			(12)
Knowledge, application and analysis - indicative content			
	<p>Reasons in developing countries include:</p> <ul style="list-style-type: none"> income gap between rural and urban areas increases as industrialisation takes hold - workers in more productive manufacturing industries earn more than those in less productive agriculture entrepreneurs and shareholders in these industries benefit from profits increased capitalism in developing countries. <p>Reasons in developed countries include:</p> <ul style="list-style-type: none"> falling demand for unskilled workers and those of low skills as labour intensive manufacturing transfers to low wage countries differences in qualifications increased incomes of the top 1% - bankers' bonuses impact of public expenditure cuts, e.g. cuts in benefits; job losses among low paid; benefits and pension increased in line with CPI rather than RPI the increased inequality is part of a long-term trend associated with declining trade union power. 		
Level	Marks	Descriptor	
0	0	A completely inaccurate response.	
1	1-3	Shows some awareness of reasons for the change in inequality with limited explanation. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.	
2	4-6	Understanding and explanation of the reasons for the change in inequality. Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.	
3	7-8	Clear understanding and explanation of the reasons for the change in inequality with appropriate application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.	

Evaluation - indicative content		
	<p>Counterarguments for developing countries, for example:</p> <ul style="list-style-type: none"> workers may be exploited and paid low wages, i.e. owners of resources are getting richer at the expense of workers profits may be repatriated to shareholders of TNCs in developed economies. <p>Counterarguments for developed countries, for example:</p> <ul style="list-style-type: none"> still possible to become very wealthy without formal qualifications bankers' bonuses now being subject to 50% tax and special taxes more generous public sector pensions have contributed to increased inequality among the elderly until recently state means-tested benefits have been increasing to reduce inequality. 	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number			Mark
4 (d)			(16)
Knowledge, application and analysis - indicative content			
	<p>A range of policies may be considered, including:</p> <ul style="list-style-type: none"> education: improving access to education for all; government efforts directed especially to those who need it most removal of subsidies; promotion of free trade measures to eliminate monopolies measures to increase the geographical mobility of labour, e.g. housing subsidies; increased provision of affordable houses. <p>Discussion of policies not in the extract, for example:</p> <ul style="list-style-type: none"> increase in means-tested benefits more progressive tax system on incomes wealth taxes increased public expenditure. 		
Level	Marks	Descriptor	
0	0	A completely inaccurate response.	
1	1-3	Shows some awareness of reasons for the change in inequality with limited explanation. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.	
2	4-6	Understanding and explanation of policies to reduce inequality. Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.	
3	7-8	Clear understanding and explanation of policies to reduce inequality with appropriate application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.	

Evaluation - Indicative content			
	<p>A range of policies may be considered, including:</p> <ul style="list-style-type: none"> education: much depends on the quality of education; also considerable time lag removal of subsidies; promotion of free trade could cause some domestic industries to close down if they are unable to compete measures to eliminate monopolies could result in loss of economies of scale cost of schemes to increase the geographical mobility of labour to the government; implications for taxes. 		
Level	Marks	Descriptor	
0	0	No evaluative comments.	
1	1-3	For identifying evaluative comments without explanation.	
2	4-6	For evaluative comments with limited explanations.	
3	7-8	For evaluative comments supported by relevant reasoning.	

Question Number	Answer	Mark
5 (a)	<p>Population growing rapidly (1) OR definition of GDP per capita (1)</p> <p>GDP needs to grow faster than population for living standards to increase (1) Kenya expected to grow by only 3% so resulting in a fall in living standards (2) or 'grew less than 2% in 2009' (2)</p> <p>2 marks for knowledge; 2 marks for application/data reference.</p>	(4)

Question Number	Answer	Mark
5 (b)	<p>Reasons include:</p> <ul style="list-style-type: none"> • FDI remained relatively stable • less integrated into world economy/less dependence on foreign trade • banks and stock markets less exposed to financial crisis • oil-rich countries benefited from relatively high oil prices • commodity price boom. <p>Data reference (2 marks): 'growth rate 3-4% higher' or from extract.</p> <p>Could approach this question by considering why advanced economies suffered more than those in SSA.</p> <p>2 marks for understanding of 'weak growth'; 2 for application as indicated above and 4 marks for analysis.</p>	(8)

Question Number			Mark
5 (c)			(12)
Knowledge, application and analysis - indicative content			
	<p>Benefits could include:</p> <ul style="list-style-type: none"> • impact on growth - AD/AS analysis; multiplier effect • employment implications • inflow into financial account of B/P • longer term: increase in foreign currency earnings from exports: improvement in current account • boost to tax revenues • TNCs might provide new infrastructure • technology transfer. <p>Also: reward analysis of benefits to those making the investments.</p> <p>N.B. Do not reward analysis related to loans or aid.</p>		
Level	Marks	Descriptor	
0	0	A completely inaccurate response.	
1	1-3	Shows some awareness of the benefits of FDI with limited explanation. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.	
2	4-6	Understanding and explanation of the benefits of FDI. Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.	
3	7-8	Clear understanding and explanation of the benefits of FDI with appropriate application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.	

Evaluation - indicative content			
	<ul style="list-style-type: none"> • Might limit diversification out of primary products. • Overspecialisation, leading to unbalanced or unstable growth, especially when primary product prices are unstable. • Repatriation of profits to TNCs in developed countries. • Employment might be in low-skilled jobs only. • TNC might exert political influence on governments of these countries. • Repatriation of profits: adverse impact on current account of balance of payments. • TNCs might leave the country - resulting in economic and social disruption. 		
Level	Marks	Descriptor	
0	0	No evaluative comments.	
1	1-2	For identifying evaluative comments without explanation.	
2	3-4	For evaluative comments supported by relevant reasoning.	

Question Number			Mark
5 (d)			(16)
Knowledge, application and analysis - indicative content			
	Key issues, aid might help to: <ul style="list-style-type: none"> • reduce poverty • fill savings gap • fill foreign exchange gap • impact on AD; multiplier effects • improve infrastructure • improve health and education. Also: <ul style="list-style-type: none"> • provision of expertise • provision of new technology. 		
Level	Marks	Descriptor	
0	0	A completely inaccurate response.	
1	1-3	Shows some awareness of the role of aid in promoting development. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.	
2	4-6	Understanding and explanation of aid as a means of promoting development. Material is presented with some relevance but there are likely to be passages that lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect clarity and coherence.	
3	7-8	Clear understanding and explanation of aid as a means of promoting development with appropriate application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found but the writing has overall clarity and coherence.	

Evaluation - indicative content			
	<ul style="list-style-type: none"> • Issue of tied aid. • Loans may not be at much below market rate. • Aid might help to keep corrupt governments in power. • Corruption. • Creation of dependency culture: reduction in productivity and efficiency. • Undermining of domestic industries. • Time lag before aid trickles down to poorest members of society. • Asymmetric information may mean that aid is not used efficiently. 		
Level	Marks	Descriptor	
0	0	No evaluative comments.	
1	1-3	For identifying evaluative comments without explanation.	
2	4-6	For evaluative comments with limited explanations.	
3	7-8	For evaluative comments supported by relevant reasoning.	