



GCE A LEVEL MARKING SCHEME

SUMMER 2024

**A LEVEL
ECONOMICS – COMPONENT 3
A520U30-1**

About this marking scheme

The purpose of this marking scheme is to provide teachers, learners, and other interested parties, with an understanding of the assessment criteria used to assess this specific assessment.

This marking scheme reflects the criteria by which this assessment was marked in a live series and was finalised following detailed discussion at an examiners' conference. A team of qualified examiners were trained specifically in the application of this marking scheme. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners. It may not be possible, or appropriate, to capture every variation that a candidate may present in their responses within this marking scheme. However, during the training conference, examiners were guided in using their professional judgement to credit alternative valid responses as instructed by the document, and through reviewing exemplar responses.

Without the benefit of participation in the examiners' conference, teachers, learners and other users, may have different views on certain matters of detail or interpretation. Therefore, it is strongly recommended that this marking scheme is used alongside other guidance, such as published exemplar materials or Guidance for Teaching. This marking scheme is final and will not be changed, unless in the event that a clear error is identified, as it reflects the criteria used to assess candidate responses during the live series.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of economic concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level-based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

Section A

1) National living wage to be two-thirds of average earnings by 2024.

1	1	Explain what is meant by labour market flexibility and the factors which can reduce it. [10]	
		AO1	AO3
Band		6 marks	4 marks
3		5-6 marks Excellent knowledge There is an excellent knowledge of the factors that contribute to labour market inflexibility. A top band response will show an understanding of a good range of factors.	
2		3-4 marks Good knowledge Answers in this band will have identified and developed fewer factors or a wider range may be superficially developed.	3-4 marks. Good analysis. There is a logical development and clear analysis. Generally, there are well developed chains of reasoning shown between the factor identified and its impact on labour market flexibility.
1		1-2 marks Limited knowledge Only a basic knowledge of the factors is demonstrated. A few factors may have been identified with limited understanding shown or no knowledge of factors is present, but an understanding of labour market (in)flexibility is shown.	1-2 marks Limited analysis Chains of reasoning are generally not well developed and unconvincing.
0		0 marks No relevant knowledge or understanding present.	0 marks No valid analysis present.

Indicative content (AO1/AO3)

Labour market flexibility refers to the willingness and ability of labour to respond to changes in market conditions.

Wage inflexibility – very high NMW, regulations and contracts

Extensive national pay bargaining – no adjustment for local labour market conditions.

Over generous benefit system – reduced incentives to work.

High entry and exit barriers to labour markets – excessive qualifications, union restrictive practices, discrimination.

Legislation protecting workers – hard for firms to reduce their labour force/employment protection legislation.

Occupational and geographical immobility of labour.

Fully credit all other relevant points.

1	2	Discuss whether a cut to the UK's national minimum and living wages would be economically desirable. [20]		
		AO1	AO3	AO4
Band		6 marks	6 marks	8 marks
3		5-6 marks Excellent knowledge <p>Excellent knowledge of the effects of whether a cut in the NMW would or would not be desirable. A good range of points is covered showing a depth of understanding.</p>	5-6 marks Excellent analysis <p>There is an excellent chain of reasoning as to why each reason for a cut in the NMW is economically desirable.</p>	6-8 marks Excellent evaluation <p>A well-developed two-sided answer that looks at the case for and against a cut in the NMW. The answer comes to a reasoned judgment as to the extent to which a cut in the NMW is economically desirable or not.</p>
2		3-4 marks Good knowledge <p>A narrower range of points is covered or understanding is more superficial.</p>	3-4 marks Good analysis <p>The chains of reasoning are generally strong although analysis at times lacks detail or may be unconvincing.</p>	3-5 marks Good evaluation <p>A strong two-sided answer with effective points on both sides of the argument being made.</p>
1		1-2 marks Limited knowledge <p>A few points are made but none to any great depth.</p>	1-2 marks Limited analysis <p>Chains of reasoning tend to be superficial or lack sophistication.</p>	1-2 marks Limited evaluation <p>The answer is two sided, but points are not well developed and/or unconvincing.</p>
0		0 marks <p>No knowledge or understanding shown.</p>	0 marks <p>No analysis.</p>	0 marks <p>No valid evaluation present.</p>

Indicative content.

This is a reversible answer.

AO1/AO3**For cutting minimum wage levels**

If the minimum wage is high it can cause inflation as firms pass on the higher wage costs in higher prices.

A high NMW leads to falling employment, as demand for labour falls and rising unemployment – especially if the demand for labour is elastic.

A high NMW reduces the competitiveness of UK goods abroad damaging the balance of payments.

A high NMW may deter FDI, as foreign firms will look to avoid high wage economies.

High NMW makes labour markets more inflexible and unable to respond to changes in market conditions.

Workers and employers may be driven into the ‘unofficial’/black economy labour market if NMW is too high.

Cutting the NMW lowers a firms costs giving them more funds for investment.

AO1/AO4**No cut to the NMW**

A higher NMW wage incentivises workers to seek and stay in work.

A higher NMW incentivises employers to train their low paid workers.

Lower pay means more workers claiming in-work benefits (UC).

Lower pay means less consumption and AD in the economy.

Reducing the NMW will increase the power of monopolistic employers.

Qualifiers

Much will depend on the size of the cut – UK’s levels are quite high by international standards.

Much will depend on the proportion of the workforce affected (around 7% of UK employees are paid at or below the NMW, for example).

Impacts will vary by region.

Fully credit all other relevant points.

2. Competition and Markets Authority fines pharmaceutical firms £260m for breaking competition law.

2	1	Outline what is meant by collusion and explain why it may occur in oligopolistic markets. [10]	
		AO1	AO3
Band		6 marks	4 marks
3		5-6 marks Excellent knowledge There is an excellent knowledge of what is meant by collusion.	
2		3-4 marks Good knowledge Answers in this band will have a more limited knowledge of collusion.	3-4 marks. Good analysis There is logical development and clear analysis. Generally, there are well developed chains of reasoning explaining why collusion is likely to occur in oligopoly.
1		1-2 marks Limited knowledge Some knowledge of what is meant by collusion is shown.	1-2 marks Limited analysis Chains of reasoning are generally not well developed and unconvincing.
0		0 marks No relevant knowledge or understanding present.	0 marks No valid analysis present.

Indicative content

AO1

Collusion refers to agreements between firms designed to benefit themselves generally at the expense of consumers.

It can take a number of forms, both tacit (hidden, unspoken agreements) and overt (formal cartels).

Examples of collusion include price leadership, market sharing, information sharing, bid rigging, customer allocation and cartels.

AO3

Oligopolies are characterised by interdependence and uncertainty. If firms compete then this will tend to drive down prices and reduce overall industry profits. If firms collude then they may be able to drive up prices or reduce costs (by reducing the intensity of competition) therefore driving up profits overall.

Game theory could be used to explain how collusion and price leadership can be used to escape a low price Nash equilibrium.

Fully credit all other relevant points.

2	2	Discuss whether oligopolies are desirable market structures. [20]		
		AO1	AO3	AO4
Band		6 marks	6 marks	8 marks
3		5-6 marks Excellent knowledge Excellent knowledge of the advantages and disadvantages of oligopoly.	5-6 marks Excellent analysis There is an excellent chain of reasoning as to why oligopoly markets can be beneficial to consumers and the economy.	6-8 marks Excellent evaluation A well-developed two-sided answer that looks at the advantages and disadvantages of oligopoly. The answer comes to a reasoned judgment as to the circumstances in which oligopoly markets are likely to be more or less desirable.
2		3-4 marks Good knowledge A narrower range of points is covered, or understanding is more superficial.	3-4 marks Good analysis The chains of reasoning are generally strong although analysis at times lacks detail or may be unconvincing.	3-5 marks Good evaluation A strong two-sided answer with effective points on both sides of the argument being made.
1		1-2 marks Limited knowledge A few points are made but none to any great depth. Understanding of oligopoly is demonstrated.	1-2 marks Limited analysis Chains of reasoning tend to be superficial or lack sophistication.	1-2 marks Limited evaluation The answer is two-sided, but points are not well developed and/or unconvincing.
0		0 marks No knowledge or understanding shown.	0 marks No analysis.	0 marks No valid evaluation present.

Indicative content

AO1/AO3 (Oligopolies desirable, but answer is reversible)

Oligopolies can generate abnormal profits as a result of barriers to entry, unlike in monopolistic and perfect competition. This will allow for reinvestment into both products and processes, hence suggesting dynamic efficiency. Firms such as Apple, Amazon and Google are innovative firms operating in oligopolistic markets.

In competitive oligopoly, the pressure to win market share creates an incentive to cut costs and reduce prices, increasing consumer surplus.

Non-price competition can increase consumer information and enhance quality.

In many markets, oligopolies are large firms, suggesting that there is the possibility of internal economies of scale, which can push down prices for consumers and help to make firms internationally competitive.

Even collusion isn't necessarily negative, with various governments across the world permitting collusion under certain circumstances (recession cartels, horizontal agreements such as R&D, vertical agreements such as in car distribution) all of which can benefit either consumers or the economy as a whole.

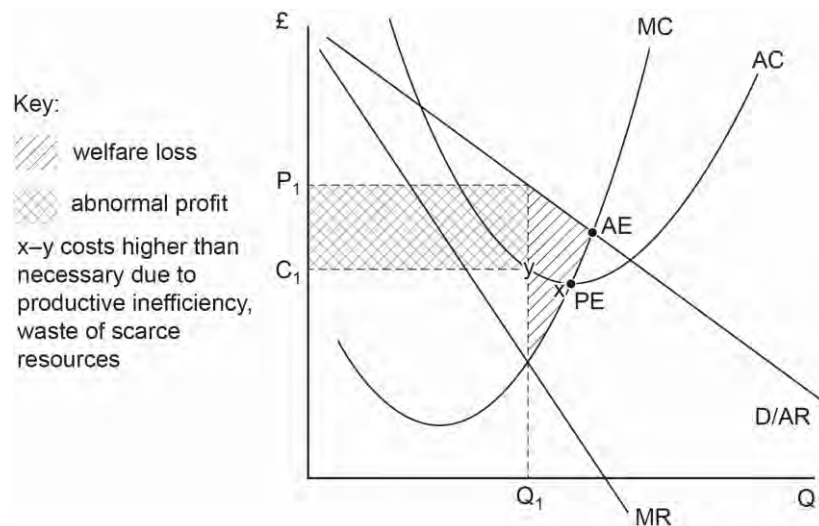
Price stability can create certainty for consumers.

Oligopolies can be big employers and may generate significant tax revenue for the government via VAT, income tax, NICs and corporation tax.

AO1/AO4

Collusive oligopolies restrict competition, resulting in higher prices, lower quality and reduced innovation.

The fact that firms in oligopoly have a degree of monopoly power results in the risk of productive and allocative inefficiency.



Competitive oligopolies run the risk of a race to the bottom in which quality can be sacrificed to allow for lower prices. Alternatively, there is a risk of competitive waste through unnecessary advertising, duplication of effort and superficial product differentiation.

Although oligopolies will have greater scale and abnormal profits than monopolistic/perfect competition, this will be less true than in monopoly markets.

Qualifiers

Likely to depend on the concentration ratio and the extent to which an oligopoly market is competitive or collusive.

Much may also depend on the extent and effectiveness of regulation, which may be able to limit collusive behaviour.

Fully credit all other relevant points.

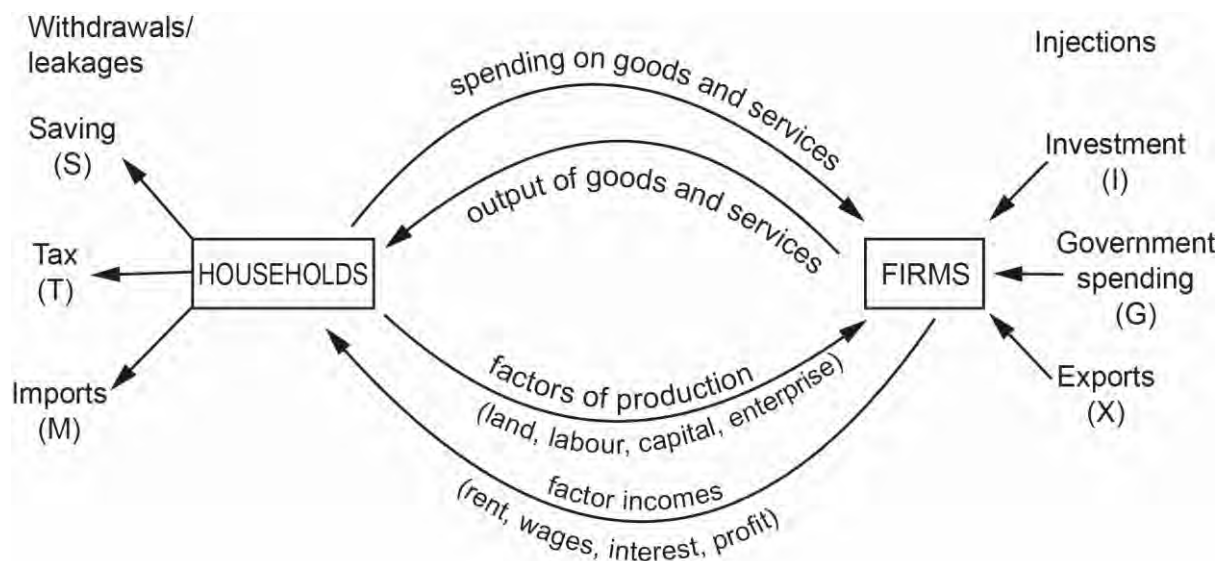
Section B.

3. Keynesian and Neo-Classical theories clash

3	1	Using a diagram, explain what is meant by the circular flow of income. [10]	
		AO1	AO3
Band		6 marks	4 marks
		5-6 marks Excellent knowledge. There is an excellent knowledge shown of the circular flow. An accurate well labelled diagram is drawn of the circular flow. All the injections and leakages are shown and also the links between households and firms.	
		3-4 marks Good knowledge. There is a good knowledge shown of the circular flow but although the diagram is generally accurate it may contain minor errors and may not be fully integrated into the text of the answer.	3-4 marks. Good analysis. There are strong chains of reasoning in the explanation of the circular flow in terms of how different sectors interact.
		1-2 marks Limited knowledge. A limited knowledge is shown of the circular flow. The answer demonstrates a vague and confused understanding of the concept. The diagram may contain significant errors or may not be attempted.	1-2 marks Limited analysis. Chains of reasoning in the explanation of the circular flow are generally not well developed or unclear.
		0 marks No knowledge or understanding present.	0 marks No valid analysis present.

Indicative content.

AO1



The circular flow model of income and spending shows connections between different sectors of an economy.

The point of the model is to illustrate interdependence between sectors – so one group's expenditure is another group's income, hence allowing the multiplier process to occur.

AO3

An increase in expenditure by households will increase incomes for firms. Increase expenditure by firms will increase household incomes (via wages, rent etc – factor incomes).

Injectors into the circular flow ($G+I+X$) increase AD while withdrawals/leakages ($S+T+M$) reduce AD. In theory the economy is in equilibrium where $J=W$.

Flows between the households and firms are different ways of measuring national income: income, expenditure and output.

Fully credit all other relevant points.

3	2	Evaluate the view that an economy will automatically adjust to reach equilibrium at full employment (the NAIRU).		[20]
		AO1	AO3	AO4
Band		6 marks	6 marks	8 marks
3		5-6 marks Excellent knowledge. An excellent knowledge is shown of the neo-Classical view that the economy will always return to full employment via market forces in product and factor markets. AD/AS diagrams or LRPC may be used.	5-6 marks Excellent analysis An excellent analysis of how full employment equilibrium is reached. There are strong chains of reasoning in the analysis.	6-8 marks Excellent evaluation A well-developed two-sided answer which challenges the neo-Classical view that economies will adjust to full employment equilibrium. The Keynesian alternative view is introduced possibly with an AD/AS diagram. The answer comes to an overall judgment as to the extent to which economies are likely to self-stabilise.
2		3-4 marks Good knowledge. A good knowledge of neo-Classical theory is shown but there may be a lack of development in places.	3-4 marks Good analysis A good analysis of how full employment equilibrium is reached. The answer may have a good line of argument, but clarity of analysis may be lacking.	3-5 marks Good evaluation A strong two-sided answer which challenges the neo-Classical view that economies will adjust to full employment equilibrium. The Keynesian alternative view is introduced possibly with an AD/AS diagram.
1		1-2 marks Limited knowledge A limited knowledge of neo-Classical theory with significant gaps in knowledge and understanding.	1-2 marks Limited analysis Chains of reasoning of how full employment equilibrium is reached lack clarity or are lacking in key details.	1-2 marks Limited evaluation A basic attempt is made to qualify and judge the statement, but points are not well developed. Evaluation is thus vague and undeveloped.
0		0 marks No knowledge or understanding shown.	0 marks No relevant analysis.	0 marks No valid evaluation present.

Indicative content.

This answer is reversible.

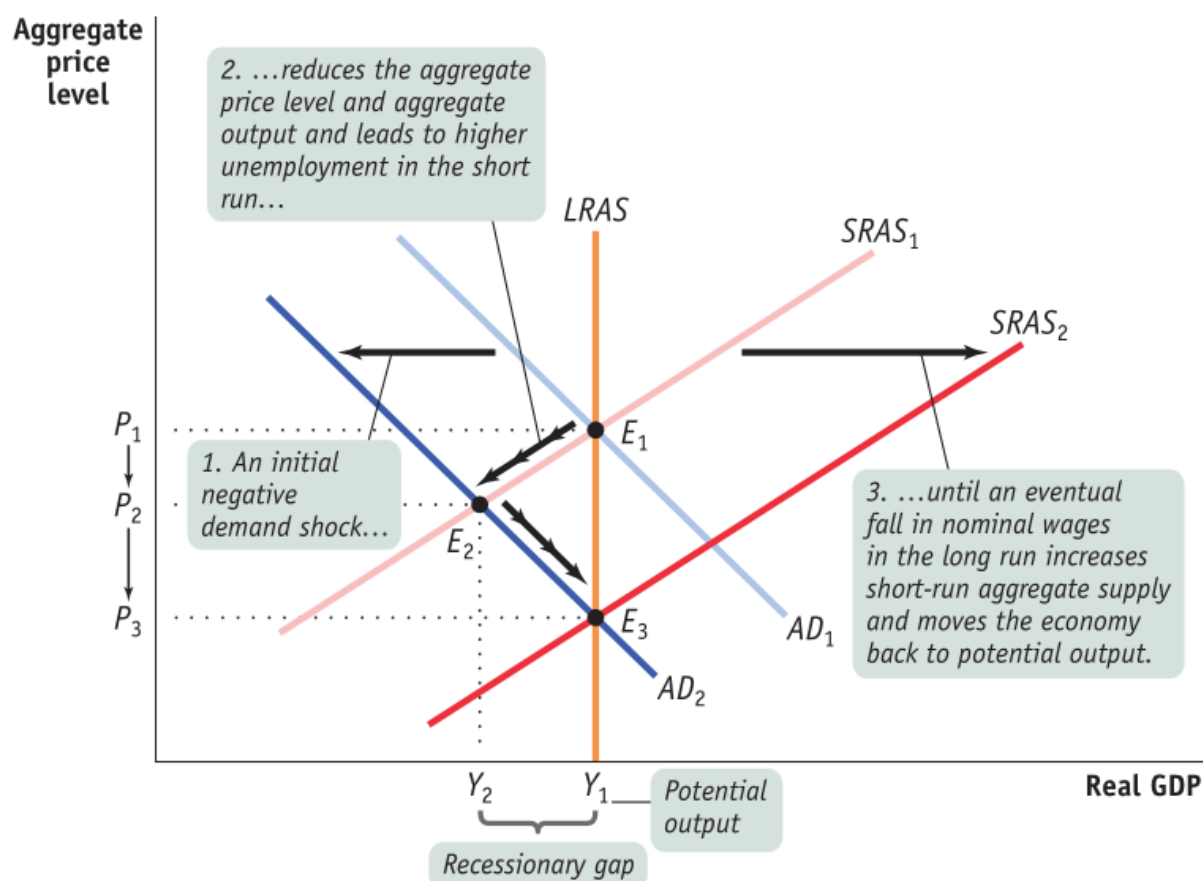
AO1/AO3

The neo-Classical view is that product and factor markets will adjust automatically to macroeconomic changes in the economy e.g. prices, wages, rents etc will fall if there is a reduction in AD.

If unemployment is above the NAIRU, wages costs and prices will fall allowing for an extension in AD (via real balance effects, trade effect and real money supply effects)

The economy will automatically return to full employment/NAIRU which is shown by the vertical LRAS curve.

Candidates may use a diagram to illustrate the answer.



AO4

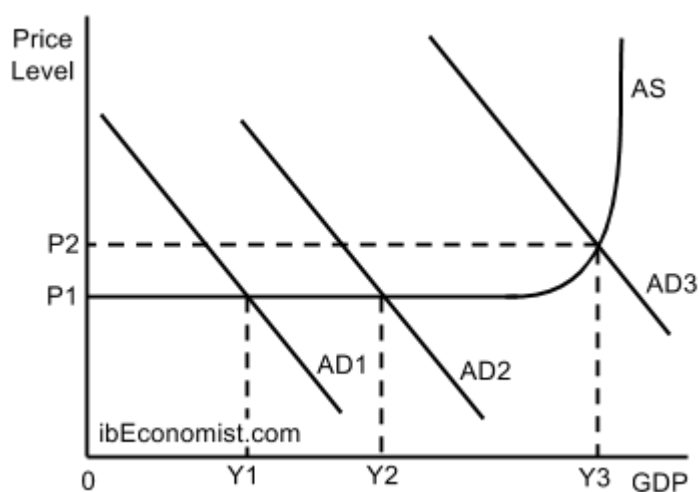
The alternative Keynesian view is that the economy could find itself in under-employment equilibrium i.e. $AD=AS$ below full employment as a result of sticky wages and prices.

Sticky wages are likely as a result of labour market inflexibilities such as employment legislation, minimum wages and so on.

Sticky prices may result from monopoly/oligopoly power/collusion/cartels.

Even if prices do fall, low confidence may mean that AD might not actually increase (also risk of liquidity traps etc).

There is thus a need for government action i.e. increase G or reduce T to reflate the economy and shift AD to the right. A diagram may be used to illustrate the answer.



Fully credit all other relevant points.

4. Deflation, more worrying than inflation.

4	1	Outline what is meant by deflation and explain how governments might intervene to control it. [10]	
		AO1	AO3
Band		6 marks	4 marks
3		5-6 marks Excellent knowledge There is an excellent knowledge of what is meant by deflation and how the policies that could be used to stop it operate.	
2		3-4 marks Good knowledge Answers in this band will be less clear on what is meant by deflation or will have a narrower knowledge of policies that could be used to stop it.	3-4 marks. Good analysis There is logical development and clear analysis of policies that could be used to stop deflation. Generally, there are well developed chains of reasoning explaining how the policy will reverse deflation.
1		1-2 marks Limited knowledge Some knowledge of what is meant by deflation and what policies might be appropriate is shown.	1-2 marks Limited analysis Chains of reasoning are generally not well developed and are less convincing in terms of explaining how deflation will be stopped.
0		0 marks No relevant knowledge or understanding present.	0 marks No valid analysis present.

Indicative content

AO1

Deflation is a period of sustained falling prices in an economy resulting from either continual supply side improvements or sustained periods of low or falling AD.

For deflation to be reversed it will be necessary to boost AD and to reverse deflationary expectations. Likely policies include:

- Expansionary fiscal policy – cuts in direct taxes or increases in government spending can increase AD, reducing unemployment.
- Expansionary monetary policy – QE and interest rate cuts can likewise boost AD.

AO3

In both cases, higher AD and lower unemployment are likely to decrease competition in both product and labour markets, reducing downward pressure on wages and prices. At the same time, expansionary policies may start to generate inflationary expectations. All of this should feed through into the wage and price setting mechanisms, resulting in a reduction in downward price pressure.

Fully credit all other relevant points.

4	2	Evaluate the extent to which deflation is a serious problem for an economy [20]		
		AO1	AO3	AO4
Band		6 marks	6 marks	8 marks
3		5-6 marks Excellent knowledge An excellent knowledge is shown of the effects of deflation.	5-6 marks Excellent analysis An excellent analysis of how and why deflation creates problems for an economy with a clear chain of reasoning running between falling prices and the negative outcome.	6-8 marks Excellent evaluation A well-developed two-sided answer that fully analyses the circumstances in which deflation is likely to be a serious problem. The answer comes to a reasoned judgment as to how problematic deflation is likely to be.
2		3-4 marks Good knowledge A narrower range of points is covered, or understanding is more superficial.	3-4 marks Good analysis A good analysis of the problems resulting from deflation. The answer may have a good line of argument, but clarity and depth of analysis may be lacking.	3-5 marks Good evaluation A strong two-sided answer with effective points on both sides of the argument being made.
1		1-2 marks Limited knowledge Some problems associated with deflation are identified.	1-2 marks Limited analysis Chains of reasoning about why deflation causes problems lack clarity or are lacking in key details.	1-2 marks Limited evaluation The answer is two sided, but points are not well developed and/or unconvincing.
0		0 marks No knowledge or understanding shown.	0 marks No relevant analysis.	0 marks No valid evaluation present.

Indicative content

This answer is reversible.

AO1/AO3

Deflation likely to be harmful because of the risk of a deflationary spiral in which deflationary expectations cause consumers to postpone expenditure, depressing AD and therefore perpetuating the problems.

Deflation leads to an increase in the real value of debt which can damage households and governments with high levels of borrowing. In the case of households, the rising real value of debt and rising real interest rates creates an incentive to save more and borrow less, again reducing AD.

Demand deflation reduces firms' profits as prices fall, therefore restricting funds for investment and therefore suppressing potential growth.

Falling prices will drive up real wages which may result in real wage unemployment if nominal wages are inflexible/sticky.

Deflation may be hard to tackle. Governments may be reluctant to use fiscal policy because whilst they can often rely on inflation to reduce the real value of national debt, deflation does the reverse, restricting the ability and willingness of governments to use expansionary fiscal policy. Likewise, monetary policy may run into the zero bound problem as sustained deflation drives up real interest rates, but central banks can't cut nominal interest rates much below zero.

AO1/AO4

From a household perspective, deflation can be beneficial if household income remains the same, because real income will rise as the price level falls.

Other things being equal, deflation can lead to an improvement in firms' international competitiveness, which can help to improve the current account balance.

Qualifiers

Much will depend on the type of deflation, with demand deflation more damaging than supply side (although the latter may turn into the former if deflationary expectations begin to form).

Likely to depend on the level of deflation and how long it lasts – most developed economies have had deflationary 'blips' over the last 20 years, but in the vast majority of cases, it did not become endemic.

Fully credit all other relevant points.

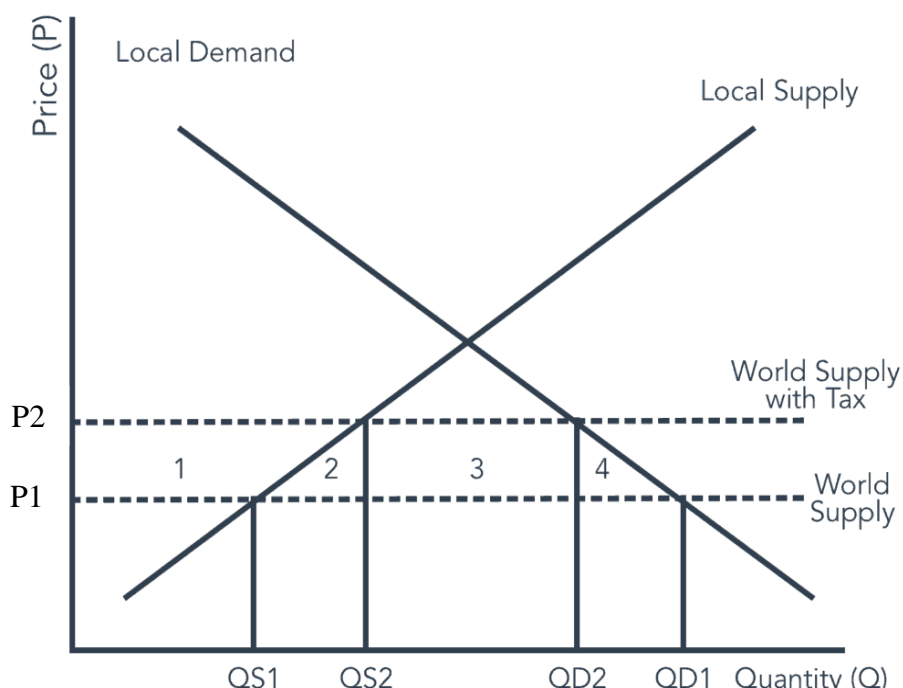
Section C.

5. Pandemic reveals weak links in global supply chain

5	1	With the aid of a diagram, explain how the imposition of a tariff can lead to a decline in economic welfare. [10]	
		AO1	AO3
Band		6 marks	4 marks
3		5-6 marks Excellent knowledge An excellent knowledge of the impact of a tariff is demonstrated with an accurate and well labelled diagram. A good understanding of economic welfare is present.	
2		3-4 marks Good knowledge A good knowledge of the impact of a tariff is shown and the diagram is generally accurate but may contain minor errors and not be fully integrated into the text of the answer. Or A good diagram is present but there is only limited understanding of economic welfare is shown.	3-4 marks. Good analysis A clear chain of reasoning is present linking the impact of the tariff to economic welfare.
1		1-2 marks Limited knowledge A limited knowledge of the impact of a tariff is shown but the answer is vague or confused. The diagram may contain significant errors or not be attempted.	1-2 marks Limited analysis The chain of reasoning linking the impact of a tariff to economic welfare is generally not well developed or unclear.
0		0 marks No knowledge or understanding present.	0 marks No valid analysis present.

Indicative content.

AO1



DS, PQ 1 mark

World price +1 mark

Producer surplus and tariff revenue +1 mark

Two welfare loss triangles +1 mark

Economic welfare is net social benefit (MSB-MSC), or community surplus (in the absence of any external costs).

AO3

The tariff reduces the consumer surplus (1+2+3+4)

The area 1 is a gain in producer surplus and area 3 is government revenue but area 2 is a loss of economic welfare because there is a misallocation of resources because less efficient domestic firms' products are replacing low-cost imports.

Also, area 4 is a loss of economic welfare because of the lost consumer surplus and lost world output.

5	2	Assess the extent to which an increasingly integrated world economy is beneficial to the UK. [20]		
		AO1	AO3	AO4
Band		6 marks	6 marks	8 marks
3		5-6 marks Excellent knowledge An excellent knowledge of the effects of globalisation on the UK economy . Answer shows a good knowledge and understanding of a range of points on either side of the question.	5-6 marks Excellent analysis Excellent analysis of how globalisation can benefit the UK economy. There is a clear chain of reasoning.	6-8 marks Excellent evaluation A well-developed two-sided answer that looks at the potential benefits and drawbacks of globalisation to the UK economy. There is a reasoned judgment as to the extent to which the UK's economy is likely to benefit from globalisation.
2		3-4 marks Good knowledge Good knowledge of the benefits of globalisation on the UK economy some negative some positive. A narrower range of points is covered, or understanding is more superficial.	3-4 marks Good analysis A good analysis of how globalisation can benefit the UK economy. The answer may have a good line of argument, but clarity of analysis may be lacking.	3-5 marks Good evaluation A strong two-sided answer with effective points on both sides of the argument being made.
1		1-2 marks Limited knowledge A limited knowledge of the benefits of globalisation to the UK economy. The points made are undeveloped and superficial.	1-2 marks Limited analysis A limited analysis of how globalisation may benefit the UK economy. Chains of reasoning lack clarity or detail.	1-2 marks Limited evaluation The answer is two-sided, but points are not well developed and/or unconvincing.
0		0 marks No knowledge or understanding shown.	0 marks No valid analysis.	0 marks No valid evaluation present.

If there is no mention of the UK economy a maximum band 2 mark can be awarded.

Indicative content.

This answer is reversible.

AO1/AO3

Globalisation is defined as an increasingly integrated world economy.

Freer trade in goods and services – in recent decades there has been a fall in trade barriers, especially tariffs. Increased choice/low priced goods from low wage economies.

Free movement of labour – it is generally easier for people to choose to live and work in other countries than in the past. Global labour market for UK firms- both for high skill jobs and fruit picking.

Free movement of capital – this refers to foreign direct investment (buying capital and land to build offices and factories e.g. Nissan at Sunderland), and indirect investment (buying shares in foreign companies or lending abroad). Employment/GNP benefits for the UK.

Free transfer of technology and knowledge – firms can license the use of their technology to companies abroad or employ their own technological expertise in factories they own abroad. Gradually this leads to the more widespread knowledge and use of technology around the globe. Use of overseas call centres by UK banks lowering costs.

Cost of transport and communication fall making all firms potentially global firms.

AO1/AO4

Economies becoming too interdependent – over-reliant on overseas firms for vital parts e.g. microchips for car production.

Low-cost imports leading to loss of jobs.

Large MNC's avoiding tax (transfer pricing) resulting in lost government revenue.

Integrated world economy means complex supply chains and increased use of JIT. Covid issues, the deteriorating global geopolitical situation and the increased shortage/cost of containers have caused problems.

The pandemic has reinforced concerns around the world that supply chains have gone too far, and that integration of the world economy is slowing down and the era of deglobalisation will continue having started in 2008 with the financial crisis.

Ownership of domestic firms become more vulnerable to foreign takeover.

Increased risk of brain drain.

Risk of cultural imperialism/erosion of cultural values.

Risk of race to the bottom leading to weaker environmental and labour regulations.

Fully credit all other relevant points.

6. Adult literacy in Chad only 23%

6	1	Explain why rapid population growth can be an obstacle to economic development in low-income countries. [10]	
		AO1	AO3
Band		6 marks	4 marks
3		5-6 marks Excellent knowledge There is an excellent knowledge of the problems generated by rapid population growth. Depth and breadth of understanding are present.	
2		3-4 marks Good knowledge Answers in this band will have a good knowledge of the problems generated by rapid population growth but will be lacking in either depth of understanding or range of issues.	3-4 marks Good analysis There is logical development and clear analysis as to how the problems created by rapid population growth will negatively impact economic development.
1		1-2 marks Limited knowledge Some knowledge of what is meant by rapid population growth and the issues that it creates is shown.	1-2 marks Limited analysis Chains of reasoning are generally not well developed and are less convincing in terms of explaining how economic development will be restricted.
0		0 marks No relevant knowledge or understanding present.	0 marks No valid analysis present.

Indicative content

AO1

In some parts of the world, population growth can exceed 3% per year, resulting in population effectively doubling about every 20 years. In some countries, over 50% of the population is under the age of 15.

Rapid population growth can cause significant problems by:

- Diluting the impacts of economic growth
- Putting strain on education and health infrastructure
- Putting pressure on resources such as agriculture and housing
- Reducing disposable household income
- Risking un/underemployment etc

AO3

Diluting the impacts of economic growth, resulting in a lower tax base for the government (hence fewer funds for investment into health and education and therefore potentially damaging living standards and economic development).

Putting strain on education and health infrastructure and on the quality of education and health themselves, because a given amount of infrastructure now has more demand on it. This will be likely to lead to worse health and education outcomes hence damaging development.

Putting pressure on resources such as agriculture and housing. The increased demand for housing is likely to lead to the development of slums and multi-occupancy dwellings, whilst pressure on agriculture may result in famine or long-term damage to land (desertification etc), all damaging living standards.

Reducing disposable household income, reducing savings ratios and therefore potentially damaging investment, impacting growth and ultimately development.

Rapid population growth may create childcare issues meaning that children need to leave/not attend school to look after other family members.

Rapid population growth tends to accelerate urbanisation as pressure for housing and jobs rises, which can lead to slums, damaging health and economic development.

Labour supply rising faster than labour demand can cause unemployment.

Lower labour costs may create a disincentive to invest or create diminishing returns, damaging the prospects for long term growth and development.

Negative impacts on the environment, water availability. Risks of desertification in some places from over-cultivation.

Malthusian catastrophe.

Fully credit all other relevant points.

6	2	In low-income countries, how effective is a rise in government spending on education likely to be in terms of increasing economic development? [20]		
		AO1	AO3	AO4
Band		6 marks	6 marks	8 marks
3		5-6 marks Excellent knowledge An excellent knowledge is shown of the effects of increased government spending on education on economic development.	5-6 marks Excellent analysis An excellent analysis of how increased spending on education can positively impact economic development in low-income countries. The answer is closely tied to both development and low-income countries and goes beyond AD/AS analysis and improved government finances.	6-8 marks Excellent evaluation A well-developed two-sided answer that fully discusses the likely effectiveness of increased education spending, considering the circumstances in which it might be more or less effective. The answer comes to a reasoned judgment as to how beneficial increased education spending is likely to be.
2		3-4 marks Good knowledge A narrower range of points is covered, or understanding is more superficial.	3-4 marks Good analysis A good analysis of how increasing education spending can be beneficial. The answer may have a good line of argument, but clarity and depth of analysis may be lacking in terms of a clear link to development and low-income countries.	3-5 marks Good evaluation A strong two-sided answer with effective points on both sides of the argument being made.
1		1-2 marks Limited knowledge There is some knowledge of the effects of increased government spending on education.	1-2 marks Limited analysis Chains of reasoning in terms of the likely benefits of increased government spending on education are lacking in key details.	1-2 marks Limited evaluation The answer is two-sided, but points are not well developed and/or unconvincing.
0		0 marks No knowledge or understanding shown.	0 marks No relevant analysis.	0 marks No valid evaluation present.

Indicative content

This answer is reversible.

AO1/AO3

Weak education systems can be a major obstacle to economic development because low literacy rates may perpetuate primary product dependency, because it becomes difficult to develop secondary or high value add tertiary sectors. Therefore, increased government spending on raising literacy rates can positively impact on economic growth and ultimately development.

One key goal of increased education spending will be to increase primary enrolment rates – this is part of the issue in many low-income countries which is that a high proportion of the population don't attend school at all.

Low female literacy rates are problematic in terms of development because improved female literacy is strongly correlated with declining birth rates, which can allow a demographic dividend to be reaped.

In many low-income economies, education systems are not well linked to the needs of the economy, with many university degree courses focussing on access to public sector employment rather than areas such as engineering and agricultural science which may be more effective in raising growth and development.

Improved education is a development goal of its own because of the increased opportunities for everyone in society that it can provide.

Improved skills will allow citizens to take higher value-added jobs, therefore improving their access to housing, diet and healthcare. Workers with low levels of education are more likely to be forced into vulnerable jobs with low pay, negatively impacting on development.

A well-educated workforce can be important in attracting both local and international investment which can lead to rising levels of income per capita and living standards.

Increased spending of any kind may increase AD, creating jobs.

AO1/AO4

Much depends on what the money is actually spent on. If the money goes into infrastructure, this may have little impact if there aren't any teachers to use it.

Likewise, the effectiveness of spending in terms of strong governance can be an issue – the total size of spending is less important than how well it is spent and on what.

Education spending is inevitably a long-term investment, but it paid off for countries like South Korea, where it formed a central plank of their export orientated development strategy, taking them from being the poorest country in the world per capita immediately after the Korean war to one of the richest and most developed now.

Education is only one issue that low-income countries face. If the goal of education is to speed up industrialisation, this is only likely to be effective if other issues such as physical infrastructure and governance can be improved simultaneously.

Fully credit all other relevant points.

AO grid

	AO1	AO2	AO3	AO4	Total
1 (a)	6		4		10
1 (b)	6		6	8	20
2 (a)	6		4		10
2 (b)	6		6	8	20
3 (a)	6		4		10
3 (b)	6		6	8	20
4 (a)	6		4		10
4 (b)	6		6	8	20
5 (a)	6		4		10
5 (b)	6		6	8	20
6 (a)	6		4		10
6 (b)	6		6	8	20
	36	0	30	24	90