



Mark Scheme (Result)

October 2021

Pearson Edexcel International Advanced
Level in Economics Paper: WEC14_01
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	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 there will be an increase in unemployment</i></p> <p><i>C is not correct because there will be a decrease in injections</i></p> <p><i>D is not correct because there will be a decrease in inflationary pressures</i></p>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	<p>The only correct answer is C</p> <p><i>A is not correct because it is a regressive tax</i></p> <p><i>B is not correct because it is a regressive tax</i></p> <p><i>D is not correct because it is an indirect tax</i></p>	(1)
3	-	<p>The only correct answer is D</p> <p><i>A is not correct because this is an example of an interventionist strategy</i></p> <p><i>B is not correct because this is an example of an interventionist strategy</i></p> <p><i>C is not correct because this is an example of an interventionist strategy</i></p>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	<p>The only correct answer is A</p> <p><i>B is not correct because government tax revenue area is BCDE</i></p> <p><i>C is not correct because net welfare loss areas are ABC and DEF</i></p> <p><i>D is not correct because producer surplus has increased by the area $P_1 P_2 B A$</i></p>	(1)

5	<p>QS5: Calculate and interpret index numbers.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p>The only correct answer is B</p> <p><i>A is not correct because export prices have fallen at a faster rate than import prices</i></p> <p><i>C is not correct because export prices have fallen at a faster rate than import prices</i></p> <p><i>D is not correct because export prices have fallen at a faster rate than import prices</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 A</p> <p><i>B is not correct because there will be a fall in both unit labour costs and export prices</i></p> <p><i>C is not correct because there will be a fall in both unit labour costs and export prices</i></p> <p><i>D is not correct because there will be a fall in both unit labour costs and export prices</i></p>	(1)

Section B

Question	<p>The Bank of Zambia raised 'the base interest rate by 1.75 percentage points to 11.5% between April and November 2019' (Extract A, lines 12-13).</p> <p>Calculate Zambia's base interest rate in April 2019. You are advised to show your working.</p> <p>Answer</p>	Mark
7(a)	<p>Application 2</p> <p>Quantitative skills assessed: QS2 Calculate, use and understand percentages, percentage changes and percentage point changes.</p> <p>Up to 2 marks for calculations:</p> <ul style="list-style-type: none"> • (11.5% - 1.75%) (1) • 9.75% (1) <p>Award full marks for the correct answer (9.75%).</p>	(2)

Question	Analyse the likely impact of an increase in the base interest rate on 'Zambia's balance of trade with South Africa' (Extract A, line 15). Answer	Mark
7(b)	<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>Application Up to 2 marks for application:</p> <ul style="list-style-type: none"> • Bank of Zambia raised the base interest rate by 1.75 percentage points / to 11.5% (1) • Change in the interest rate affected Zambia's exchange rate (1) • Over 55% of Zambia's imports are from South Africa (1) <p style="text-align: center;">First Approach</p> <p>Knowledge and analysis Up to 2 marks for knowledge and up to 2 marks for analysis:</p> <ul style="list-style-type: none"> • Appreciation of the kwacha/ increase in the exchange rate (1K) • due to an increase in the demand for kwacha (1AN) • leading to exports becoming relatively more expensive/ value of exports will decrease (1AN) • and thus decrease in demand for exports (1AN) <p>OR</p> <ul style="list-style-type: none"> • Appreciation of the kwacha/ increase in the exchange rate (1K) • due to an increase in the demand for kwacha (1AN) • leading to imports becoming relatively less expensive/ value of imports will increase (1AN) • and thus increase in demand for imports (1AN) <ul style="list-style-type: none"> • Balance of trade with South Africa is likely to worsen (1K) <p style="text-align: center;"><u>Alternative approach</u></p> <p>Knowledge and analysis Up to 2 marks for knowledge and up to 2 marks for linked analysis:</p> <ul style="list-style-type: none"> • Increase in interest rate will increase the cost of borrowing/ reward for saving (1K) • which is likely to reduce consumption on imports (1AN) • due to lower marginal propensity to import (1AN) • and thus decrease in demand for imports (1AN) <ul style="list-style-type: none"> • Balance of trade with South Africa is likely to improve (1K) 	(6)

Question	With reference to the fourth paragraph of Extract A, explain what is meant by 'The Gini coefficient '. Answer	Mark
7(c)	<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 of Gini coefficient, e.g.:</p> <ul style="list-style-type: none"> • A numerical representation / statistical measure / index (1) to measure income inequality/distribution in a country (1) • Area A / Area (A + B) (1) with an accurately labelled and drawn Lorenz curve (1) • Value close to 0 represents greater income equality (1) and value close to 1 represents greater income inequality (1) <div data-bbox="612 909 1086 1317" style="text-align: center;"> </div> <p>Application Up to 2 marks for application to Gini coefficient, e.g.:</p> <ul style="list-style-type: none"> • Income inequality is very high (1) by international standards • The Gini coefficient in 2018 was 0.50 (1) 	(4)

Question	With reference to the information provided, examine two problems arising from the dependence on copper for the Zambian economy. Answer	Mark
7(d)	<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</p>	

	<p>Up to 2 marks for knowledge of two problems, and 1 mark for linked expansion of each problem</p> <ul style="list-style-type: none"> • Price fluctuations/ volatility (1) makes it difficult for copper producers to plan output, employment and investment (1) • Deterioration of public finances (1) as tax revenues are heavily dependent on copper, so a fall in price would lead to a fall in government revenue (1) • Worsening of Zambia's terms of trade (1) with reference to the Prebisch-Singer hypothesis (1) • Deterioration in current account of BOP (1) if copper price falls and remains low, export earnings would fall as Zambia is heavily dependent on copper (1) • Fall in the rate of economic growth (1) as fall in exports causes a fall in AD, leading to lower real output (1) • Higher barriers due to political tensions (1) reducing exports (1) • Higher external costs (1) due to pollution from copper mining (1) • Stock level of copper, a non-renewable resource, is likely to be depleted (1) reducing the government's tax revenue (1) <p>Application</p> <p>Up to 2 marks for application to sources, e.g.:</p> <ul style="list-style-type: none"> • Use of Figure 1 to show fluctuating copper prices (1) • Real GDP growth decreased from 4% in 2018 to 2% in 2019 (1) • More than 25% of its tax revenues (1) • Copper contributes to 30% of Zambia's GDP (1) • 70% of its foreign exchange earnings (1) • Increased trade tensions between the USA and China led to a decline in the global demand for copper (1) <p>Evaluation</p> <p>Up to 2 marks for evaluative comments:</p> <ul style="list-style-type: none"> • When copper prices are high, revenues would be high improving public finances; (1) may be used to improve public services (1) • When copper prices are high, export earnings are high, improving the balance of trade (1) which may be used to purchase imports of other goods/services so helping to increase living standards (1) • Zambia may have gained revenue from FDI in copper industries, when prices were rising (1) This would help achieve growth in GDP before the fall in the price, and thereby widening the tax base (1) • A fall in copper prices is likely to cause depreciation of <i>kwacha</i> (1) which may provide incentives to diversify into other industries (1) • Despite its dependence on copper it has grown to middle income/ fastest growing economy in Africa (1) where real GDP grew by an average of 7.5% per year (1) • Copper significantly contributes (1) to Zambia's GDP, tax revenues and foreign exchange earnings, so the impact will be large (1) 	(8)
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Question	<p>Discuss economic factors, apart from primary product dependency, that may constrain Zambia's economic growth.</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>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, Application and Analysis (8 marks) – indicative content</p> <ul style="list-style-type: none"> • High inflation rate – “rose from 7.5% in 2018 to 9.2% in 2019”: leads to uncertainty and reduces investment as the demand for exports fall as a result of relatively higher export prices • Higher interest rate – “raise the base interest rate by 1.75 percentage points to 11.5%”: increases the cost of borrowing and reward for saving reducing consumption and investment, hence real output and economic growth • Higher interest rates could lead to currency appreciation against South Africa's currency, resulting in a fall in net trade and lower real output • Poor human capital – “The quality of education, healthcare ... has also been weak”: leading to lower productivity and lower potential output • Poor infrastructure – “The quality of ... infrastructure has also been weak”: increases unit costs and relative export prices as efficiency decreases • Foreign exchange gap – the “falling foreign currency reserves caused by debt servicing and low production in the copper mining sector”: Zambia will find it hard to import capital goods for investment reducing potential growth • Debt – funds being diverted towards “debt servicing” instead of being used to improve potential output, e.g. human capital and infrastructure 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Use of generic material or irrelevant information or inappropriate examples.</p> <p>Descriptive approach, which has no chains of reasoning.</p>
Level 2	4–6	<p>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.</p> <p>Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.</p>
Level 3	7–8	<p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p>

		<p>Ability to link knowledge and understanding in context using relevant examples that are integrated to address the broad elements of the question.</p> <p>Analysis is clear, coherent, relevant and focused. Answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.</p>
	<p>Evaluation (6 marks) – indicative content</p> <ul style="list-style-type: none"> • High inflation rate impact will depend on inflation rates in trading partners • Impact on the <i>kwacha</i> would depend on the price elasticity of demand for exports and imports; reference to Marshall-Lerner condition • Foreign exchange gap could be filled through debt relief – “falling foreign currency reserves caused by debt servicing”: may not be significant • Higher base interest rate of “11.5%” could control inflationary pressures • TNCs are likely to have access to unskilled labour – “Wages in Zambia are lower than in most middle-income countries”: this will help keep unit labour costs low enabling firms to remain competitive and increase investment • As Zambia has copper endowments, TNCs could improve infrastructure to facilitate its business investment in exchange for copper: may gain from increased inward FDI • SR vs LR considerations: progress in being made to diversify the economy through the “developments in tourism, infrastructure, and information and communication technology”, so economic growth is “expected to increase in the long-term” 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<p>Identification of generic evaluative comments.</p> <p>No supporting evidence/reference to context.</p> <p>No evidence of a logical chain of reasoning.</p>
Level 2	3–4	<p>Evidence of evaluation of alternative approaches</p> <p>Some supporting evidence/reference to context.</p> <p>Evaluation is supported by a partially-developed chain of reasoning.</p>
Level 3	5–6	<p>Evaluation recognises different viewpoints and/or is critical of the evidence.</p> <p>Appropriate reference to evidence/context.</p> <p>Evaluation is supported by a logical chain of reasoning.</p>

Section C

Question	<p>In 2019 the rate of economic growth was over 6% in both India and China.</p> <p>Evaluate the likely impact of rapid economic growth in emerging economies on world trade patterns. Refer to countries 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> <ul style="list-style-type: none"> • Understanding of world trade patterns • Understanding of emerging economies <p>Possible impacts could include:</p> <ul style="list-style-type: none"> • Emerging economies tend to mostly produce and export manufactured goods (secondary sector), and some also have the tendency to produce and export primary products (primary sector) • Developed economies respond by specialising more in high-tech secondary sector, tertiary and quaternary sector goods and services • Changes in trade balance of emerging and developed economies - emerging economies are likely to run trade surpluses, and perhaps the more developed countries run trade deficits • Developed economies tend to move to importing more goods and exporting more services • Increase in the overall size of trade flows due to the increase in proportion of world trade conducted by emerging economies • Increase in investment flows to and from emerging countries • Increase in trade deficits and surpluses for individual countries <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to countries of their choice in their answer</p>	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.</p>

Level 2	4-6	<p>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Limited application of knowledge and understanding to economic problems in context.</p> <p>A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.</p>
Level 3	7-9	<p>Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.</p> <p>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.</p>
Level 4	10-12	<p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.</p> <p>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>
		<p>Evaluation (8 marks) – indicative content</p> <ul style="list-style-type: none"> • Prioritisation of each of the impacts discussed • Relative significance of each impact over time • Short-run vs long-run distinction between likely impact – for e.g. some emerging economies, such as Brazil and Russia, have not been able to sustain the same rates of economic growth over the last decade • It depends on protectionist measures being implemented – for e.g. USA has been in trade wars with China and this has slowed rate of economic growth of China significantly since 2017 • Developed countries are keen to reduce tariffs and remove subsidies on manufactured goods (in which they have a CA) but reluctant to open their markets to goods in which developing countries have a CA • Different impacts more or less important for different emerging economies
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	<p>Identification of generic evaluative comments.</p> <p>No supporting evidence/reference to context.</p> <p>No evidence of a logical chain of reasoning.</p>
Level 2	4-6	<p>Evidence of evaluation of alternative approaches.</p> <p>Some supporting evidence/reference to context.</p> <p>Evaluation is supported by a partially-developed chain of reasoning.</p>
Level 3	7-8	<p>Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement.</p> <p>Appropriate reference to evidence/context.</p> <p>Evaluation is supported by a logical chain of reasoning.</p>

Question	<p>The share of GDP accounted for by the service sector is much higher in the UK and the USA than in Italy and Canada.</p> <p>Evaluate the possible benefits of specialisation and trade to a developed country of your choice.</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"> • Understanding of specialisation and trade <p>Possible benefits could include:</p> <ul style="list-style-type: none"> • Specialisation according to the law of comparative advantage: greater trade will allow economies to access points outside their PPFs – allow diagrammatic or mathematical illustration of the law of comparative advantage • To the extent that this leads to more international trade, this may improve a country's trade balance and generate economic growth/raise living standards • Increased economies of scale results in lower long-run average costs (LRAC) for a developed country, reducing its export prices of services, and therefore leading to higher levels of international competitiveness in the service sector • Lower prices for services due to greater allocative efficiency, thus leading to lower global inflation rates (welfare gain through trade) • Specialisation in services leads to increased output and therefore could lead to greater investment and employment in the service sector <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer</p>	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Use of generic material or irrelevant information or inappropriate examples.</p> <p>Descriptive approach which has no chains of reasoning.</p>
Level 2	4–6	<p>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Limited application of knowledge and understanding to economic problems in context.</p> <p>A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.</p>

Level 3	7–9	<p>Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.</p> <p>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.</p>
Level 4	10–12	<p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.</p> <p>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>
<p>Evaluation (8 marks) – indicative content</p> <ul style="list-style-type: none"> • Prioritisation and significance of the benefits discussed • Weaknesses in comparative advantage model – for e.g., it ignores transport costs and assumes perfect mobility of factors without any diminishing returns • Increased vulnerability to external shocks – for e.g., changes in global prices of commodities, suppressed global demand • Benefits may depend on what services the developed country is specialising in and the extent to which these developed countries can specialise • Over-dependency on imports of other products; developed countries may lack the finance to pay for imports (foreign currency gap) • Possibility of deteriorating terms of trade for some developed countries/trade would only mutually benefit countries after specialisation if terms of trade lie between the two opportunity cost ratios • Over-exploitation of resources as output may be raised by over-exploiting resources at the cost of the future generations, causing external costs • Increased specialisation and trade may cause increased levels of external costs, e.g. pollution, global warming as a result of increased transportation • Risk of structural unemployment; as a country moves towards specialisation, workers in declining industries may face occupational immobility of labour • Problem to businesses of long supply chains, JIT production which present difficulties when there are disruptions to supply chains or shortages of key components; causes problems for consumers - shortages, increased prices 		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<p>Identification of generic evaluative comments.</p> <p>No supporting evidence/reference to context.</p> <p>No evidence of a logical chain of reasoning.</p>
Level 2	4–6	<p>Evidence of evaluation of alternative approaches.</p> <p>Some supporting evidence/reference to context.</p> <p>Evaluation is supported by a partially-developed chain of reasoning.</p>

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.
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Question	<p>In 2019 the current account deficit on the balance of payments in Turkey was US\$47.4 billion and in Argentina it was US\$31.3 billion.</p> <p>Evaluate the disadvantages of a current account deficit to a developing 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"> • Understanding of current account deficit • All current account deficits need to be financed and if they are substantial this can become a significant problem; it may cause reduction in reserves and need to borrow from IMF • The lack of international competitiveness may indicate lower economic growth and increasing unemployment • Trade in goods deficit might be quite difficult to finance; it may require higher interest rates or sale of assets • Might cause a depreciation in the country's exchange rate, with possible inflationary pressures and increased debt burden if held in foreign currency • Net leakage from circular flow of income could cause a fall in AD, leading to fall in output, employment and income via the multiplier effect • Deficit may imply more reliance on consumer spending and becoming highly uncompetitive: structural weakness and uncompetitive manufacturing sector • Danger of increased use of protectionist policies by countries with trade deficits, which could distort comparative advantage • The financial crisis led to a downturn in economies of deficit countries - foreign financing used to pay for deficits fell due to lack of confidence <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country 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"> • Current account deficit may be financed by the inflows in the capital and financial account of the balance of payments • The deficit may be a relatively small percentage of GDP and therefore is likely to be manageable • May be desirable if trade imbalances are caused by the imports of capital goods which would increase the country's productive capacity/potential output in the long run • Exchange rate might change to bring about a correction of the balance of payment deficit on the current account • Might only be a short-term problem; SR vs LR considerations • May not be a problem if the country holds large reserves of foreign currency 		
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.