



GCSE (9–1)

Economics

J205/02: National and international economics

General Certificate of Secondary Education

Mark Scheme for Autumn 2021

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotation	Meaning
	Tick
	Cross
	Unclear
BOD	Benefit of the doubt
IR	Irrelevant
L1	Level one
L2	Level two
L3	Level three
NAQ	Not answered question
OFR	Own figure rule
SEEN	Noted but no credit given.
TV	Too vague
	Omission mark
BP	Blank page

Highlighting is also available to highlight any particular points on the script.

BP to be inserted on every blank page

'SEEN' to be inserted every question space where NR is the mark.

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Levels of response / Level descriptors	Knowledge and understanding	Application	Analysis	Evaluation
Good	Good knowledge and understanding of the theory stated or referred to in the question. All of the terms/theoretical concepts are explicitly or implicitly understood.	Good application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.	Good analysis of the effect of xxxx. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.	Good evaluation with a fully supported judgement that is developed from a weighing up arguments/both sides/comparing alternatives.
Reasonable	Reasonable knowledge and understanding of the theory stated or referred to in the question. Most of the terms/theoretical concepts are explicitly or implicitly understood.	Reasonable application of knowledge to a given scenario. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.	Reasonable analysis of the effect on xxxx. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be improperly labelled or not linked to the analysis.	Reasonable evaluation of xxx considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported.
Limited	Limited knowledge and understanding of the theory stated or referred to in the question. Some of the terms/theoretical concepts are explicitly or implicitly understood.	Limited application of knowledge to a given scenario. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.	Limited analysis of the effect on xxxx. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.	Limited evaluation of xxx that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.

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Section A

Question	Key	AO	Quantitative skills
1	A	AO1b	
2	D	AO1b	
3	B	AO2	√
4	B	AO1b	
5	C	AO2	
6	C	AO1b	
7	B	AO1a	
8	C	AO2	
9	D	AO1b	
10	C	AO1b	
11	D	AO1a	
12	B	AO1b	
13	D	AO1a	
14	A	AO2	√
15	C	AO1b	
16	A	AO1b	

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Question	Key	AO	Quantitative skills
17	C	AO2	
18	C	AO2	
19	C	AO2	√
20	A	AO2	

Section B

Question		Indicative content	Marks	Guidance
21	(a)	<p>Give two examples of services that the UK exports.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • Tourism/travel • Education (foreign-student fees) • Transport • Financial services • Pension and insurance services • Telecommunication, computer and information services • Intellectual property <p style="text-align: right;">ARA</p>	<p>2 AO1a</p>	1 mark for each valid example up to a maximum of 2 marks
	(b)	<p>Using the chart in Extract 1 on page 8, state in which year the deficit in net trade of good and services was at its:</p> <p>1. Largest.....2010 2. Smallest2011</p>	<p>2 AO2</p>	1 mark for each correct answer up to a total of 2 marks
	(c)	<p>Using the information in Extract 1 on page 8, analyse why the deficit on trade in goods and services is not as large as the deficit on trade in goods only.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • The net trade in services account is usually in surplus. • There is a large and growing deficit on net trade in goods. 	<p>1 AO1a 2 AO2 3 AO3a</p>	<p><i>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><u>Level 3 (5-6 marks)</u> (AO1a – 1, AO2 – 2 marks, AO3a – 3 marks = 6 marks)</p> <p>Reasonable knowledge and understanding. All of the</p>

		<p>Services:</p> <ul style="list-style-type: none"> • UK's exports of services, such as tourism, financial services and education, are greater than its imports. • London has become a global centre for financial services. • The UK economy is increasingly becoming a services-oriented (tertiary) economy with a relative decline in the agriculture (primary) and manufacturing (secondary) sectors. • The widespread use of English as the international language has meant that UK services have a competitive advantage in global services markets. • Many overseas students come to study in the UK. Their fees and their living costs represent an inflow/credit/export in the current account. • Many tourists from overseas visit the UK and their spending represents an inflow/credit/export in the current account, which possibly outweighs the outflow due to UK residents travelling overseas. • Higher living standards in middle-income countries (e.g. China) have led to more people coming to Britain for education and tourism, which leads to a surplus on the services account. 	<p>terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Reasonable application of knowledge about trade accounts and deficits/surpluses. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.</p> <p>Good analysis of trade accounts and deficits/surpluses. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p><u>Level 2 (3-4 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks)</p> <p>Reasonable knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Limited application of knowledge about trade accounts and deficits/surpluses. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Reasonable analysis of trade accounts and deficits/surpluses. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p>
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		<p>Goods:</p> <ul style="list-style-type: none"> Although there is an overall deficit on net trade, the deficit on trade in goods only is much larger due to growing imports of cheap goods. Globalisation has led to more information being available about overseas goods, which British consumers want to import, so there is a deficit on trade in goods. British consumers like the variety of goods that are on offer through imports. UK exports of manufactured goods are not as competitive in world markets as goods from newly emerging countries such as China. 		<p><u>Level 1 (1-2 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks)</p> <p>Reasonable knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>No application of knowledge about trade accounts and deficits/surpluses. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of trade accounts and deficits/surpluses. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><u>0 marks</u></p> <p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>
	(d) (i)	<p>Explain one driving factor of globalisation.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> Increase in trade, as countries compete through lower prices and improving the quality of their goods Increase in foreign (direct) investment, where factories overseas produce more cheaply OR export to third countries Better communications, especially the internet, for 	2 AO1b	<p>1 mark for stating one factor</p> <p>1 mark for a brief explanation of that factor</p>

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		placing online orders and for advertising <ul style="list-style-type: none"> Advances in technology, such as a computer or car being made up of many parts from suppliers in different countries Improvements in transport, such as cheaper and faster planes, which can freight goods quickly to destinations Growth of services economy, which can be global without the need for transporting goods 		
	(ii)	Explain one cost of globalisation on environmental sustainability in less developed countries. Answers may include: <ul style="list-style-type: none"> Pollution – specialisation may cause either air and/or water pollution in the production processes Using up resources – if raw materials are causing growth then once depleted these economies may face economic difficulties such as unemployment 	2 AO2	Give 2 marks for a clear answer relating globalisation to environmental sustainability Give 1 mark for an answer where some understanding is shown, but the cost is not clearly related to environmental sustainability or to less developed countries
	(iii)*	Evaluate whether globalisation is beneficial to workers in less developed countries that are exporting to the UK market. Benefits may include: <ul style="list-style-type: none"> more jobs in industries and services that are exporting to the UK as long as exports keep growing higher incomes as a result of working in industries where active (capital) investment is taking place higher living standards as consumption rises with higher incomes 	1 AO2 2 AO3a 3 AO3b	<i>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i> <u>Level 3 (5-6 marks)</u> (AO2 – 1, AO3a – 2 marks, AO3b – 3 marks = 6 marks) Good application of knowledge to whether globalisation is beneficial for workers in less developed countries. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding

	<ul style="list-style-type: none"> acquiring skills in manufacturing as long as inward investment and infrastructure is geared towards such skill acquisition <p>Candidates may also refer to costs. These may include:</p> <ul style="list-style-type: none"> low wages and poor working conditions (long hours, unsafe machinery) in an export-oriented company that is not properly regulated wider gaps between living conditions in urban (manufacturing) areas and rural (subsistence farming) areas in some cases, machines may replace workers, though that should not happen as long as exports keep growing if the UK economy slows down and so imports fewer goods, then there will be unemployment in the exporting less developed countries higher inflation because of a greater demand for goods appreciation of the less developed country's currency, which may adversely affect other (primary) goods exports <p>Evaluation may include:</p> <ul style="list-style-type: none"> Evaluation as to which benefits are greatest The extent of the benefits Comparison of the benefits with the costs e.g. whether the creation of jobs is offset by low wages/poor working conditions Contrast between costs in the short run and benefits in the long run e.g. as less developed countries workers become more skilled their wages and working conditions could improve 	<p>of all the relevant elements of the scenario.</p> <p>Reasonable analysis of to whether globalisation is beneficial for workers in less developed countries. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p>Good evaluation of whether globalisation is beneficial for workers in less developed countries with a fully supported judgement that is developed from weighing up arguments/both sides/comparing alternatives.</p> <p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><u>Level 2 (3-4 marks)</u></p> <p>(AO2 – 1, AO3a – 1 mark, AO3b – 2 marks = 4 marks)</p> <p>Good application of knowledge to whether globalisation is beneficial for workers in less developed countries. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Limited analysis of whether globalisation is beneficial for workers in less developed countries. There is an attempt at an analysis largely in the form of a single effect. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, are unlikely to be correct and not linked to the analysis.</p>
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	<ul style="list-style-type: none"> Judgement e.g. as to whether globalisation is beneficial in either the short and or long run. Judgement as to whether the benefits (costs) of globalisation for workers in less developed countries outweigh those costs (benefits) in the long run <p>NB: Some of the above points may be phrased as either analysis or evaluation.</p>	<p>Reasonable evaluation of whether globalisation is beneficial for workers in less developed countries considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><u>Level 1 (1-2 marks)</u></p> <p>(AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks)</p> <p>No application of knowledge to whether globalisation is beneficial for workers in less developed countries. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of whether globalisation is beneficial for workers in LESS DEVELOPED COUNTRIES. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>Limited evaluation of whether globalisation is beneficial for workers in less developed countries that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p> <p><u>0 marks</u></p>
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				<p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>
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Question		Indicative content	Marks	Guidance
22	(a)	<p>Explain what is meant by GDP per capita.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> The total value added of goods and services produced in the country in one year divided by the population The total value of final output in the country in one year divided by the population The total income (wages, interest, rent, profit) of the country's inhabitants divided by the population 	<p>2 AO1a</p>	<p>2 marks for correct answer</p> <p>1 mark for simply stating GDP divided by population</p> <p>1 mark for just defining GDP</p>
	(b)	<p>Using the table in Extract 2, calculate the difference in 2018 in GDP per capita in Sweden and Botswana. Show your working.</p> <p>$\\$[57232 - 8031] [1] = \\$49201 [1]$</p>	<p>2 AO2</p>	<p>2 marks for correct answer.</p> <p>1 mark for correct working, but incorrect answer.</p>
	(c)	<p>Using Extract 2, on page 11, analyse the argument that as countries become more developed with higher living standards their carbon emissions increase.</p> <p>Answers may include:</p> <p>Reference to data in extract:</p> <ul style="list-style-type: none"> Between Botswana and the USA, the argument is supported because both carbon emissions and GDP per capita are higher in the USA than in Botswana. 	<p>1 AO1a 2 AO2 3 AO3a</p>	<p><i>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p>Level 3 (5-6 marks) (AO1a – 1, AO2 – 2 marks, AO3a – 3 marks = 6 marks)</p> <p>Reasonable knowledge and understanding. All of the terms/theoretical concepts are explicitly or implicitly understood.</p>

	<ul style="list-style-type: none"> But between the USA and Sweden, the argument is not supported because carbon emissions are lower in Sweden than in the USA, even though Sweden's GDP per capita is higher than the USA's. Although USA's carbon emissions have increased as GDP per capita has risen, Sweden's have fallen. Evidently up to a certain level of economic development, carbon emissions grow, but when a country has reached a relatively high development level, carbon emissions may level off or even fall. Difference between USA and Sweden must depend upon either different policies being pursued by their governments or different lifestyles (e.g. Americans are more dependent on using cars and planes for transport). <p>Analysis of links:</p> <ul style="list-style-type: none"> Economically less developed countries' carbon emissions will probably increase with economic growth as households gain access to electricity and higher living standards. Developed countries can limit carbon emissions because of investment in renewable energy sources and a willingness to purchase more expensive, less energy-intensive electrical goods. Developed countries can invest more in public-transport infrastructure so people do not have to use cars. Public information about the risks of climate change are likely to have more of an impact in limiting energy use when 	<p>Reasonable application of knowledge to the scenario of development and carbon emissions. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.</p> <p>Good analysis of the links between development and carbon emissions. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p><u>Level 2 (3-4 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks)</p> <p>Reasonable knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Limited application of knowledge to the scenario of development and carbon emissions. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Reasonable analysis of the links between development and carbon emissions. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p><u>Level 1 (1-2 marks)</u></p>
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		people have already reached a reasonable standard of living.		<p>(AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks)</p> <p>Reasonable knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Limited application of knowledge to the scenario of development and carbon emissions. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>No analysis of the links between development and carbon emissions. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>0 marks</p> <p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>
	(d) (i)	<p>Give two examples of additional costs households may have to pay as a result of policies to reduce carbon emissions.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> • higher electricity bills • more expensive petrol • buying new energy-efficient appliances/light bulbs • contributing to carbon offset schemes • cost of installing energy-conservation measures (e.g. insulation) 	2 AO1b	1 mark for each valid example up to a maximum of 2 marks.

		<ul style="list-style-type: none"> higher cost of electric/hybrid cars <p style="text-align: right;">ARA</p>		
	(ii)	<p>Explain an opportunity cost of a government's increased investment in renewable energy sources.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> It is an opportunity cost because in spending on renewable energy investment, the government has less to spend in other areas (has given up some of its spending on other sectors), such as education, which are also highly valued. Spending on renewable energy sources implies less spending on merit goods, such as health and education, which represent the opportunity cost. Spending on renewable energy may mean that the budget deficit increases, which is an opportunity cost for the government because in the long run borrowing has to be repaid at the expense of other expenditure and/or government has to pay out more on interest to lenders of the money meaning it can spend less on other areas. 	<p>2 AO2</p>	<p>2 marks for a correct explanation of opportunity cost that includes a reference to actual alternative uses of government spending.</p> <p>1 mark for some understanding shown without being specific about the issue in this case e.g.</p> <ul style="list-style-type: none"> An opportunity cost is the highest valued (next best) alternative that is given up when making a choice Government has given up spending on other sectors Alternative spending is sacrificed People have less to spend on other things Budget deficit is larger
	(iii)*	<p>Evaluate whether government policies to correct negative externalities would benefit consumers. Use the information given in Extract 2, on page 11, and your own knowledge.</p> <p>Benefits for consumers may include:</p> <ul style="list-style-type: none"> Revenue from taxes and surcharges on petrol and electricity could be used to improve social care, health and welfare, which will benefit consumers Although electricity may have additional surcharges, if consumers engage in ways to reduce energy consumption 	<p>1 AO2 2 AO3a 3 AO3b</p>	<p><i>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p><u>Level 3 (5-6 marks)</u></p> <p>(AO2 – 1, AO3a – 2 marks, AO3b – 3 marks = 6 marks)</p> <p>Good application of knowledge about government policies to correct negative externalities. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p>

	<p>(e.g. by walking instead of using a car or by reducing electricity use), then the net additional cost may be negative because of lower bills.</p> <ul style="list-style-type: none"> In the long term the benefits should include a reduction in the extent of climate change (as outlined in dii), which would be better for health and safety. In the long term such renewable energy and the resulting reduction of carbon emissions should mean that the people in consumers enjoy better health. Since climate change is being caused by carbon emissions from electricity production, in the long run consumers should benefit from there being less risk of high temperatures and floods. <p>Evaluation may include:</p> <p><i>A reference to additional costs will assist in the overall evaluation of whether households benefit</i></p> <ul style="list-style-type: none"> Costs, as outlined in (ii), could be significant because of the opportunity cost of less spending on other sectors such as health and welfare. Taxes and surcharges on income, on petrol, on electricity production and use will have an impact on consumer budgets. Difficult to isolate the effects of government carbon reduction policies from the effects of other policies, such as health policies, or from economic or social issues, such as economic growth etc. Reliable data to prove or measure the impact or cost of 	<p>Reasonable analysis of government policies to correct negative externalities. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p>Good evaluation of government policies to correct negative externalities with a fully supported judgement that is developed from weighing up arguments/both sides/comparing alternatives.</p> <p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p>Level 2 (3-4 marks)</p> <p>(AO2 – 1, AO3a – 1 mark, AO3b – 2 marks = 4 marks)</p> <p>Good application of knowledge about government policies to correct negative externalities. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Limited analysis of government policies to correct negative externalities. There is an attempt at an analysis largely in the form of a single effect. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, are unlikely to be correct and not linked to the analysis.</p> <p>Reasonable evaluation of government policies to correct</p>
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		<p>carbon emissions and climate change may be difficult to obtain.</p> <ul style="list-style-type: none"> The overall effect may be difficult to discern (i.e. whether there is a net benefit), but benefits of limiting carbon emissions outweigh costs according to overall assessment by scientists and increasingly by society. <p>NB: Some of the above points may be phrased as either analysis or evaluation.</p>		<p>negative externalities considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><u>Level 1 (1-2 marks)</u></p> <p>(AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks)</p> <p>No application of knowledge about government policies to correct negative externalities. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of government policies to correct negative externalities. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>Limited evaluation of government policies to correct negative externalities that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p>
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				<p><u>0 marks</u></p> <p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p> <p>For example, candidates might focus their answers on other products with other negative externalities, such as cigarettes, which may be partially credited.</p> <p>In their analysis/evaluation some candidates may introduce a diagram to show a negative externality and how a tax will enable the market to reach the social optimum. This may be rewarded, even though it is not part of the GCSE specification.</p>
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Question		Indicative content	Marks	Guidance
23	(a)	<p>Using the table in Extract 3, explain which of the four countries has the most equal income distribution.</p> <p>Answer: Finland</p> <p>Explanation may include:</p> <ul style="list-style-type: none"> Income share held by the richest 10% is lower than in the other three countries Income share held by the poorest 10% is higher than in the other three countries Income share held by the 90% is higher than in the other three countries Ratio of share held by richest 10% to share held by poorest 10% is the smallest among the four countries (5.74 compared to 18.06 in the case of the USA) <p style="text-align: right;">ARA</p>	<p>2 AO2</p>	<p>1 mark for correct answer</p> <p>1 mark for correct explanation</p>
	(b)	<p>Apart from wages, state two other sources of income.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> Rent Profits Interest/dividends State benefits (universal credit, jobseeker's allowance, pensions) 	<p>2 AO1a</p>	<p>1 mark for each bullet point up to a maximum of 2.</p>
	(c)	<p>Analyse the causes of differences in the distribution of income.</p> <p>Answers may include:</p> <ul style="list-style-type: none"> Income distribution is mostly determined by different wage rates, due to demand and supply in different labour markets. 	<p>1 AO1a 2 AO2 3 AO3a</p>	<p><i>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i></p> <p>Level 3 (5-6 marks) (AO1a – 1 mark, AO2 – 2 marks, AO3a – 3 marks = 6 marks)</p>

		<ul style="list-style-type: none"> • Demand and supply for labour will be affected by elasticities, which will lead to different wage rates (different equilibria). • Productivity differences will affect wages/salaries through both demand and supply • Differences in wealth lead to more differences in income because of extra income (interest etc.) that arises from wealth. • For example, property ownership provides rent (or rent in kind for those who own property and so do not need to pay rent). • Savings are accumulated in bank accounts or bonds/shares, which then provide extra income in the form of interest or dividends or profits <p>Additional factors that may be used in the analysis:</p> <ul style="list-style-type: none"> • Fixed incomes e.g. pensions, public sector pay • Trade unions • Unemployment, which lowers income even though benefits are available • Gender, which leads to mostly women interrupting their careers and wage progression for child rearing • Changes in national minimum/living wage • Imperfect labour markets/entry barriers to some professions • Zero hour contracts • Luck/talent/skills • Age • Transfer payments or reliance on benefits 		<p>Reasonable knowledge and understanding. All of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Reasonable application of knowledge to the differences in the distribution of income. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is understanding of some the relevant elements of the scenario.</p> <p>Good analysis of the differences in the distribution of income. There is correct analysis in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis.</p> <p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><u>Level 2 (3-4 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 1 mark, AO3a – 2 marks = 4 marks)</p> <p>Reasonable knowledge and understanding. Most of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>Limited application of knowledge to the differences in the distribution of income. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Reasonable analysis of the differences in the distribution of</p>
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				<p>income. There is correct analysis largely in the form of single effects. These address the question, but are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.</p> <p><u>Level 1 (1-2 marks)</u></p> <p>(AO1a – 1 mark, AO2 – 0 marks, AO3a – 1 mark = 2 marks)</p> <p>Reasonable knowledge and understanding. Some of the terms/theoretical concepts are explicitly or implicitly understood.</p> <p>No application of knowledge about the differences in the distribution of income. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of meaning of the differences in the distribution of income. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p><u>0 marks</u></p> <p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>
	(d) (i)	Using the table in Extract 3 on page 14, explain the impact of government spending on education in Argentina and Finland on their related income shares.	2 AO2	1 mark for correctly identifying that Finland spends a greater percentage on education.

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		Answers may include: <ul style="list-style-type: none"> Finland's investment in education per secondary student is higher than Argentina's (25.8% of GDP per capita > 21.8%) The richest 10% of Finns hold a lower income share (22.4%) than Argentina (30.3%) and/or the poorest Finns hold a higher income share (3.9%) than Argentina (1.8%) 		2 nd mark for clearly linking this to the income shares
	(ii)	Explain one way in which spending on education could improve a country's GDP per capita. Answers may include: <ul style="list-style-type: none"> By the government spending more per student, skills/productivity will improve, which will increase output/GDP per capita By increasing teacher salaries, incomes will rise, which will lead to more consumption, which in turn will lead to higher incomes and output (multiplier). By building more schools, the construction industry and its workers will make more profit and higher incomes <p style="text-align: right;">ARA</p>	2 AO1b	2 marks for a clear explanation 1 mark for an answer without an explanatory link e.g. <ul style="list-style-type: none"> more spending per student higher salaries for teachers building more schools
	(iii)*	Evaluate the benefits of supply-side policies for the income distribution of an economy. Use the information given in Extract 3 on page 14 and your own knowledge. Answers may include: <ul style="list-style-type: none"> The data in the table suggest that investment in education is likely to be an important factor in making income distributions more equal. When the government invests in education, all students 	1 AO2 2 AO3a 3 AO3b	<i>All level descriptors describe the TOP of the level – please read guidance at the beginning of the mark scheme regarding best fit approach.</i> <u>Level 3 (5-6 marks)</u> (AO2 – 1, AO3a – 2 marks, AO3b – 3 marks = 6 marks) Good application of knowledge to benefits of supply-side policies for the income distribution of a country. The

	<p>gain more skills (not just the privately educated).</p> <ul style="list-style-type: none"> • An educated worker is more productive/skilled and so has a greater choice of available jobs. • There is more demand from firms for an educated worker, so the wage is higher • More investment in education will improve people's skills so that there is more equality of opportunity in finding jobs. • Within a company those with more skills should earn higher pay. Thus, training through improving labour productivity should lead to higher wages and a more equal income distribution. • Apprenticeship schemes, especially in industries where there are skill shortages, would benefit both income distribution and industrial output. <p>Other relevant supply-side policies:</p> <ul style="list-style-type: none"> • Lower income taxation could lead to more post-tax (net) inequality in income shares. It depends on whether tax cuts are made so that taxes become more progressive or less progressive. • Reducing corporate taxes (direct taxes on firms) may encourage the firms to increase their investment and their wages for employees. The impact on income distribution is uncertain unless, for example, multinational firms actually provide more and better paid jobs as a result. • Since public sector wages are often fixed for lengthy periods, privatization might lead to a more equal income distribution, though there is no real evidence. • Reducing the power of trade unions could lead to a less equal income distribution within a particular industry, but the effect throughout the economy is less clear. If trade 	<p>terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Reasonable analysis of benefits of supply-side policies for the income distribution of a country. There is correct analysis largely in the form of single effects. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, may be imperfectly labelled or not linked to the analysis.</p> <p>Good evaluation of benefits of supply-side policies for the income distribution of a country with a fully supported judgement that is developed from weighing up arguments/both sides/comparing alternatives.</p> <p><i>There is a well-developed and detailed line of reasoning which is coherent and logically structured. The information presented is entirely relevant and substantiated.</i></p> <p><u>Level 2 (3-4 marks)</u></p> <p>(AO2 – 1, AO3a – 1 mark, AO3b – 2 marks = 4 marks)</p> <p>Good application of knowledge to benefits of supply-side policies for the income distribution of a country. The terms/theoretical concepts are used/adapted/changed in the context of the given scenario. There is good understanding of all the relevant elements of the scenario.</p> <p>Limited analysis of benefits of supply-side policies for the income distribution of a country. There is an attempt at an analysis largely in the form of a single effect. These address the question but are not developed into a clear chain of reasoning. The relevant diagram(s), if present, are unlikely</p>
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	<p>unions operate “closed shops”, then less power could lead to a more equal income distribution.</p> <ul style="list-style-type: none"> • If supply-side policies increase GDP per capita, then there could be either a narrowing or a widening of the income distribution, depending on the kind of economic growth that is generated. <p>Evaluation may include:</p> <ul style="list-style-type: none"> • Judgement on whether supply-side policies, in particular investment in education (furthering equality of opportunity), or some other factor, such as poor health or disability, is more significant in determining income distribution with a fully reasoned argument and use of the data in Extract 3. . • Since a lack of investment in education is often accompanied by unequal opportunities or by poverty in an economically less developed countries (ELDC), it is difficult to judge which factor is most significant in causing an unequal income distribution. • Those households which lack access to education facilities need assistance through subsidies and a widening of opportunities, which may be provided through supply-side policies. • Poor health or disabilities could affect both education and income distribution, so it is difficult to determine whether the change in income distribution is due to supply-side policies. • Regional or structural decline and unemployment will affect both education and income distribution. Therefore, supply-side policies may need to be targeted to specific 	<p>to be correct and not linked to the analysis.</p> <p>Reasonable evaluation of benefits of supply-side policies for the income distribution of a country, considering arguments/both sides/comparing alternatives. There may be a judgement but this will not be fully supported.</p> <p><i>There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.</i></p> <p><u>Level 1 (1-2 marks)</u></p> <p>(AO2 – 0 marks, AO3a – 1 mark, AO3b – 1 mark = 2 marks)</p> <p>No application of knowledge about benefits of supply-side policies for the income distribution of a country. There is an attempt to use/adapt/change the terms/theoretical concepts in the context.</p> <p>Limited analysis of benefits of supply-side policies for the income distribution of a country. There is an attempt at analysis which may include a single effect that has some link to the question. Diagrams (if present) are unlikely to be correct and not linked to the analysis.</p> <p>Limited evaluation of benefits of supply-side policies for the income distribution of a country that may include an incomplete consideration of arguments/both sides/comparing alternatives with unsupported statements.</p> <p><i>Information presented is basic and may be ambiguous or unstructured. The information is supported by limited evidence.</i></p>
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		<p>areas (such as the north of the UK).</p> <ul style="list-style-type: none"> Education may only have an impact on income distribution in the long term. <p>Other relevant supply-side policies evaluated:</p> <ul style="list-style-type: none"> If general supply-side policies are successful in increasing economic growth, then as a result there should be more jobs available so that unemployment is lower and income distribution could be more equal. Effect of cuts in income taxes will depend on whether tax cuts are made so that taxes become more progressive or less progressive. In the short term, some supply-side policies, such as benefit cuts, will have an adverse impact on income distribution. 		<p><u>0 marks</u></p> <p>No response or no work worthy of credit.</p> <p>N.B. Any other relevant points and/or evidence of learners' understanding of the connections between the various topics of both components to be credited.</p>
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