Mark Scheme (Results)

Summer 2014

Pearson Edexcel GCE
in Economics (6EC04) Paper 01

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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.

Mark scheme: 6EC04 JUNE 2014

SECTION A: ESSAYS – PLEASE USE DETAILED MARKING CRITERIA WHICH ARE TO BE FOUND AT THE END OF THIS MARKSCHEME

QUALITY OF WRITTEN COMMUNICATION:
Quality of written communication (QWC) is assessed in **both parts of the essays and in parts (d) & (e) of the data response questions** and should be assessed on the candidate's ability:

- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economics vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

FOR ALL QUESTIONS: No mark scheme can cover all possible responses. Therefore, reward analysis which is relevant to the question even if this is not specifically identified in the mark scheme.

Question No.	Answer	Mark
1 (a)	KAA 14; *EV 6.* Causes include: • Cuts in public expenditure: in capital expenditure; in current expenditure and in welfare benefits (could count as up to 2 points) • Tax increases: in direct taxes such as income tax and national insurance contributions; and in indirect taxes such as VAT; also, corporation tax increases possible e.g. Greek corporation tax was increased from 20 to 26%; French corporate tax surcharge for large companies (could count as up to 2 points) • Some countries experiencing economic growth so causing a rise in tax revenues and fall in government expenditure e.g. on unemployment benefits Evaluation could include: • Most countries have put the emphasis on public expenditure cuts • Consideration of multiplier effects of cuts in public expenditure compared with tax increases • Implications of increases in indirect taxes for real incomes and inflation • Some austerity measures might only have a short run effect on the budget deficit • Important to consider budget deficit as a proportion of GDP rather than its absolute size. N.B. If there is confusion between concepts of national debt and budget deficit, then the answer can achieve no more than 7 marks (top level 1) *If there is no example of a specific country, award a maximum of 14/20*	**(20)** 5

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited relevance
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question No.	Answer	Mark
1 (b)	KAA: 21; *Ev: 9* Effects include: • Impact on incentives to work: could act as disincentive to take higher paid jobs *But: workers might work harder to maintain standard of living* • Tax revenues/public finances: these might be expected to increase: reference to Laffer curve analysis *But: depends at what rate of tax that tax revenues are maximised; reference to Laffer curve analysis; also depends on overall impact on AD & economic growth* • Could cause an increase in tax evasion (illegal) and tax avoidance (legal) *But: depends on powers of tax authorities to collect taxes* • Might cause an increase in number of tax exiles *But income tax is not the only factor which influences a person's decision on where to live* • Increased income equality: the tax system is more progressive so if the taxes collected are used to redistribute incomes to the poor then inequality will be reduced *But: depends on how tax revenues are used and whether other fiscal changes offset the impact of the higher marginal tax rate.* • Impact on AD and growth, unemployment and inflation *But: if savings are reduced to pay for the higher rate of tax, then the effects will be minimal* • Impact on FDI flows *Further evaluative points:* • *Impact depends on where the higher rate threshold is set.* • *Number of higher rate tax payers* • *MPC of higher rate tax payers*	(30)

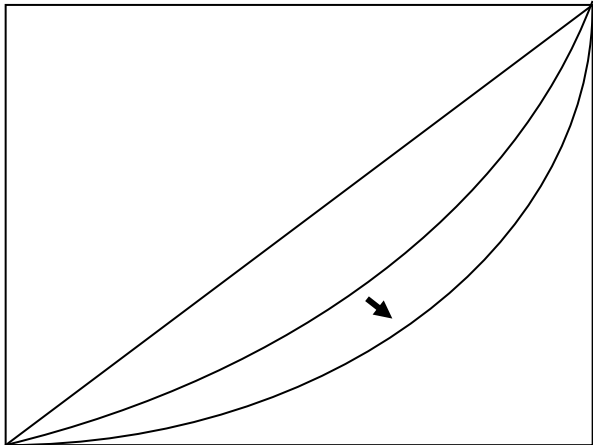| Level	Mark	Descriptor
Level 1	1-11	Identification of points which have limited relevance
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question No.	Answer	Mark
2 (a)	KAA: 14; *Ev: 6* Factors include: • Reduction in tariffs and other protectionist measures; role of WTO in this process *But: evidence of some increase in protectionism (including competitive depreciations) after the financial crisis* • Opening up of Eastern Europe, China *But increased transport costs and higher wages might slow this process* • Changes in competitiveness e.g. US & UK loss in low cost manufacturing contrasted with rise in emerging economies Could count as two points *But: re-shoring recently* • Growth of trading blocs • Abundance of factors of production in different countries • Increase in foreign direct investment which increased manufacturing in developing economies • Changes in comparative advantage: A detailed analysis of the significance of this theory could count as two points e.g. if numerical example or a diagram is included *But law of comparative advantage is based on unrealistic assumptions e.g. constant costs of production; perfect mobility of resources* • Changes in the exchange rate/'currency wars' of recent years; China: currency controls to prevent appreciation of their currency • Relative inflation differentials linking to real exchange rates *If no examples of countries, award a maximum of 14/20*	**(20)**

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited relevance
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question No.	Answer	Mark
2(b)	KAA: 21; *Ev: 9* Analysis might include: • Impact on domestic prices and/or domestic production and imports (could count as two points). Concepts might include consumers' and producers' surpluses. N.B. This analysis should be related to the impact on the global economy • Impact on trade patterns: trade diversion away from low cost producers to high cost producers • Impact of resource allocation in global economy/ • Impact of dumping of surpluses • Impact on economies of developed and developing countries e.g. on ~ balance of payments; ~economic growth; ~employment; ~inflation; ~equality and ~the environment (Each of the above may be analysed as a separate issue) • Allow analysis/evaluation based on subsidies as a form of protectionism *Evaluation could include:* • *Impact on EU and US economies depends on PED and PES* • *Also impact on these economies and on global economy depends and on the amount of subsidy given* • *Such subsidies might encourage developing countries to diversify into secondary and tertiary industries* • *Disadvantages associated with subsidies might be offset by benefits e.g. reduced dependence on imports; increased food security; less subject to food price fluctuations* *Must refer to global economy/more than one country, otherwise maximum of 24/30*	(30)

Level	Mark	Descriptor
Level 1	1-11	Identification of points which have limited relevance
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question No.	Assess the view that economic development is dependent on economic growth. Refer to examples of developing countries in your answer.	Mark

3(a)	KAA: 14; *Ev: 6*
	Analysis should include:
	
	• Meaning of economic growth contrasted with economic development e.g. growth relates to changes in real GDP (positive economic concept) whereas development relates to improvements in economic welfare (a normative concept) which may be measured by HDI
	• Growth important to improve development because more tax revenue available for:
	~health so helping to increase life expectancy
	~education so helping to increase school enrolment rates and literacy rates
	~improvements to infrastructure so helping to improve access to clean water, electricity
	~ improvements to housing
	
	• Growth associated with increased employment leading to rising incomes which may be spent on education, health and housing
	
	• Use of any appropriate model of development e.g. Lewis model
	
	On the other hand:
	Economic growth might not lead to development if:
	    • Increased inequality results
	    • There is no reduction in absolute poverty
	    • There is no improvement in civil liberties, human rights and democracy
	    • The extra income is spent on defence
	    • There is no improvement in female empowerment
	    • Growth is unsustainable causing development gains to be reversed if the resource(s) are exhausted
	    • Growth is unbalanced leading to a dual economy with development for some but not for most
	Candidates might take either approach with the counter arguments being used as evaluation.
	
	If no examples of developing countries, award a maximum of 14/20
		(20)

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited irrelevance
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question No.	Discuss the view that savings gaps in developing countries are the most significant constraint on economic growth.	Mark

3(b)	KAA: 21; *Ev: 9*
	• Analysis of savings gaps and significance e.g. low savings; low investment; limited capital accumulation; low growth.
	• Savings gaps caused by factors such as low incomes; debt repayments; capital flight; absence of FDI
	
	Other constraints include:
	• Foreign exchange gaps
	• Primary product dependency
	• Rapid population growth
	• Poor infrastructure
	• Weak human capital
	• Poor governance; civil wars; corruption
	
	Evaluation might include:
	• *Savings gaps may be filled by:*
	  ~ *aid*
	  ~ *FDI*
	  ~ *Debt cancellation*
	  ~ *Microfinance*
	  ~ *Borrowing from the IMF/World Bank*
	
	• *Primary product dependency may not be a constraint on development in light of rises in commodity prices since 2000*
	• *Rapid population growth could contribute to economic growth in the long run by increasing aggregate supply*
	• *Poor infrastructure is less of a constraint for resource-rich African LDCs who are benefiting from Chinese investment in return for commodities*
	• *Economic growth usually constrained by a combination of factors; difficult to conclude that one is more important than another*
	Discussion of significance of other constraints identified above
	Candidates might agree or disagree with the view that savings gaps are the most significant constraint on development but should use the counter points as evaluation.
	
	If no reference to examples of specific developing countries, the maximum of 24/30
		(30)

Level	Mark	Descriptor
Level 1	1-11	Identification of points which have limited relevance
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question No.	With reference to Figure 1, comment on the performance of the Russian economy in the period shown.	Mark
4(a)	Answers might include (1 + 1 + 1): • Rapid economic growth • Performance relative to G7 • Implies that living standards have increased • Possible explanations for the rise in real GDP • Recognition of fall in real GDP in 2008-09 • Lower unemployment • Accurate definition of real GDP Application (2 marks) : Specific reference to data in Figure 1 e.g. GDP has doubled in Russia between 1998 and 2012 (1) Quantitative reference to recession in Russia in 2008-09 (1) GDP of G7 countries increased by just over 20%(1) 3 marks for knowledge 2 for application/i.e. 2 data references	**(5)**

Level	Mark	Descriptor
Level 1	1-3	Up to 3 marks for knowledge – see above
Level 2	4-5	Up to 3 marks for knowledge and 2 marks for data references

Question No.	With reference to Figure 2, describe what has happened to income inequality in Russia. Illustrate you answer with a Lorenz curve diagram.	Mark
4(b)	Lorenz curve diagram : 4 marks awarded as follows: Axis correctly labelled: 1 mark for income and population/households; 1 mark for cumulative %; Line of income equality (45° line): 1 mark Lorenz curve: 1 mark. Cumulative % of income Cumulative % of Population 2 marks for any one of the following: • Measurement of Gini coefficient: Area A (between 45°line and Lorenz curve) ÷ Area A +B (whole area under 45°line) • Increase in inequality reflected in increase in Gini coefficient • Correctly indicating new Lorenz curve for 2011 further away from the original Lorenz curve Application (2 marks): Two specific data references from Figure 2: e.g. increase in Gini coefficient from 0.4 to 0.425 between 2000 and 2011	**(8)**

Level	Mark	Descriptor
Level 1	1-2	2 marks for diagram axes and 45° line
Level 2	3-4	2 marks for diagram as indicated above; 2 for application – data reference from Figure 2
Level 3	5-8	4 marks for diagram; 2 for application – data reference from Figure 2, and 2 for explanation

Question No.	With reference to the information provided, examine possible reasons why the proportion of the population in relative poverty in Russia has declined despite the Gini coefficient increasing over the same period.	Mark
4(c)	Reasons for lower relative poverty yet wider inequality include: (4 marks – 2 + 2 or 3 + 1) of which 1 mark for identification of 1 factor. • Increase in real GDP – higher tax revenues used to redistribute incomes • Increase in real incomes • Fall in unemployment • Increase in means-tested benefits • Increase in the proportion of income earned by the poorest citizens at the same time as a larger increase in the incomes of the highest earning groups of the population • Application: one reference to data on relative poverty from just over 28% to just over 12% or 'personal incomes doubled between 2000 and 2008'. (2 marks) *Evaluation (up to 4 marks: 2 + 2; 3 +1):* • *Rapid economic growth could cause relative poverty to increase if welfare payments are not increased* • *The decline in relative poverty is large in comparison with the increase in income inequality which is relatively small* • *Data might be inaccurate and based on unreliable information* • *Since 2007 inequality has started to decline*	(10)

Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of one factor; 2 for application
Level 2	4-6	1 mark for identification of one factor; 2 for application 3 for analysis of 2 issues.
Level 3	7-10	1 mark for identification of one factor; 2 for application); 3 for analysis of 2 issues; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question No.	Assess the implications for the Russian economy of its dependence on oil and gas.	Mark

4(d)	Issues include (up to 5 marks; maximum 2 for identification only) and *5 marks for evaluation*:
	• Tax revenues heavily dependent on oil
	   But: with rapid growth in GDP over recent years there is an opportunity to widen the tax base
	• Export earnings heavily dependent on oil
	   But: Russia may gain revenues in the future from FDI
	• Fluctuations in oil price has significant implications for economic growth
	   But: oil price might remain high because supplies are declining and demand continues to increase
	• Oil reserves are being depleted
	   But: irrespective of oil price, the economy is unbalanced
	• International agreements aimed at reducing carbon emissions
	   But difficult to agree and enforce
	• Development of alternative sources of energy
	   But growing demand for energy might result in minimal impact on demand for oil and gas
	• Appreciation of the country's exchange rate resulting in decline in the manufacturing sector (Dutch disease)
	   But other factors may have a more significant impact on the exchange rate
	• Increased inequality
	
	Credit responses which make reference to recent events (e.g. Russian annexation of Crimea) which, in the long run, might result in a reduction in demand for Russian oil and gas.
	Application (2 marks): Oil and gas provide half the government's revenue and almost 70% of export earnings (1 + 1) or reference to Figure 3 showing correlation between oil price and current account balance (1 mark for general reference and 1 mark for specific data reference)
	
	Evaluation marks (points in italics above): 2 + 3; or 2 + 2 + 1.
		(12)

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 issues;
Level 2	3-7	2 marks for identification of 2 issues; 2 for application as indicated above; 3 for analysis of 2 problems
Level 3	8-12	2 marks for identification of 2 issues; 2 for application as indicated above; 3 for analysis of 2 problems; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

Question No.	Evaluate the likely benefits for Russia of its decision to join the WTO.	Mark

4 (e)	**For knowledge, application and analysis**: **9 marks** for up to 3 points (up to 5 marks for any one point)
	Evaluation: 6 marks: *(3 + 3; 4 + 2; or 2 + 2 + 2 marks)*
	Benefits include:
	• Increased markets for exporters – leading to benefits of economies of scale; lower costs; higher profits
	• May relate to benefits from application of law of comparative advantage
	• Likelihood of increase in FDI and associated benefits e.g.
	  ~ AD/AS analysis could be used to show increase in real
	    output and employment
	  ~ balance of payments
	  ~ tax revenues
	• Lower prices and increased choice for consumers; increased consumer surplus. May be illustrated using a tariff diagram, showing reduction in tariffs and reduction in welfare losses.
	
	Maximum 7/9 if no data references or relevant examples
	
	Evaluation might include:
	• *Some domestic firms may be unable to compete and go out of business causing unemployment*
	• *Critique of assumptions behind law of comparative advantage*
	• *Disadvantages associated with FDI e.g. repatriation of profits to shareholders in country from which it originated*
	• *In the long run, consumer choice may decline and prices may increase if there is a dependence on overseas suppliers*
	• *Increased significance of regional trade agreements so membership of WTO less significant than in the past*
	• *Credit responses which make reference to recent events (e.g. Russian annexation of Crimea) which have resulted in sanctions so offsetting benefits of WTO membership*
		(15)

Level	Mark	Descriptor
Level 1	1-4	2 marks for identification of 2 benefits; 2 for application (2 data references/examples)
Level 2	5-9	2 marks for identification of 2 benefits; 2 for application (2 data references/examples); 5 for analysis of at least 2 issues
Level 3	10-15	2 marks for identification of 2 benefits; 2 for application (2 data references/examples); 5 for analysis of at least 2 issues; 6 marks for up to 3 evaluative points (3 + 3; 4 + 2; or 2 + 4; or 2 + 2 + 2)

Question No.	With reference to Figure 2 and your own knowledge, explain what is meant by *international competitiveness*.	Mark
5(a)	Answers might include: (1 + 1 + 1) • Competitiveness is a measure of a country's advantage or disadvantage in selling its products in international markets. • Allow measures of competitiveness as an explanation of above definition e.g. relative unit labour costs; relative labour productivity • Price competitiveness • Non-price competitiveness. Application: specific reference to 2 countries from Figure 2. 3 marks for knowledge 2 for application/i.e. 2 data references (actual rankings not necessary)	**(5)**

Level	Mark	Descriptor
Level 1	1-3	Up to 3 marks for knowledge – see above
Level 2	4-5	Up to 3 marks for knowledge and 2 marks for 2 data references

Question no.	With reference to Figure 1, comment on the projected GDP in the euro area (south) in 2012-13 compared with 2007. Illustrate your answer with an appropriate diagram.	Mark
5(b)	AD/AS diagram/PPF diagram/trade cycle diagram : 4 marks awarded as follows: AD/AS Diagram: Axes correctly labelled: 1 mark; 1 mark for showing equilibrium output at below full employment level; 1 mark for showing full employment level of real income or shift in AD or AS; 1 mark for showing gap between equilibrium level of output and full employment level of output or new equilibrium output. PPF diagram: 4 marks: Axes correctly labelled: 1 mark; 1 mark for showing output at below full employment level (inside PPF); 1 mark for showing full employment level of output (on PPF); 1 mark for showing gap between current level of output and full employment level of output. Explanation marks (2 marks): • Definition of recession/negative output gap • Possible causes of fall in AD or fall in AS Application: 2 marks for one specific data reference from Figure 1: e.g. approx. 7% fall in real GDP between 2007 and 2013.	(8)

Level	Mark	Descriptor
Level 1	1-2	2 marks for diagram axes and equilibrium output
Level 2	3-4	2 marks for diagram as indicated above; 2 for application – data reference from Figure 2
Level 3	5-8	4 marks for diagram; 2 for application – data reference from Figure 2, and 2 for explanation

Question No.	With reference to Figure 3 and your own knowledge, examine factors influencing a country's unit labour costs.	Marks
5(c)	Factors include (2 + 2 or 1 + 3 marks) of which 1 mark for identification of 1 factor : • Wage rates • Level of national minimum wage • Productivity – in turn, this is affected by a range of factors such as the quality of human capital; quantity and quality of capital; capital per worker (could count as up to 2 points) • Degree of unionisation • Non-wage costs e.g. pension or social security costs • Net migration • Labour market regulation Application (2 marks): 2 data references from Figure 3 or relevant examples. *Evaluative comments (up to 4 marks: 2 + 2; 3 +1) could* *include:* • *Prioritisation with reason* • *Short run/long run influences* • *Higher wages might act as an incentive for workers to increase their productivity* • *Similarly, the minimum wage might act as an incentive to firms to increase the training of workers so increasing their productivity* • *Magnitude of each factor*	**(10)**

Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of 1 factor; 2 for application (reference to 2 relevant examples of countries)
Level 2	4-6	1 mark for identification of 1 factor; 2 for application (reference to 2 relevant examples of countries); 3 for analysis of 2 factors.
Level 3	7-10	1 mark for identification of 1 factor; 2 for application (reference to 2 relevant examples of countries); 3 for analysis of 2 factors; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

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Question No.	Assess the likely reasons for the reductions in current account imbalances as shown in Figure 4	Marks
5(d)	Reasons include (up to 5 marks; maximum 2 for identification only) and *5 marks for evaluation*: For deficit countries: • Recession or very low growth in most countries leading to a reduction in demand for imports • Improvements in competitiveness • Reduction in unit labour costs • Increase in productivity • Might also be the result of improvements in other elements of the current account e.g. current transfers and investment income • Austerity measures • Allow depreciation of the euro against other currencies For surplus country (Germany): • Fall in exports relative to imports because of weak demand in eurozone countries and in rest of EU • Germany had positive growth for much of the period so imports continued to increase • Might also be the result of a deterioration in other elements of the current account e.g. current transfers and investment income Application (2 marks): 2 data references/examples e.g. from Figures 3 or 4. *Evaluation could include:* • *Reductions in imbalances may be short-term only: when economic growth returns they could increase again* • *Without exchange rate flexibility, such imbalances are likely to recur* • *External imbalances with countries outside of Eurozone may be different* • *Reference to performance in different parts of the current account* • *In relation to depreciation of the euro: J curve and Marshall-Lerner condition* • *Significance of causes* *Evaluation marks (points in italics above): 2 + 3; or 2 + 2 + 1.*	(12)

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 reasons
Level 2	3-7	2 marks for identification of 2 reasons; 2 for application (e.g. (reference to 2 relevant examples or references from Figure 4); 3 for analysis of 2 reasons
Level 3	8-12	2 marks for identification of 2 reasons; 2 for application (e.g. (reference to 2 relevant examples or references from Figure 4); 3 for analysis of 2 reasons; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2+ 2 + 1)

Question No.	Answer	Mark

5(e)	**For knowledge, application and analysis**: **9 marks** for up to 3 points (up to 5 marks for any one point)
	***Evaluation: 6 marks**: (3 + 3; 4 + 2; or 2 + 2 + 2 marks)*
	
	Labour market reforms might include:
	   • Measures to make it easier to hire and fire workers
	    But danger of demotivation leading to lower productivity
	   • Reductions in the national minimum wage
	    But: could act as a disincentive to take jobs; workers may be better off on benefits; could increase inequality
	   • Local wage bargaining
	    But: could decrease geographical mobility of labour if it results in an increased regional house price differentiation
	   • Introduction/extension of flexi-contracts, enabling employers to change a worker's hours without renegotiating contracts
	
	   Such reforms would help to reduce firms' costs. In turn this could:
	   • Increase the competitiveness of the goods and services of these countries so leading to an increase in exports and a reduction in imports
	    But domestic consumption could fall if the reforms result in a fall in real personal disposable incomes
	   • Encourage an increase in FDI
	    But FDI depends on a variety of factors apart from labour costs
	   • Enable firms to make higher profits which could be used for research and development and the introduction of new products
	    But firms might use profits to increase dividends to shareholders
	
	   Must link analysis to either lower unemployment and/or to higher growth. Otherwise, maximum 7/9 marks
		(15)

Level	Mark	Descriptor
Level 1	1-4	2 marks for identification of 2 points; 2 for application (reference to particular countries or examples)
Level 2	5-9	2 marks for identification of 2 points; 2 for application (reference to particular countries or examples); 5 for analysis of at least 2 issues
Level 3	10-15	2 marks for identification of 2 points; 2 for application (reference to particular countries or examples); 5 for analysis of at least 2 issues; 6 marks for up to 3 evaluative points (3 + 3; 4 + 2; or 2 + 4; or 2 + 2 + 2)

GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04

Level		Part (a) Questions: Performance Criteria for Mark base 20
Level 1	1-7	• Displays knowledge presented as facts without awareness of other viewpoints • Demonstrates limited understanding with little or no analysis • Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear • None of the assessment objectives are covered satisfactorily *Identification of points which have limited relevance*
Level 2	8-10	• 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 • Evidence presented has a basic relevance *Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis*
Level 3	11-14	• 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, presenting evidence with some relevance and coherence *Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation*
	11-12	Award in this range for 2 factors and 1 evaluative comment (or 3 factors with no evaluation) which are **not** well developed/reasoned
	13-14	Award in this range for 2 factors and 1 evaluative comment (or 3 factors with no evaluation) which are well developed and reasoned
Level 4	15-16	• 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 which are presented in a relevant and coherent way *Typically, answers will consider 3 factors with 1 evaluative point*

Level 5	17-20	• 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, clear and coherent way with evidence fully and reliably integrated • Excellence is displayed across all assessment objectives *Typically, answers will consider 3 factors with 2 evaluative points*

GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04

Level		Part (b) Questions: Performance Criteria for Mark base 30
Level 1	1-11	• Displays knowledge presented as facts without awareness of other viewpoints • Demonstrates limited understanding with little or no analysis • Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear • None of the assessment objectives are covered satisfactorily *Identification of points which have limited relevance*
Level 2	12-15	• 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 • Evidence presented has a basic relevance *Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis*
Level 3	16-21	• 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, presenting evidence with some relevance and coherence *Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation*
	16-18	Award in this range for 3 factors and 1 evaluative comment (or 4 factors with no evaluation) which are **not** well developed/reasoned
	19-21	Award in this range for 3 factors and 1 evaluative comment (or 4 factors with no evaluation) which are well developed and reasoned
Level 4	22-25	• 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 which are presented in a relevant and coherent way *Typically, answers will consider 4 factors with 2 evaluative points*
Level 5	26-30	• 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, clear and coherent way with evidence fully and reliably integrated • Excellence is displayed across all assessment objectives *Typically, answers will consider 4 factors with 3 evaluative points*