



# Mark Scheme (Results)

Summer 2023

International A Level in Economics

(WEC14)

Unit 4: Developments in the global economy

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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

Question Number	Quantitative skills assessed	Answer	Mark
1	-	<p>The only correct answer is A</p> <p><i>B is not correct because this condition is related to the current account position of the BOP</i></p> <p><i>C is not correct because this model is related to industrialisation</i></p> <p><i>D is not correct because this model is related to the savings gap</i></p>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	<p>The only correct answer is D</p> <p><i>A is not correct because transfer payments relate to payments made by government to individuals in the form of benefits</i></p> <p><i>B is not correct because automatic stabilisers are not a discretionary fiscal policy</i></p> <p><i>C is not correct because the <b>government's</b> current expenditure is an example of its day-to-day spending</i></p>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	<p>The only correct answer is B</p> <p><i>A is not correct because stricter regulation of the product markets will reduce South <b>Korea's international competitiveness</b></i></p> <p><i>C is not correct because more restrictions <b>on free trade will reduce South Korea's</b> international competitiveness</i></p> <p><i>D is not correct because a reduction in spending on education and training will <b>reduce South Korea's international</b> competitiveness</i></p>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	<p>The only correct answer is D</p> <p><i>A is not correct because higher shipping costs are likely to increase production costs</i></p> <p><i>B is not correct because global inflationary pressures will increase due to higher costs of production for businesses</i></p> <p><i>C is not correct because there are likely to be changes in the patterns of world trade</i></p>	(1)

5	<p>QS1: Calculate, use and understand ratios and fractions.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p>The only correct answer is C</p> <p><i>A is not correct because both countries will not benefit from specialisation and trade</i></p> <p><i>B is not correct because there will be an opportunity cost for producing televisions or computers for both countries</i></p> <p><i>D is not correct because the opportunity cost for producing televisions or computers for both countries is the same</i></p>	(1)
6	<p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p>The only correct answer is C</p> <p><i>A is not correct because the Central Bank of India would sell the US dollar</i></p> <p><i>B is not correct because this would cause a depreciation in the Indian rupee against the US dollar</i></p> <p><i>D is not correct because the Central Bank of India would buy the Indian rupee</i></p>	(1)

## Section B

Question	With reference to Figure 1, calculate the increase in the price of coal between January 2020 and April 2022. You are advised to show your working.  Answer	Mark
7(a)	<p>Application 2</p> <p>Quantitative skills assessed:            QS5: Calculate and interpret index numbers.            QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Up to 2 marks for calculations:</p> <ul style="list-style-type: none"> <li>• 500 - 100 (1)</li> <li>• 400% (1)</li> </ul> <p>NB Award 2 marks for correct answer (400%)            NB Award only 1 mark for 400 without % sign</p>	(2)

Question	Explain what is meant by ' <b>interest rates</b> ' (Extract A, line 4).  Answer	Mark
7(b)	<p>Knowledge 2, Application 2</p> <p>Quantitative skills assessed:            QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge            Up to 2 marks for understanding interest rates, e.g.:</p> <ul style="list-style-type: none"> <li>• Cost of borrowing (1)</li> <li>• Reward for saving (1)</li> <li>• Monetary policy instrument (1)</li> <li>• Used to control inflation/AD (1)</li> </ul> <p>Application            Up to 2 marks for application to interest rates, e.g.:</p> <ul style="list-style-type: none"> <li>• Rising base interest rates could lead to stagflation (1)</li> <li>• Many central banks have raised base interest rates in response to this inflationary pressure (1)</li> <li>• ECB increased its base interest rate from 0% to 1.25% (1)</li> <li>• This is an example of deflationary monetary policy (1)</li> </ul>	(4)

Question	With reference to the third paragraph of Extract A, examine two economic benefits of the increase in the number of tourists visiting Southeast Asian countries.  Answer	Mark
7(c)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <p>Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge and analysis Up to 2 marks for identifying two benefits and up to 1 mark for linked explanation of each benefit, e.g.:</p> <ul style="list-style-type: none"> <li>• More tourists result in more spending on goods/services in the local economy (1K) and this will help to fill the foreign exchange gap/greater foreign exchange (1AN)</li> <li>• Increase in the rate of economic growth (1K) as a result of an increase in (X-M) component of AD/greater injections (1AN)</li> <li>• Improvement in the balance of trade (1K) as a result of an increase in invisible exports (1AN)</li> <li>• Increase in employment/decrease in unemployment (1K) leading to higher real incomes/standard of living (1AN)</li> <li>• More FDI by TNCs (1K) hence more investment in infrastructure, hotels, and associated services (1AN)</li> <li>• More tax revenue for the government from higher expenditure by the tourists (1K) is available to reduce inequality through income redistribution/preserve national heritage (1AN)</li> </ul> <p>Application Up to 2 marks for application to the source (1+1), e.g.:</p> <ul style="list-style-type: none"> <li>• Each of these Governments have relaxed border controls that were introduced during the global health crisis (1)</li> <li>• Between February 2022 and May 2022, Indonesia experienced a 1 050% increase in the number of tourists (1)</li> <li>• During the same period Vietnam experienced an 8 629% increase in the number of tourists (1)</li> </ul> <p>Evaluation Up to 2 marks for evaluative comments:</p> <ul style="list-style-type: none"> <li>• Benefits are likely to be significant (1) as there has been a very large increase in tourist numbers in Indonesia and Vietnam (1)</li> <li>• Impact will be felt differently for different countries, e.g. Vietnam may benefit more as tourist numbers are 7 579 percentage points higher than Indonesia (1+1)</li> <li>• Benefits may only last for a short time (1) if border controls are reintroduced due to re-emergence of the global health crisis / if other countries open their borders (1)</li> <li>• More tourists will increase external costs (1) as there will be more pollution/waste/environmental damage (1)</li> </ul>	(8)

	<ul style="list-style-type: none"> <li>• Tourism is a labour-intensive industry (1) so will have a significant impact on employment (1)</li> <li>• Demand for tourism changes at different times of the year (1) therefore employment may not be permanent/may be seasonal unemployment (1)</li> <li>• Benefits of tourism may be reduced if TNCs use transfer pricing (1) to move profits out of the country (1)</li> <li>• Could lead to inflationary pressures as a result of an increase in AD (1) hence reducing purchasing power/living standards (1)</li> </ul>	
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Question	Analyse why Thailand and Singapore <b>'are</b> experiencing low rates of economic growth' (Extract A, line 22).  Answer	Mark
7(d)	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, application and analysis 1 mark for identifying one reason for each country and one mark for each linked explanation and application, e.g.:</p> <ul style="list-style-type: none"> <li>• Thailand: <ul style="list-style-type: none"> <li>◦ the rate of inflation is rising faster than the GDP growth rate / fall in real income (1AP) results in a</li> <li>◦ fall in consumption/consumer demand/consumer spending (1K) causing</li> <li>◦ AD/real output to decrease (1AN)</li> </ul> </li> <li>• Singapore: <ul style="list-style-type: none"> <li>◦ slowdown in <b>China's</b> economy (1AP) leads to a</li> <li>◦ fall in exports to China/less imports from China/fall in net exports (1K)</li> <li>◦ resulting in a decrease in AD/real output/injections into the circular flow of income (1AN)</li> </ul> </li> </ul> <p>NB Decrease in AD/real output can be shown on an accurately drawn and labelled diagram</p>	(6)



Question	<p>With reference to the information provided and your own knowledge, discuss factors that might cause an improvement in <i>the terms of trade</i> of Southeast Asian countries.</p> <p>Indicative content</p>	
7(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>QS5: Calculate and interpret index numbers.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, Application and Analysis (8 marks) – indicative content</p> <p>Understanding/definition of terms of trade</p> <p>Factors include:</p> <ul style="list-style-type: none"> <li>• High relative inflation rates – “Thailand and Singapore, the rate of inflation is <b>rising faster than the GDP growth rate</b>”: if inflation rate in some Southeast Asian countries is higher than that of their key trading partners, then export prices will be rising relative to import prices</li> <li>• An increase in the price of exports relative to price of imports – “<b>Rising food, fuel and commodity prices</b>”/may refer to <b>Figure 1</b></li> <li>• A decrease in the price of imports relative to price of exports – “<b>Philippines</b>, for example, relies on imports of rice and is a net importer of food and <b>fuel</b>” /may refer to Figure 1</li> <li>• Lower relative productivity rates – if productivity rates in some Southeast Asian countries are lower than that of their key trading partners, then export prices will be rising relative to import prices</li> <li>• Higher relative labour costs – if labour costs (both wage and non-wage costs) in some Southeast Asian countries are higher than that of their key trading partners, then export prices will be rising relative to import prices</li> <li>• <b>Appreciation/revaluation of a country’s exchange rate</b> – export prices rise as exports become relatively expensive and import prices fall as imports become relatively cheap</li> <li>• Protectionist policies, e.g. tariffs – if a government of a Southeast Asian country reduces tariff on imported goods then this would cause a decrease in import prices</li> </ul>	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge

		and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p>Evaluation (6 marks) – indicative content</p> <ul style="list-style-type: none"> <li>• Depends on the main reason for the improvement in the terms of trade/ prioritisation of the most significant factor</li> <li>• Improvement in terms of trade may only be temporary e.g. if the prices of commodities fall – may make reference to Figure 1</li> <li>• Different factors affect different Southeast Asian countries who may be net importers or net exporters – may make reference to Figure 1</li> <li>• The Philippines is a net importer of commodities and therefore not likely to experience an improvement in its terms of trade</li> <li>• Importance of labour costs depend on whether country tends to import and export more labour-intensive or capital-intensive goods and services</li> <li>• Different factors could be more important for Southeast Asian countries at different times, e.g. Southeast Asian countries who are more dependent on primary products, may find that its terms of trade will decrease over time – reference may be made to the Prebisch-Singer hypothesis</li> <li>• Depends on how long the terms of trade rise for, and how big the rise is, e.g. in the long-run <b>“price controls” can worsen terms of trade as export prices</b> rise slowly relative to import prices for some countries</li> <li>• It is likely to be a combination of factors, and not just one factor, that will have a greater influence on the terms of trade of Southeast Asian countries</li> </ul>		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

## Section C

Question	<p>Between September 2021 and September 2022 the US dollar appreciated by nearly 18% against the euro.</p> <p>Evaluate the likely economic effects of an appreciation of a <b>country's</b> currency on its economy. Refer to a developed country of your choice in your answer.</p> <p>Indicative content</p>
8	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, Application, Analysis (12 marks) – indicative content</p> <p>Understanding of currency appreciation</p> <p>Economic effects include:</p> <ul style="list-style-type: none"> <li>• Less inward FDI flows into the USA and more outward FDI flows from the USA, thereby worsening the financial account position of the balance of payments</li> <li>• A worsening in the current account position of the balance of payments as exports would become relatively expensive and imports become relatively <b>cheap, worsening USA's</b> international price competitiveness</li> <li>• Decrease in net exports due to lower injections and higher leakages, thereby decreasing aggregate demand: leading to lower economic growth and living standards in the USA</li> <li>• Increase in unemployment/decrease in employment as there will be lower demand for labour (derived demand) due to less economic growth and less tourism in the USA</li> <li>• Inflationary pressures are likely to decrease as aggregate demand decreases. The appreciation may cause a decrease in the cost of imported raw materials and finished goods, leading to less cost-push inflation</li> <li>• <b>Improvement in the USA's terms of trade</b></li> <li>• Fall in debt burden for the US Government and for USA-based banks with external debts</li> </ul> <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer</p> <p>N.B. Award positive effects as KAA and negative effects as evaluation (or vice versa)</p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	<p>Evaluation (8 marks) – indicative content</p> <ul style="list-style-type: none"> <li>• Impact on the current account depends on PED for imports and exports and if the Marshall-Lerner condition is met (reference to J-curve effect); the rise in external value of the currency will not improve non-price competitiveness</li> <li>• Aggregate demand may not decrease as the effect of the decrease in net trade can be offset by other components, e.g. consumption or investment; the impact on economic growth depends on the size of the multiplier</li> <li>• Inflationary pressures may not decrease if firms in the USA increase profit margins or if productivity falls; falling inflation also depends on the extent to which the lower costs are passed on to consumers</li> <li>• Other factors affect FDI decisions, e.g. tax, confidence, interest rates, etc</li> <li>• Lower inflationary pressures would increase the real value of debt</li> <li>• Economic impact will largely depend on extent of the appreciation of the US dollar and whether it is short-term or long-term appreciation</li> <li>• The US dollar appreciated 18% over a year which is a large appreciation and may have a considerable impact on the US economy</li> </ul>	

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	<p>In 2020 the International Monetary Fund (IMF) provided financial assistance of \$13 billion to low-income developing countries. In addition, the World Bank provided financial assistance of \$43 billion to low-income developing countries.</p> <p>Evaluate the role of international institutions in promoting <i>economic development</i>. Refer to examples of developing countries in your answer.</p> <p>Indicative content</p>
9	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, Application and Analysis (12 marks) – indicative content</p> <ul style="list-style-type: none"> <li>• Understanding of economic development</li> <li>• Understanding of international institutions</li> <li>• The IMF –             <ul style="list-style-type: none"> <li>◦ fosters international monetary co-operation and provides temporary financial assistance to countries to help ease the balance of payments adjustment</li> <li>◦ promotes trade, economic growth and high levels of employment</li> <li>◦ promotes exchange rate stability, and ensures orderly exchange rate arrangements to secure financial stability</li> <li>◦ provides capacity development: technical assistance, policy advice and training of government officials to support developing countries strengthen economic institutions</li> <li>◦ offers debt relief/cancellation to help reduce absolute poverty</li> </ul> </li> <li>• The World Bank –             <ul style="list-style-type: none"> <li>◦ gives grants, interest-free credit and provides low-interest loans</li> <li>◦ focuses on strengthening the private sector in developing countries</li> <li>◦ offers debt relief/cancellation to help reduce absolute poverty                 <ul style="list-style-type: none"> <li>▪ These can be used by developing countries for education, infrastructure, healthcare, housing projects; link to HDI</li> </ul> </li> <li>▪ Candidates may refer to other relevant institutions e.g. WTO, NGOs</li> </ul> </li> </ul> <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer</p> <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country/developing countries in their answer</p> <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to more than one international institution in their answer</p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p>Evaluation (8 marks) – indicative content</p> <ul style="list-style-type: none"> <li>Financial assistance by international institutions may be dependent on the countries adopting free market economic strategies e.g. removal of price controls, tariffs, that may reduce economic development</li> <li>Questions raised on the extent of debt relief offered by the World Bank and the IMF: the data is for all low-income developing countries, so does each low-income country get enough funds to generate economic development</li> <li>There are political power imbalances in their governance structures: the poor developing countries are structurally under-represented in decision-making processes</li> <li>Economic policies promoted by IMF and World Bank have conditions attached – it undermines the sovereignty of borrower (developing) countries, limiting their ability to make policy decisions and reducing their ownership of national development strategies</li> <li>International institutions may be perpetuating low levels of development by supporting corrupt governments</li> <li>Conditions set by international institutions for aid and loans may result in the protection of inefficient industries and result in higher prices for domestic citizens, so reducing economic welfare</li> </ul>		

	<ul style="list-style-type: none"> <li>To what extent do international institutions know what is best for developing countries? The governments of developing countries may be best placed to know what the most urgent problems and best solutions are</li> <li>Problems of debt relief/aid - the type of aid, tied aid, aid fatigue etc.</li> <li>Criticisms of international institutions, e.g. of the IMF's poverty reduction strategies; transparency/engagement of institutions has been questioned</li> </ul>	
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Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
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Question	<p>Between 2003 and 2019, income inequality, as measured by the Gini coefficient, increased from 0.25 to 0.29 in Sweden and from 0.32 to 0.37 in Indonesia.</p> <p>Evaluate possible causes of an increase in income inequality within a country of your choice.</p> <p>Indicative content</p>
10	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, Application, Analysis (12 marks) – indicative content</p> <ul style="list-style-type: none"> <li>• Understanding of income inequality</li> <li>• Understanding of Gini coefficient</li> </ul> <p>Possible causes include:</p> <ul style="list-style-type: none"> <li>• Changes in wages of different groups including e.g. training and skills: wage differentials between the unskilled and skilled workers have been increasing; minimum wage increasing slower than average earnings</li> <li>• Education: the earnings of those with certain qualifications have increased at a much faster rate than others</li> <li>• Disproportionate increase in earnings of top 1% due to e.g. incomes of the asset-rich have risen relative to the asset-poor; exploitation of tax loopholes</li> <li>• Pensions: especially amongst the elderly and ending of final salaries pension schemes; inflation for pensioners has been higher than the CPI rate as they spend a higher percentage of income on goods like council tax, fuel and food</li> <li>• Changes in tax rates: e.g. rise in indirect taxes, cut in wealth/income taxes</li> <li>• Globalisation: the demand for, and wages of, the unskilled workers have fallen relative to those of highly skilled workers in developed economies</li> <li>• Immigration: e.g. of unskilled workers putting downward pressure on wages for those on low incomes – there appears to be a growing number of low-paid immigrant workers, who work for cash and are paid less than the NMW</li> <li>• Trade union power has been eroded: an increasingly flexible labour market, with more workers being employed part-time, as opposed to full-time – they are not largely protected by trade unions</li> <li>• Macroeconomic policies, e.g. deregulation and privatisation that contributes to concentration of ownership of assets</li> <li>• Reduction in out-of-work benefits and/or the reduction of in-work benefits</li> <li>• Monopoly power of firms (especially TNCs)/the monopsony power of firms</li> <li>• Increase in wealth inequality is likely to cause increase in income inequality</li> </ul> <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country of their choice in their answer</p>

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Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	<p>Evaluation (8 marks) – indicative content</p> <ul style="list-style-type: none"> <li>• Prioritisation and significance of the causes discussed</li> <li>• It is likely that there has been more than one factor that has caused an increase in income inequality within a country</li> <li>• Changes in inequality over time, e.g. the rise is significant over 16 years – different factors affect a country during different times</li> <li>• Consideration of what is actually being measured, e.g. gross incomes or personal disposable incomes</li> <li>• Gini coefficient takes no account of changes in the distribution of wealth, which might be more significant than income inequality</li> <li>• Unemployment rate may be more significant than level of skills and education or than state benefits</li> <li>• Globalisation has helped to reduce inequality through greater economic integration across national borders</li> <li>• The significance of a cause will be different in different countries, e.g. depending on policies to redistribute income</li> <li>• Differences may be explained by lifestyle rather than the causes above</li> <li>• Data might be either inaccurate or unreliable as it is difficult to collect</li> </ul>	

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.