



Mark Scheme (Results)

Summer 2015

GCE Economics (6EC04/01)

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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.

**\*\*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 Number	Some developing economies such as Uganda, Nigeria and Indonesia are experiencing rapid increases in their populations whereas Germany, Italy and Japan are experiencing falling populations. (a) Assess the economic impact of rapid population increases on developing economies. Answer:	Mark
<b>1a</b>	<p>Candidates may view the increase in population as positive or negative</p> <p>Possible effects of population growth:</p> <ul style="list-style-type: none"> <li>• More people are available to produce goods and services, so output may rise faster than population, so increasing per capita incomes</li> <li>• A larger working population willing to work for low wages may attract FDI</li> <li>• Population growth may spur technical progress</li> <li>• Increasing AS; rightward shift in PPF</li> <li>• Young entrepreneurial workforce</li> <li>• Increasing population increases AD, increasing opportunities</li> <li>• Increase in tax revenues for the government</li> <li>• Population growth at a higher rate than GDP will cause per capita incomes fall</li> <li>• A higher dependency ratio will limit the ability of households to save, worsening the problem of a savings gap</li> <li>• High population growth puts a large strain on education healthcare and infrastructure</li> <li>• More parents staying at home to raise children reduces the size of the labour force available to work</li> <li>• Increase in levels of government spending (via publically funded health/education, for example)</li> <li>• Adverse effects on the environment: pollution/congestion</li> <li>• Increased pressure on e.g. public transport/housing stock</li> <li>• Increase supply of labour leading to fall in wages/real incomes</li> </ul> <p>Evaluative points may include:</p> <ul style="list-style-type: none"> <li>• Difference between short run and long run impact of higher population</li> <li>• Improvements in technology may be more than sufficient to ensure higher living standards Much depends on cause of increase in population e.g. due to rising birth rate or falling death rate or migration due to war in neighbouring countries</li> <li>• Reference to 'demographic dividend' – working population rising relative to dependents</li> <li>• Reference to population density being more important than population size</li> </ul> <p>Application: Examples of developing countries to illustrate specific points should be provided. (Maximum 14/20)</p>	<b>(20)</b>

	without examples)	
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Question Number	(b) Evaluate policies which a government in a developed economy might pursue to increase the size and productivity of its working population. Answer	Mark
<b>1b</b>	<p>Policies to increase the quantity of population include:</p> <ul style="list-style-type: none"> <li>• Relaxation of rules relating to immigration <i>But: might encourage immigration of dependents rather than those of working age</i></li> <li>• Incentives to foreigners to emigrate to the country <i>But: might result in unskilled migrants</i></li> <li>• Increase age at which retirement benefits become payable or reduce retirement benefits</li> <li>• Reduce marginal tax rates</li> <li>• Tax and benefit incentives to have more children e.g. increase in child benefit for each successive child  <i>But: this would involve a cost to the taxpayer. Also the money may not be well-spent if these benefits are not means-tested</i></li> <li>• Reductions in unemployment benefits</li> </ul> <p>Policies to increase productivity include:</p> <ul style="list-style-type: none"> <li>• Increased expenditure on education <i>But: depends on the quality of the education provided</i></li> <li>• Improvements in training e.g. apprenticeships <i>But: apprenticeships need to be in areas where there is a need for workers</i></li> <li>• Incentives to encourage people to continue with education beyond school leaving age <i>But: these may incur a cost to the government with implications for taxes</i></li> <li>• Tax breaks/subsidies to firms who provide on-the-job</li> </ul>	<b>(30)</b>

	<p>training</p> <ul style="list-style-type: none"> <li>• Tax breaks/subsidies to increase investment</li> <li>• Cuts in marginal income tax rates</li> <li>• Increase in National Minimum Wage</li> <li>• Reduction in trade union power</li> <li>• Increase in firms' ability to hire and fire workers</li> </ul> <p>Application: Examples of developed countries to illustrate specific points should be provided. (Maximum 24/30 without examples)</p> <p><b>NB Answers must include at least one point relating to quantity and one to productivity, otherwise max 21/30</b></p>	
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Question Number	(a) The national debt of countries in the European Union (EU) increased on average from 62.2% to 85.2% of GDP between 2008 and 2012. To what extent might the rise in the national debt of an EU country be a cause for concern? Answer	Mark
<b>2a</b>	<p>Factors include:</p> <ul style="list-style-type: none"> <li>• Rising national debts imply a fiscal deficit – caused by recessions in many countries <i>But: less of a concern if the fiscal deficits are cyclical rather than structural</i></li> <li>• Higher national debt potentially could be inflationary if due to discretionary fiscal policy <i>But: unlikely in this time frame because they were primarily caused by recession following the financial crisis</i></li> <li>• A higher national debt implies increased interest payments – danger of financial crowding out <i>But: interest rates are currently very low so this may not be a serious issue</i></li> <li>• Higher interest payments represent a cost to future generations: less money available for spending on social services <i>But: inflation might erode the real value of the debt.</i></li> <li>• Rising national debts might cause a loss of confidence in the currency (euro, in the case of eurozone countries) causing a depreciation in its value</li> <li>• Possibility of the need to seek assistance from the IMF or the troika (EC, ECB &amp; IMF) in the case of eurozone countries with associated conditions</li> </ul>	<b>(20)</b>

	<ul style="list-style-type: none"> <li>Limits the scope for further fiscal loosening in the future if there was another recession/banking crisis <i>But: can other policy could take up the slack; it can in the UK (or can it with monetary policy?), but not in a euro economy.</i></li> <li>Reduction in credit rating, leading to a loss of confidence in the markets.</li> <li>Has the debt been used to fund investment in infrastructure/health/education, so that benefits of these may be long term?</li> <li>If growth in the medium term exceeds the amount of borrowing increase each year, then the level of debt as a % of GDP will fall.</li> </ul> <p>Application to context: e.g. to an EU country. (Maximum 14/20 without contextual reference)</p> <p><b>NB Candidates may take the view that it is/is not a cause for concern with the reverse view used for evaluation.</b></p>	
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Question Number	Between 2008 and 2013, the average VAT (sales tax) rate in the European Union increased by 2 percentage points. Many EU countries also made significant cuts in welfare payments. Evaluate the economic impact of increases in indirect taxes and cuts in welfare payments as measures to improve public finances. Answer:	Mark
<b>2b</b>	<p>Impact of increases in indirect taxes: KAA: 21; EV: 9 Effects include impact on:</p> <ul style="list-style-type: none"> <li>The circular flow of income: taxes are a leakage <i>But: may be offset by an increase in an injection</i></li> <li>Income distribution: may be argued that VAT is regressive, especially in relation to energy, food <i>But: the overall effect of VAT in the may be progressive if focused on very expensive goods</i></li> <li>Impact on price level <i>Short run and long run impact on inflation</i></li> <li>Living standards: fall in real incomes <i>But: other things may not be equal e.g. wages may be rising faster than prices</i></li> <li>Incentives to work: e.g. a higher VAT rate would cause a fall in real incomes. This could increase incentives to work if people wish to maintain their standard of living. Allow analysis relating to a decrease in incentives to work <i>But: changes impact might be very limited</i></li> <li>Tax revenues: these would increase if demand for the goods and services affected are price inelastic <i>But: if the tax rise causes a recession, overall tax revenues will fall.</i></li> <li>Rise in indirect taxes will lead to a fall in C, which would reduce growth and tax revenues</li> </ul>	<b>(30)</b>



	<ul style="list-style-type: none"> <li>• Fall in the level of externalities/consumption of demerit goods which would improve health and the environment, so government would need to spend less money on them, improving public finances</li> <li>• Increase in smuggling/black market activity/tax avoidance reducing tax revenue and worsening finances</li> </ul> <p>Impact of cuts in welfare benefits:</p> <ul style="list-style-type: none"> <li>• Income distribution: if welfare benefits disproportionately benefit the poor, then cuts in these payments will make income distribution less even <i>But: depends on the size of the cuts and who they affect.</i></li> <li>• Incentives to work: may increase e.g. because cuts in benefits would act as an incentive for the unemployed to seek work <i>But: depends on wages relative to benefits</i></li> <li>• Impact on real output and price level: people on low incomes are likely to have a high MPC. Therefore, there will be a significant multiplier effect. <i>But: depends on the size of the cuts and on the size of the multiplier</i></li> <li>• Might discourage immigration</li> </ul> <p><b>NB Answers must include at least one point relating to VAT and one to welfare payments, otherwise max 21/30</b></p>	
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Question Number	<p>The Trans-Pacific Partnership (TPP), a giant new trading bloc of 12 countries including the USA, Canada, Australia, Japan, Peru, Malaysia and Vietnam is likely to be established in 2015.</p> <p>(a) Examine the potential benefits of membership of such a trading bloc. Answer:</p>
<b>3a</b>	<p>Reasons include:</p> <ul style="list-style-type: none"> <li>• Trade creation <i>But: imports may increase more than exports causing a deterioration in the current account of the balance of payments; trade diversion</i></li> <li>• Analysis based on law of comparative advantage. Increase in allocative efficiency</li> <li>• Benefits to domestic firms: increased production so that they can benefit from economies of scale. Economy would benefit from increased employment. <i>But: domestic firms may be unable to compete with goods from member countries and go out of business causing a rise in unemployment.</i></li> <li>• Benefits to consumers: lower prices; increased consumers' surplus; more choice <i>But: in the case of a customs union, there would be trade diversion from low cost producers outside the bloc to high cost producers inside the bloc</i></li> <li>• Greater weight in trade negotiations <i>But: USA is strongest participant in TPP and may be able to dictate terms to suit themselves</i></li> <li>• Access to huge and lucrative US market <i>But: domestic firms will face massive unfettered competition from the world's most powerful corporations</i></li> <li>• Increase in competition, leading to a reduction in X-inefficiency</li> </ul>

	<ul style="list-style-type: none"> <li>• Increase in innovation, leading to rise in dynamic efficiency</li> <li>• Transfer of ideas</li> <li>• Increase in world GDP/rising incomes/falling unemployment</li> </ul> <p>Application to context: This is a very large trading bloc linking countries in North America to those in Asia so potential benefits may be very large. Or reference to examples of other trading blocs. (Maximum 14/20 without contextual reference)</p>
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Question Number	(b) In the light of your answer to part (a), evaluate the economic effects of a decision by the UK government to exit the European Union. Answer:
<b>3b</b>	<p>Effects could be on the UK and/or on the EU</p> <ul style="list-style-type: none"> <li>• Economic growth: If trade barriers are raised against UK goods then less specialisation and trade could a fall in the UK's growth rate. <i>But: UK would have incentive to diversify exports away from EU countries to growing economies in Asia, S America and Africa</i></li> <li>• Foreign direct investment into UK may fall but rise in remaining EU countries <i>But impact on UK may small if there are other benefits of operating in the UK e.g. relatively low corporation tax rates</i></li> <li>• Current account of UK's balance of payments: improvement for UK likely since it has a trade deficit with EU countries. Corresponding deterioration in trade balance of many EU countries <i>But: deterioration in the trade in goods balance if demand for UK imports is inelastic while demand for UK exports is elastic.</i></li> </ul>

	<ul style="list-style-type: none"> <li>• Change in pattern of UK trade – away from EU towards emerging economies</li> <li>• Employment: May decline and unemployment may increase in UK especially if there is a fall in FDI into the UK and/or firms based in the UK decide to divert investment abroad</li> </ul> <p><i>But: impact might be small especially if there is less direct competition from producers in the EU</i></p> <ul style="list-style-type: none"> <li>• Public finances: UK's public finances may improve because the UK is a net contributor to the EU budget <i>But this may be offset by the impact on growth and employment</i></li> <li>• Impact on specific sectors e.g. finance in which the UK has a comparative advantage; agriculture, fishing</li> <li>• Changes to patterns of migration</li> <li>• UK financial services comparative advantage</li> <li>• Less regulation outside the EU</li> <li>• Increases in labour market flexibility as do not have to conform to Social Charter and EU rules and regulations, improving competitiveness</li> <li>• No longer need to be part of EU Competition Policy with associated costs/benefits</li> </ul> <p><b><i>NB if there is no UK/EU context then award a maximum of 24/30</i></b></p>
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Question Number	With reference to the information provided, outline <b>two</b> reasons which might explain the change in net investment as a proportion of India's GDP between 2010 and 2012. Answer:
<b>4a</b>	<p>Reasons could include:</p> <ul style="list-style-type: none"> <li>• Weak prospects for economic growth and/or past decline in economic growth</li> <li>• An increase in interest rates</li> <li>• Fall in company profits</li> <li>• Electricity supply issues</li> <li>• A reduction in confidence</li> <li>• Rising inflation</li> <li>• Fall in FDI due to restrictions on capital flows</li> <li>• Corruption/poor governance</li> <li>• Only allow depreciation of the rupee if linked to reduction of confidence of investors or other relevant justification (2)</li> </ul> <p>Examples of application (max 2 marks): Reference to Figure 2:</p>

		<p>Fall in investment as a % of GDP from 12% (allow 12-14%) in 2010 to 2% (allow 2-3%) in 2012 (1+1)</p> <p>Reference to Figure 1: Fall in rate of economic growth from (9-9.5%) to (3–3.5%) (1+1)</p>
Level	Mark	Descriptor
<b>Level 1</b>	1-3	Up to 3 marks for knowledge
<b>Level 2</b>	4-5	Up to 3 marks for knowledge; 2 marks for data references

Question Number	With reference to Extract 1, analyse <b>two</b> reasons why India's economy is 'still in trouble'. Answer:
<b>4b</b>	<ul style="list-style-type: none"> <li>• Poor health care and poverty</li> <li>• Unemployment high</li> <li>• Depreciating value of the rupee (linked to negative effects only)</li> <li>• Low literacy rates/low level of skills</li> <li>• Low investment</li> <li>• Corruption/poor governance</li> <li>• Electricity supply issues</li> <li>• Poor labour laws</li> <li>• Poor nutrition</li> <li>• Low levels of FDI</li> <li>• High capital controls</li> </ul>

<p>For each reason: 1 mark for identification and up to 2 for analysis. Analysis marks by linking the <i>cause</i> to a <i>macroeconomic variable or development indicator</i>.</p> <p>Application: 2 marks for 2 references (1+1) from Extract 1, for example:</p> <ul style="list-style-type: none"> <li>• Fall in the value of the rupee (by 20% between May and August 2013) (1+1)</li> <li>• India's rate of economic growth (3.2%) slower than that of China (7.8%) (1+1)</li> </ul>		
Level	Mark	Descriptor
<b>Level 1</b>	1-2	2 marks for identification of two points
<b>Level 2</b>	3-4	2 marks for identification; 2 for application (2 references to the data)
<b>Level 3</b>	5-8	2 marks for identification; 2 for application (2 references to the data); 4 for analysis of the 2 points identified.

Question Number	Examine the case for the Indian government using policies to 'stimulate domestic manufacturing' (Extract 1, line 23) as a means of promoting economic development. Answer:	Mark
<b>4(c)</b>	<p>1 mark for identification of one reason; up to 3 for analysis</p> <p>Arguments include:</p> <ul style="list-style-type: none"> <li>• To provide employment for the population</li> <li>• To reduce dependence on imports/to reduce the trade in goods (or current account) deficit</li> <li>• Theoretical basis: Lewis model: workers transfer from low productivity agricultural sector to more productive industrial sector so leading to a higher rate of economic growth and development</li> <li>• Large, relatively low-skilled population</li> <li>• Increasing levels of competition, which would drive down</li> </ul>	

	<p>prices/improves quality of goods domestically</p> <p>Analysis <b>must</b> link to development; otherwise no more than 1 analysis mark per point.</p> <p>Application 2 data references (1+1) e.g.:</p> <ul style="list-style-type: none"> <li>• Current account deficit was 4% of GDP in 2011 and 2012 (1)</li> <li>• Manufacturing grew by 5.7% (1) in the 1990s whereas services grew by 10% (1)</li> <li>• the contribution of India's manufacturing to the GDP is only 15% (1) but 40% in China (1)</li> </ul> <p><i>Evaluation (up to 4 marks: 2 + 2; 3 + 1)</i></p> <ul style="list-style-type: none"> <li>• <i>Some economies have developed successfully on the basis on strong service sectors</i></li> <li>• <i>A trade in services surplus might be sufficient to offset a trade in goods deficit and/or there might be a surplus on the financial account</i></li> <li>• <i>Stimulating domestic manufacturing might increase growth but might not necessarily result in increased development</i></li> <li>• <i>Manufacturing tends to be fairly mobile/footloose, simply seeks out lowest wage</i></li> <li>• <i>Competition from other countries may put a cap on wages and therefore development</i></li> </ul>	<b>(10)</b>
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Level	Mark	Descriptor
<b>Level 1</b>	1-3	1 mark for identification of one argument; 2 for application
<b>Level 2</b>	4-6	1 mark for identification of one argument; 2 for application; 3 for analysis.
<b>Level 3</b>	7-10	1 mark for identification of one argument; 2 for application); 3 for analysis; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question Number	Assess the possible economic implications of the fall in the external value of the rupee on the Indian economy. Answer:	Mark
<b>4(d)</b>	<p>Implications include (up to 5 marks; maximum 2 for identification only) and <i>5 marks for evaluation</i>:</p> <ul style="list-style-type: none"> <li>• Improvement in the current account of the balance of payments because exports would become more competitive and imports less competitive <i>But: J curve effect; Marshall-Lerner condition must hold (2 evaluative points)</i></li> <li>• Increase in net exports would cause an increase in economic growth and employment <i>But: depends on the value of the multiplier; danger of imported inflation so quickly eliminating the competitive</i></li> </ul>	<b>(12)</b>

	<p><i>advantage</i></p> <ul style="list-style-type: none"> <li>• Imported inflation: higher cost of imported raw materials and finished goods <i>But: magnitude depends on the extent to which these higher costs are passed on to consumers</i></li> <li>• Increase in debt burden for government and for banks with external debts <i>But: inflation would erode the real value of the debt</i></li> <li>• Policy Implication: Increase in interest rates to reverse the depreciation/prevent further fall in the rupee <i>But: this would hinder economic growth</i></li> </ul> <p>Application (1+1 marks): 2 references from information provided or from own knowledge e.g. actual fall in the value of the rupee from 52 (1) to 63 (1) to \$1 or 20% (1); specific references from the information (1+1)</p>	
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Level	Mark	Descriptor
<b>Level 1</b>	1-2	2 marks for identification of 2 implications;
<b>Level 2</b>	3-7	2 marks for identification of 2 implications; 2 for application as indicated above; 3 for analysis of 2 or more implications
<b>Level 3</b>	8-12	2 marks for identification of 2 implications; 2 for application as indicated above; 3 for analysis of 2 or more implications; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

Question Number	With reference to the information provided, evaluate supply-side policies that the Indian government should pursue to improve the performance of its economy. Answer:	Mark
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<b>4 (e)</b>	<p>KAA: 9; Ev: 6</p> <p>Policies include:</p> <ul style="list-style-type: none"> <li>• Measures to liberalise labour markets making it easier to hire and fire workers <i>But: increased job insecurity might reduce productivity</i></li> <li>• Measures to enable TNCs to take profits out of the country so encouraging FDI <i>But: this represents a leakage from the circular flow</i></li> <li>• Measures to allow competitive tendering – to promote competition and cost reduction <i>But: no guarantee that competitive tendering will result in increased efficiency</i></li> <li>• Infrastructure expenditure e.g. to ensure the stability of electricity supplies <i>But: this has implications for public finances</i></li> <li>• Stronger legal measures to reduce/eliminate corruption <i>But: very difficult to achieve this without cultural changes</i></li> <li>• Subsidies to farmers instead of to fertiliser producers <i>But: this might encourage inefficiency</i></li> <li>• Measures to reduce corruption <i>But: may be difficult to achieve without a culture change which might take a considerable time</i></li> <li>• Investment grants/tax breaks to encourage investment</li> <li>• Measures to improve healthcare</li> <li>• Measures to improve education and training <i>But: last 3 measures involve significant costs for the Government with implications for the budget</i></li> <li>• Privatisation</li> <li>• Deregulation</li> </ul> <p><b>NB Policies must be related to improving the performance of the economy e.g. economic growth; fall in the rate of inflation; improvements in the current account; falling unemployment</b></p> <p>Application: 2 relevant data references either from data provided or from own knowledge. (Maximum 7/9 marks for KAA without Indian context)</p>	<b>(15)</b>
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Level	Mark	Descriptor
<b>Level 1</b>	1-4	2 marks for identification of 2 policies; 2 for application (2 data references or relevant examples )
<b>Level 2</b>	5-9	2 marks for identification of 2 policies; 2 for application (2 data references or relevant examples ); 5 for analysis of at least 2 issues
<b>Level 3</b>	10-15	2 marks for identification of 2 policies; 2 for application (2 data references or relevant 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 Number	With reference to Figure 1, outline <b>two</b> reasons for the trend in world exports over the period shown.
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	Answer:	
<b>5a</b>	<p>Reasons for overall upward trend include:</p> <ul style="list-style-type: none"> <li>• Reduction in trade barriers – role of WTO</li> <li>• Decrease in transport and communication costs</li> <li>• Growth in TNCs</li> <li>• Opening up of China and E Europe</li> <li>• Increase in number and size of trading blocs</li> <li>• Increasing incomes/emerging consuming classes</li> <li>• Increase in trade <b>between</b> developing countries</li> </ul> <p>Application (2 marks):  Reference to Figure 1: Increase in volume of exports from an <b>index</b> of 100 to 300' or 'a threefold rise' or '200%' (2)  World exports rise/increase (1)</p>	
Level	Mark	Descriptor
<b>Level 1</b>	1-3	Up to 3 marks for knowledge – see above
<b>Level 2</b>	4-5	Up to 3 marks for knowledge and 2 marks for data references

Question Number	With reference to Figure 3, analyse <b>two</b> possible reasons why, in 2012, FDI flows to developing countries were 'exceeding flows to developed economies for the first time ever'. (Extract 2, lines 2-3). Answer:
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<b>5b</b>	<p>Reasons include:</p> <ul style="list-style-type: none"> <li>• To exploit raw materials in developing countries</li> <li>• TNC investment in developing countries to take advantage of low wages, few environmental regulations</li> <li>• Developing economies less affected by the financial crisis than developed economies - increasing incomes/emerging consuming classes in developing countries</li> <li>• Developed economies suffering from aftermath of financial crisis with low growth and weak confidence</li> <li>• More trade agreements between developing world (eg Asean)</li> <li>• Rising populations</li> <li>• Improvements in infrastructure enabling re-export of finished goods</li> <li>• Improvements in education and skills of the workforce</li> </ul> <p>Also credit reasons why FDI flows are falling to developed economies. For example:</p> <ul style="list-style-type: none"> <li>• Slow growth/falling real incomes</li> <li>• Rising unemployment</li> </ul> <p>For each reason: 1 mark for identification and up to 2 for analysis</p> <p>Application: 2 marks for 2 references (1+1): e.g.</p> <ul style="list-style-type: none"> <li>• FDI inflows to developing countries were 52% (1) of the total in 2012</li> <li>• Whereas FDI inflows to developed economies were just 41.5% (1) in 2012</li> </ul>	
Level	Mark	Descriptor
<b>Level 1</b>	1-2	2 marks for identification of two points
<b>Level 2</b>	3-4	2 marks for identification; 2 for application: 2 data references
<b>Level 3</b>	5-8	2 marks for identification; 2 for application: 2 data references; 4 for analysis of the 2 points identified.

Question Number	With reference to the data and your own knowledge, examine ways by which a country might try to attract investment from a transnational company (TNC). Answer:	Mark
<b>5(c)</b>	<p>1 mark for identification of one reason; up to 3 for analysis</p> <p>Factors include:</p> <ul style="list-style-type: none"> <li>• Tax incentives e.g. lower rate of corporation tax</li> <li>• Investment allowances and tax credits</li> <li>• Trade liberalisation</li> <li>• Limited administrative and legal obstacles</li> <li>• Export processing zones</li> <li>• Government subsidies e.g. rent/capital</li> <li>• Property rights clearly defined</li> <li>• Rule of law</li> <li>• Improvements in education to improve human capital</li> <li>• Improvements in healthcare</li> <li>• Improvements in infrastructure especially transport</li> <li>• Reductions in capital controls</li> <li>• General policies which improve macroeconomic growth</li> </ul> <p>Application: reference to data or to specific examples from own knowledge (1+1) e.g. 'prioritised infrastructure'; 'targeted education'; named countries related to an identification point.</p> <p><i>Evaluation (up to 4 marks: 2 + 2; 3 + 1):</i></p> <ul style="list-style-type: none"> <li>• <i>Political links may be more important than fiscal measures</i></li> <li>• <i>TNCs may not be attracted by above factors if there is poor infrastructure and/or poorly educated workforce and/or civil war or internal unrest</i></li> <li>• <i>Cost implications of some measures may make them unrealistic</i></li> <li>• <i>Prioritisation of factors; consideration of relative effectiveness</i></li> </ul>	<b>(10)</b>

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

Question Number	Assess the factors, apart from FDI, which have contributed to a reduction in absolute poverty in developing countries. Refer to Extract 1 in your answer. Answer:	Mark
<b>5(d)</b>	<p>Factors include (up to 5 marks; maximum 2 for identification only) and <i>5 marks for evaluation</i>:</p> <ul style="list-style-type: none"> <li>• Increased trade, especially between developing countries themselves resulting in export-led growth <i>But: developing countries may be exploited by monopsony power of TNCs in developed economies</i></li> <li>• Investment in infrastructure <i>But: might have adverse consequences for public finances</i></li> <li>• Investment in health <i>But: problem of insufficient numbers of trained doctors, nurses</i></li> <li>• Investment in education <i>But: problem if households have to pay for schooling</i></li> <li>• Improvements in financial infrastructure facilitating enterprise <i>But: people might lack assets as a form of collateral</i></li> <li>• Welfare programmes <i>But: opportunity cost</i></li> </ul> <p>Analysis <b>must</b> link to absolute poverty; otherwise no more than 1 analysis mark per point.</p> <p><i>Other evaluative comments:</i></p> <ul style="list-style-type: none"> <li>• <i>Although poverty has decreased, inequality has increased in many countries</i></li> <li>• <i>Prioritisation of factors identified above with justification</i></li> </ul> <p>Application (1+1 marks): 2 relevant references from extract 1 e.g. 'targeted education'/'investing in people'/'investing in infrastructure'/'investing in healthcare' (1); China reducing poverty by 500m people (1); or examples from own knowledge. Could include specific reference to the fall in poverty from extract 1.</p>	<b>(12)</b>

Level	Mark	Descriptor
<b>Level 1</b>	1-2	2 marks for identification of 2 factors;
<b>Level 2</b>	3-7	2 marks for identification of 2 factors; 2 for application as indicated above; 3 for analysis of 2 or more factors;
<b>Level 3</b>	8-12	2 marks for identification of 2 factors; 2 for application as indicated above; 3 for analysis of 2 or more factors; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

Question Number	'Globalisation is solely responsible for the trend in the share of Wages as a proportion of GDP.  To what extent do you agree with this statement? Use the information provided and your own knowledge in your answer. Answer:	Mark
5 (e)	<p>KAA: 9; Ev: 6</p> <p>Factors in support of the statement include:</p> <ul style="list-style-type: none"> <li>• Greater economic integration e.g. more migration increasing the supply of labour <i>But: with higher population and rising real incomes the demand for goods and services would be increasing so increasing the demand for labour</i></li> <li>• Entry of labour-abundant economies into the global economy e.g. China</li> <li>• Growth in significance of TNCs who outsource production to lowest cost countries</li> <li>• Growth of hedge funds, private equity firms who placed renewed emphasis on profit maximisation <i>But: wages are not the only source of an individual's income - governments might increase taxes on company profits and use revenues for redistribution</i></li> <li>• Reduced trade barriers so easier to base manufacturing in low-wage countries</li> </ul> <p>Factors other than globalisation:</p> <ul style="list-style-type: none"> <li>• Technological progress: manufacturing has become more capital intensive <i>But: this could result in higher productivity and a significant rise in real wages</i></li> <li>• The increasing significance of supply-side policies, especially in the labour market e.g. rise of part-time work, zero-hour contracts</li> <li>• Decreasing in trade union density – resulting in a weakening of trade union influence on wages <i>But: the link between union density and real wages may be weak; other factors might be more significant</i></li> </ul> <p><b>Candidates may agree or disagree with the statement and the use reverse arguments for evaluation</b></p> <p>Application: 2 relevant references either from data provided or examples from own knowledge. (Maximum 7/9 marks for KAA without data references)</p>	(15)

Level	Mark	Descriptor
<b>Level 1</b>	1-4	2 marks for identification of 2 factors; 2 for application (2 data references or relevant examples)
<b>Level 2</b>	5-9	2 marks for identification of 2 factors; 2 for application (2 data references or relevant examples ); 5 for analysis of at least 2 issues
<b>Level</b>	10-	2 marks for identification of 2 factors; 2 for application (2 data

<b>3</b>	15	references or relevant 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)
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### GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04

Level	Part (a) Questions: Performance Criteria for Mark base 20	
<b>Level 1</b>	1-7	<ul style="list-style-type: none"> <li>• Displays knowledge presented as facts without awareness of other viewpoints</li> <li>• Demonstrates limited understanding with little or no analysis</li> <li>• Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear</li> <li>• None of the assessment objectives are covered satisfactorily</li> </ul> <p><i>Identification of points which have limited relevance</i></p>
<b>Level 2</b>	8-10	<ul style="list-style-type: none"> <li>• 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</li> <li>• Displays a limited ability to select and apply different economic ideas</li> <li>• Evidence presented has a basic relevance</li> </ul> <p><i>Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis</i></p>
<b>Level 3</b>	11-14	<ul style="list-style-type: none"> <li>• 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</li> <li>• Shows some ability to apply economic ideas and relate them to economic problems</li> <li>• Employs different approaches to reach conclusions, presenting evidence with some relevance and coherence</li> </ul> <p><i>Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation</i></p>
	11-12	Award in this range for 2 factors and 1 evaluative comment (or 3 factors with no evaluation) which are <b>not</b> 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
<b>Level 4</b>	15-16	<ul style="list-style-type: none"> <li>• Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved</li> <li>• Demonstrates an ability to select and apply economic ideas and to relate them to economic problems</li> <li>• Evidence of some evaluation of alternative approaches leading to conclusions which are presented in a relevant and coherent way</li> </ul> <p><i>Typically, answers will consider 3 factors with 1 evaluative point</i></p>
<b>Level 5</b>	17-20	<ul style="list-style-type: none"> <li>• Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues</li> <li>• Demonstrates an outstanding ability to select and apply economic ideas to economic problems</li> <li>• Evaluation is well balanced and critical leading to valid conclusions</li> <li>• Material is presented in a relevant, clear and coherent way with evidence fully and reliably integrated</li> <li>• Excellence is displayed across all assessment objectives</li> </ul> <p><i>Typically, answers will consider 3 factors with 2 evaluative points</i></p>



### GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04

Level	<b>Part (b) Questions: Performance Criteria for Mark base 30</b>	
<b>Level 1</b>	1-11	<ul style="list-style-type: none"> <li>• Displays knowledge presented as facts without awareness of other viewpoints</li> <li>• Demonstrates limited understanding with little or no analysis</li> <li>• Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear</li> <li>• None of the assessment objectives are covered satisfactorily</li> </ul> <p><i>Identification of points which have limited relevance</i></p>
<b>Level 2</b>	12-15	<ul style="list-style-type: none"> <li>• 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</li> <li>• Displays a limited ability to select and apply different economic ideas</li> <li>• Evidence presented has a basic relevance</li> </ul> <p><i>Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis</i></p>
<b>Level 3</b>	16-21	<ul style="list-style-type: none"> <li>• 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</li> <li>• Shows some ability to apply economic ideas and relate them to economic problems</li> <li>• Employs different approaches to reach conclusions, presenting evidence with some relevance and coherence</li> </ul> <p><i>Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation</i></p>
	16-18	Award in this range for 3 factors and 1 evaluative comment (or 4 factors with no evaluation) which are <b>not</b> 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
<b>Level 4</b>	22-25	<ul style="list-style-type: none"> <li>• Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved</li> <li>• Demonstrates an ability to select and apply economic ideas and to relate them to economic problems</li> <li>• Evidence of some evaluation of alternative approaches leading to conclusions which are presented in a relevant and coherent way</li> </ul> <p><i>Typically, answers will consider 4 factors with 2 evaluative points</i></p>
<b>Level 5</b>	26-30	<ul style="list-style-type: none"> <li>• Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues</li> <li>• Demonstrates an outstanding ability to select and apply economic ideas to economic problems</li> <li>• Evaluation is well balanced and critical leading to valid conclusions</li> <li>• Material is presented in a relevant, clear and coherent way with evidence fully and reliably integrated</li> <li>• Excellence is displayed across all assessment objectives</li> </ul> <p><i>Typically, answers will consider 4 factors with 3 evaluative points</i></p>

