

**OXFORD**

INTERNATIONAL  
AQA EXAMINATIONS

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**INTERNATIONAL A-LEVEL**  
**ECONOMICS**  
**EC04**

Unit 4 Economic Development and the Global Economy

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Mark scheme

June 2022

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Version: 1.0 Final Mark Scheme



2 2 6 X E C 0 4 / M S

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from [oxfordaqaexams.org.uk](http://oxfordaqaexams.org.uk)

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## International A-level Economics mark scheme

### How to mark

#### Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

#### Approach

It is important to be **open minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

#### Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

#### The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

## Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

### Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

### Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in question 13 more weight should be given to AO3 than to AO1 and AO2. This will be exemplified and reinforced as part of examiner training.

## Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 10 marks

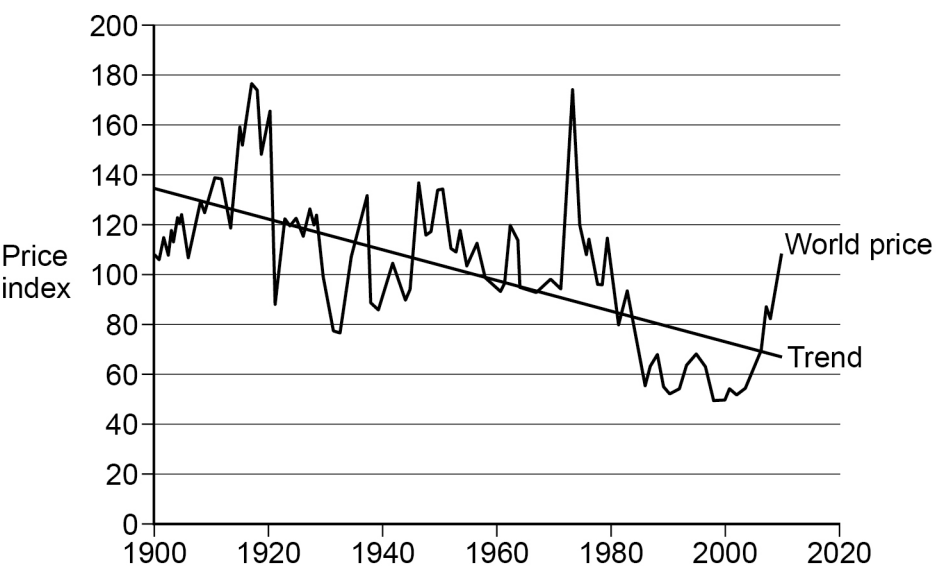
Question	Part	Marking guidance	Total marks
01		<p>In 2020, the Central Bank of Nigeria decided to change the fixed exchange rate of its currency, the naira (₦), to the US\$ from ₦307:\$1 to ₦360:\$1.</p> <p>This is known as</p> <p>Answer: <b>C</b> (devaluation.)</p>	<p><b>1</b></p> <p><b>AO1 = 1</b></p>

Question	Part	Marking guidance	Total marks
02		<p>All other things being equal, which one of the following diagrams is most likely to show export-led growth?</p> <p>Answer: <b>B</b></p>	<p><b>1</b></p> <p><b>AO2 = 1</b></p>

Question	Part	Marking guidance	Total marks												
03		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Year</th> <th>2015</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> </tr> </thead> <tbody> <tr> <td>Index of remittances</td> <td>100</td> <td>102.5</td> <td>102.4</td> <td>109.3</td> <td>114.9</td> </tr> </tbody> </table> <p>If the monetary value of remittances in 2016 was US\$19 734 million, what was the monetary value of remittances in 2019 to the nearest US\$ million?</p> <p>Answer: <b>C</b> (\$22 121m)</p>	Year	2015	2016	2017	2018	2019	Index of remittances	100	102.5	102.4	109.3	114.9	<p><b>1</b></p> <p><b>AO2 = 1</b></p>
Year	2015	2016	2017	2018	2019										
Index of remittances	100	102.5	102.4	109.3	114.9										

Question	Part	Marking guidance	Total marks
04		<p>Which one of the following combinations of changes to macroeconomic indicators is most likely to result from the lower exchange rate?</p> <p>Answer: <b>B</b> (Falls Rises Improves)</p>	<p><b>1</b></p> <p><b>AO2 = 1</b></p>

Question	Part	Marking guidance	Total marks
05		<p>All other things being equal, which one of the following can be concluded from the diagram?</p> <p>Answer: <b>A</b> (Country X has a comparative advantage in solar panels)</p>	<p><b>1</b></p> <p><b>AO2 = 1</b></p>

Question	Part	Marking guidance	Total marks
06		 <p>According to the Prebisch-Singer hypothesis, which one of the following categories of goods or services is most likely to have experienced the price changes in <b>Figure 2</b>?</p> <p>Answer: <b>C</b> (Food)</p>	<p><b>1</b></p> <p><b>AO2 = 1</b></p>

Question	Part	Marking guidance	Total marks
07		<p>Which one of the following is most likely to slow down the process of globalisation?</p> <p>Answer: <b>A</b> (A move from multilateral to bilateral free trade agreements)</p>	<p><b>1</b></p> <p><b>AO1 = 1</b></p>

Question	Part	Marking guidance	Total marks
08		<p>Which barrier to development in less economically developed countries (LEDCs) does microfinance aim to solve?</p> <p>Answer: <b>C</b> (Lack of available credit)</p>	<p><b>1</b></p> <p><b>AO1 = 1</b></p>

Question	Part	Marking guidance	Total marks																				
09		<table border="1"> <thead> <tr> <th></th> <th>Namibia</th> <th>Cambodia</th> <th>Honduras</th> </tr> </thead> <tbody> <tr> <td>Life expectancy at birth (years)</td> <td>63.7</td> <td>69.8</td> <td>75.3</td> </tr> <tr> <td>Expected years of schooling (years)</td> <td>12.6</td> <td>11.5</td> <td>10.1</td> </tr> <tr> <td>HDI ranking</td> <td>130</td> <td>144</td> <td>132</td> </tr> <tr> <td>Inequality-adjusted HDI value</td> <td>0.418</td> <td>0.475</td> <td>0.472</td> </tr> </tbody> </table> <p>Which one of the following can be concluded from the data?</p> <p>Answer: <b>D</b> (The impact of inequality on living standards is higher in Namibia than Honduras.)</p>		Namibia	Cambodia	Honduras	Life expectancy at birth (years)	63.7	69.8	75.3	Expected years of schooling (years)	12.6	11.5	10.1	HDI ranking	130	144	132	Inequality-adjusted HDI value	0.418	0.475	0.472	<p><b>1</b></p> <p><b>AO3 = 1</b></p>
	Namibia	Cambodia	Honduras																				
Life expectancy at birth (years)	63.7	69.8	75.3																				
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HDI ranking	130	144	132																				
Inequality-adjusted HDI value	0.418	0.475	0.472																				

Question	Part	Marking guidance	Total marks
10		<p>A spot market is used to</p> <p>Answer: <b>D</b> (trade commodities at a current price for immediate delivery.)</p>	<p><b>1</b></p> <p><b>AO1 = 1</b></p>



Section B

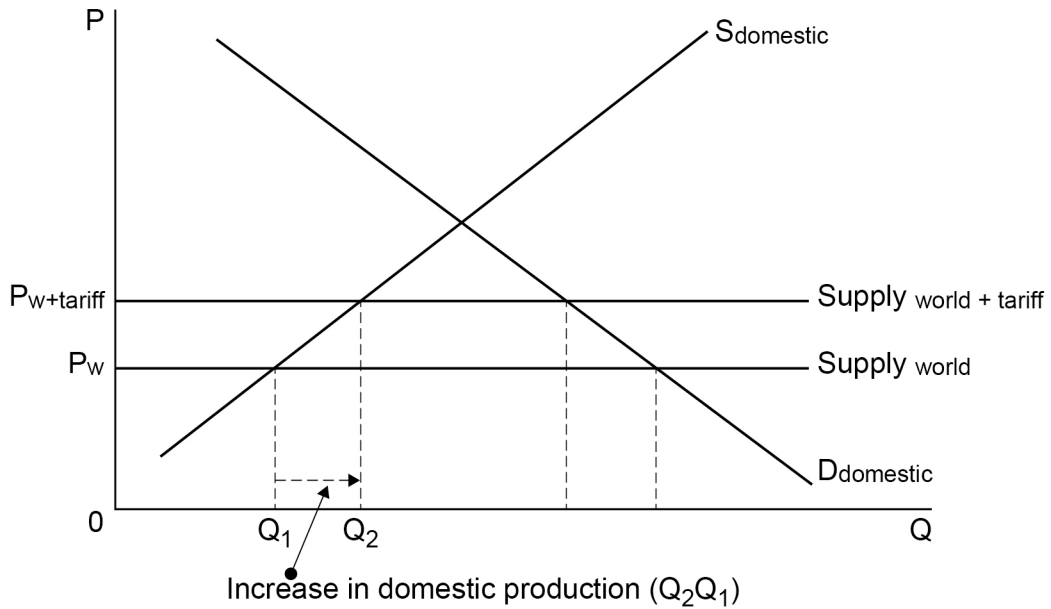
Total for this section: 10 marks

Question	Part	Marking guidance	Total marks
11	1	<p>A tariff is a protectionist policy.</p> <p>Identify <b>two</b> other protectionist policies.</p> <p><b>Award 1 mark for each valid/acceptable policy stated up to a maximum of 2 marks.</b></p> <p>Valid policies include:</p> <ul style="list-style-type: none"> <li>• expenditure-switching policies:                             <ul style="list-style-type: none"> <li>• import quotas</li> <li>• export subsidies or subsidies to domestic producers. Will accept subsidies</li> <li>• regulations on imported goods</li> <li>• devaluation/depreciation</li> <li>• bureaucracy on imports and administrative costs</li> <li>• embargo on imports. Will accept embargo</li> </ul> </li> <li>• expenditure-reducing policies:                             <ul style="list-style-type: none"> <li>• raising the base rate of interest</li> <li>• raising income taxes.</li> </ul> </li> </ul> <p>Credit valid alternative content.</p>	<p><b>2</b></p> <p><b>AO1 = 2</b></p>

Question	Part	Marking guidance	Total marks										
11	2	<p>The price of rice is fixed by the world market. Country A is one of many buyers of rice. Country A decides to place a tariff on the rice.</p> <p>Draw a diagram showing the tariff on rice imports <b>and</b> the change in the quantity of rice sold by producers in Country A.</p> <table border="1" data-bbox="355 504 1299 1731"> <thead> <tr> <th data-bbox="359 508 1141 598">Response</th> <th data-bbox="1144 508 1295 598">Max 4 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="359 602 1141 786">Accurately drawn diagram showing an upwards shift of world supply or the impact on world price due to the tariff and correctly identifying a rise in quantity sold by domestic producers with both axes and all curves labelled correctly.</td> <td data-bbox="1144 602 1295 786">4 marks</td> </tr> <tr> <td data-bbox="359 790 1141 974">Accurately drawn diagram showing an upward shift of world supply or the impact on world price due to the tariff and showing the change in domestic production but with one label (axis or curve) or quantity coordinate missing or incorrect.</td> <td data-bbox="1144 790 1295 974">3 marks</td> </tr> <tr> <td data-bbox="359 978 1141 1373"> <p>Accurately drawn diagram showing an upward shift of world supply or the impact on world price due to the tariff and change in domestic production but with two labels (axis or curve) or quantity coordinates missing or incorrect.</p> <p><b>OR</b></p> <p>Accurately drawn diagram showing an upward shift of world supply or the impact on world price due to the tariff and with both axes and all curves labelled correctly but not clearly showing the change in domestic production</p> </td> <td data-bbox="1144 978 1295 1373">2 marks</td> </tr> <tr> <td data-bbox="359 1377 1141 1727"> <p>Accurately drawn diagram showing an upward shift of world supply or the impact on world price due to the tariff but no change in domestic production and with two labels (axis or curve) or quantity coordinates missing or incorrect.</p> <p><b>OR</b></p> <p>Accurately drawn diagram showing world supply and domestic supply and demand but no tariff or change in domestic production.</p> </td> <td data-bbox="1144 1377 1295 1727">1 mark</td> </tr> </tbody> </table> <p data-bbox="355 1765 719 1798">Credit other valid diagrams.</p>	Response	Max 4 marks	Accurately drawn diagram showing an upwards shift of world supply or the impact on world price due to the tariff and correctly identifying a rise in quantity sold by domestic producers with both axes and all curves labelled correctly.	4 marks	Accurately drawn diagram showing an upward shift of world supply or the impact on world price due to the tariff and showing the change in domestic production but with one label (axis or curve) or quantity coordinate missing or incorrect.	3 marks	<p>Accurately drawn diagram showing an upward shift of world supply or the impact on world price due to the tariff and change in domestic production but with two labels (axis or curve) or quantity coordinates missing or incorrect.</p> <p><b>OR</b></p> <p>Accurately drawn diagram showing an upward shift of world supply or the impact on world price due to the tariff and with both axes and all curves labelled correctly but not clearly showing the change in domestic production</p>	2 marks	<p>Accurately drawn diagram showing an upward shift of world supply or the impact on world price due to the tariff but no change in domestic production and with two labels (axis or curve) or quantity coordinates missing or incorrect.</p> <p><b>OR</b></p> <p>Accurately drawn diagram showing world supply and domestic supply and demand but no tariff or change in domestic production.</p>	1 mark	<p>4</p> <p><b>AO1 = 2</b> <b>AO2 = 2</b></p>
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**Indicative content:**

The expected diagram is as follows:



**Acceptable labels include:**

Vertical axis: price, world price, P, \$ or other currency unit

Horizontal axis: Q, quantity, quantity of rice

Quantity labels: any labels that show changes in quantity, eg  $Q_1$   $Q_2$

Curves: do not accept D or S, there should be a recognition that the demand and supply curves represent the domestic market rather than the world market

The change in domestic production should be shown in some form.

Question	Part	Marking guidance	Total marks															
11	3	<table border="1" data-bbox="352 327 1299 600"> <thead> <tr> <th data-bbox="355 477 662 533"></th> <th data-bbox="665 327 976 477">Price of 1 kg of imported rice</th> <th data-bbox="979 327 1295 477">Quantity demanded by Country A consumers (kg per week)</th> </tr> </thead> <tbody> <tr> <td data-bbox="355 481 662 533"><b>Before tariff</b></td> <td data-bbox="665 481 976 533">\$3.40</td> <td data-bbox="979 481 1295 533">11 000</td> </tr> <tr> <td data-bbox="355 537 662 593"><b>After tariff</b></td> <td data-bbox="665 537 976 593">\$3.91</td> <td data-bbox="979 537 1295 593"></td> </tr> </tbody> </table> <p data-bbox="352 633 1262 701">Country A estimates the price elasticity of demand for imported rice is <math>-1.5</math></p> <p data-bbox="352 734 1283 801">Use <b>Table 3</b> to calculate the total weekly government revenue from the tariff placed on imported rice.</p> <p data-bbox="352 835 1235 902">Assume that the price increase is only due to the introduction of the tariff.</p> <p data-bbox="352 936 876 969">Give your answer to the <b>nearest dollar</b>.</p> <p data-bbox="352 1037 512 1070">Calculation:</p> $\text{Price elasticity of demand} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$ <p data-bbox="352 1216 1129 1283">Percentage change in quantity demanded due to the tariff = <math>15\% \times -1.5 = -22.5\%</math></p> <p data-bbox="352 1317 879 1384">New quantity demanded after the tariff = <math>11\,000 \times 0.775 = 8525</math> kg per week</p> <p data-bbox="352 1417 1023 1485">Government revenue from sales of rice after tariff = <math>0.51</math> (tariff value) <math>\times 8525 = \\$4347.75</math></p> <table border="1" data-bbox="352 1518 1299 2074"> <thead> <tr> <th data-bbox="355 1523 1139 1608">Response</th> <th data-bbox="1142 1523 1295 1608">Max 4 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="355 1612 1139 1720">For the correct answer (with or without working): \$4348 ('per week' not necessary for 4 marks)</td> <td data-bbox="1142 1612 1295 1720">4 marks</td> </tr> <tr> <td data-bbox="355 1724 1139 2069">                     For the correct answer but with missing/incorrect units: eg 4348  <b>OR</b>                      For the correct answer with the correct units but not rounded to the nearest dollar: eg \$4347.75  <b>OR</b>                      For an error in rounding and with the correct units used: \$4347                 </td> <td data-bbox="1142 1724 1295 2069">3 marks</td> </tr> </tbody> </table>		Price of 1 kg of imported rice	Quantity demanded by Country A consumers (kg per week)	<b>Before tariff</b>	\$3.40	11 000	<b>After tariff</b>	\$3.91		Response	Max 4 marks	For the correct answer (with or without working): \$4348 ('per week' not necessary for 4 marks)	4 marks	For the correct answer but with missing/incorrect units: eg 4348 <b>OR</b> For the correct answer with the correct units but not rounded to the nearest dollar: eg \$4347.75 <b>OR</b> For an error in rounding and with the correct units used: \$4347	3 marks	<p data-bbox="1321 302 1345 336">4</p> <p data-bbox="1321 369 1441 403">AO2 = 4</p>
	Price of 1 kg of imported rice	Quantity demanded by Country A consumers (kg per week)																
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		<p>For the correct calculation of the new quantity demanded: 8525 kg.</p> <p><b>OR</b></p> <p>For the correct method throughout but the wrong answer.</p>	<p><b>2 marks</b></p>	
		<p>For the correct method of calculating PED but the wrong answer for the new quantity demanded.</p> <p><b>OR</b></p> <p>For identifying the correct tariff value of \$0.51</p>	<p><b>1 mark</b></p>	

**MAXIMUM FOR QUESTION 11: 10 MARKS**

**Section C**
**Total for this section: 45 marks**

Question	Part	Marking guidance	Total marks
12	1	<p><b>Extract B</b> (lines 13–14) states: ‘Bad governance, poor infrastructure and low adult literacy rates also harm growth and foreign direct investment’.</p> <p>Explain why adult literacy rates are likely to affect the level of foreign direct investment (FDI) into low income countries (LICs).</p>	<p><b>4</b></p> <p><b>AO1 = 1</b> <b>AO2 = 1</b> <b>AO3 = 2</b></p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes reasonable application of relevant economic principles to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> </ul>
1	1–2	<ul style="list-style-type: none"> <li>Shows some limited knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>May include some application of relevant economic principles to the question.</li> <li>May include some attempted analysis but the analysis is not adequately developed and/or may be confused.</li> </ul>
	0	No creditworthy material

**Indicative content:**

- definitions of adult literacy rates, foreign direct investment and LICs
- explanation of why adult literacy rates may affect levels of human capital and productivity in an economy
- explanation of the impact on business costs, productivity and output
- explanation of the impact on levels of profitability and return on investment
- explanation of the impact on the attractiveness of an economy to foreign investors
- explanation that lower levels of adult literacy are likely to deter FDI, particularly in a competitive global market with globalised supply chains and many LICs competing for foreign direct investment.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
12	2	<p>To what extent do the data suggest that adult literacy rates have affected the level of foreign direct investment (FDI) into low income countries (LICs) between 2006 and 2019?</p> <p>Use the data in <b>Extract A</b> to support your answer.</p>	<p><b>4</b></p> <p><b>AO1 = 1</b> <b>AO2 = 1</b> <b>AO4 = 2</b></p>

Examiners are reminded that AO1, AO2 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> <li>Includes sound evidence that indicates the extent to which adult literacy rates have affected the level of FDI in LICs.</li> <li>Includes a supported judgement concerning the extent to which adult literacy rates have affected the level of FDI in LICs.</li> </ul>
1	1–2	<ul style="list-style-type: none"> <li>Includes some limited evidence that indicates the extent to which adult literacy rates have affected the level of FDI in LICs.</li> <li>May attempt a judgement concerning the extent to which adult literacy rates have affected the level of FDI in LICs but this is not adequately supported by the data.</li> </ul>
	0	No creditworthy material

#### Indicative content:

- between 2006 and 2019, adult literacy rates rose from 51.5% of the population aged 15 and over to 61.0% while in 2006 FDI was \$6804m and rose to \$11 982m in 2019
- while adult literacy rates rose in every year since 2006, the level of FDI fluctuates. FDI reached a peak of \$20 379m in 2012 and, despite adult literacy rates rising from 56.6% to 61.0% between 2012 and 2019, the level of FDI fell from \$20 379m to \$11 982m in the same period, suggesting that adult literacy rates are not the sole factor driving FDI decisions
- when adult literacy rates rose by their largest amount of 1.9 percentage points, between 2010 and 2011, FDI also rose by \$3342m, the second largest increase in money terms. However, between 2009 and 2010, FDI saw the largest rise of \$4264m while adult literacy rates increased by a lower 0.5 percentage points
- over the whole period, adult literacy rates rose significantly by 18% and FDI into LICs rose by 76% suggesting that higher adult literacy rates were supporting higher levels of FDI or possibly vice versa. However, the fluctuations in FDI levels suggest that there are other factors to take into account when explaining levels of FDI into LICs
- consideration of the nature of the data (all LICs) and the likely differences to be found between countries within the data set
- other factors are likely to be affecting levels of FDI into LICs, for example corporation tax rates and other government encouragement
- students are likely to conclude that there is some evidence to support the view that adult literacy rates are associated with a rise in FDI over 2006 to 2019, but that the relationship is not strong, given the fluctuations in FDI and because there are many other factors involved.

Credit valid alternative content.

**MAXIMUM FOR QUESTION 12: 8 MARKS**

Question	Part	Marking guidance	Total marks
13		<p><b>Extract B</b> (lines 1–3) states: ‘Public sector debt (as a % of GDP) has risen in recent years in low income countries (LICs). Half of LICs are judged to be at high risk of debt problems by the International Monetary Fund (IMF)’.</p> <p>Explain the likely effects of rising public sector debt in low income countries (LICs).</p>	<p><b>12</b></p> <p><b>AO1 = 3</b>  <b>AO2 = 3</b>  <b>AO3 = 6</b></p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	9–12	<ul style="list-style-type: none"> <li>Is well organised and develops one or more of the key issues that are relevant to the question.</li> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes good application of relevant economic principles and/or good use of data to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> <li>May include a relevant diagram that is accurate and used appropriately to support their explanation.</li> </ul>
2	5–8	<ul style="list-style-type: none"> <li>Includes one or more issues that are relevant to the question.</li> <li>Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>Includes reasonable application of relevant economic principles and/or data to the question.</li> <li>Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> <li>May include a relevant diagram to support their explanation.</li> </ul>
1	1–4	<ul style="list-style-type: none"> <li>Is very brief and/or lacks coherence.</li> <li>Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely.</li> <li>Demonstrates very limited ability to apply relevant economic principles and/or data to the question.</li> <li>May include some very limited analysis but the analysis lacks focus and/or becomes confused.</li> <li>May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.</li> </ul>
	0	No creditworthy material

#### Indicative content:

- definition of public sector debt
- definition and examples of low income countries
- understanding of the significance of public sector debt as a % of GDP



- distinction between public sector debt owed to multilateral financial institutions such as the IMF and national governments which may be on better terms than public sector debt borrowed on international financial markets
- explanation of how public sector debt could both increase or decrease development
- explanation of the importance of public sector debt for LICs as a way of stimulating government spending in the economy on projects such as infrastructure development and therefore driving long-term economic growth
- impact on current and/or future access to support from international institutions if steps are not taken to control the growth of public sector debt
- possible negative effects on an LIC's credit rating and the implications of this for FDI flows, future interest rates on debt and the exchange rate with likely increasing capital outflows
- possible negative effects on government spending as more resources are diverted to servicing public sector debt leading to reduced spending on public services, infrastructure projects and welfare payments
- explanation and implications of whether the debt can be easily serviced
- possible negative effects on wider macroeconomic stability as private sector confidence in the economy falls
- explanation of impacts on unemployment and other macroeconomic indicators from lower government spending on public services as payments to service debt rise.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
14		<p><b>Extract C</b> (lines 5–6) states: ‘the IMF plays a major role in promoting good economic governance in LICs.’</p> <p>Assess the role of international organisations such as the IMF and World Bank in promoting economic development in low income countries (LICs).</p>	<p><b>25</b></p> <p><b>AO1 = 4</b>  <b>AO2 = 3</b>  <b>AO3 = 9</b>  <b>AO4 = 9</b></p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p><b>Sound, focused analysis and well-supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>• is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors</li> <li>• includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response</li> <li>• includes well-focused analysis with clear, logical chains of reasoning</li> <li>• includes supported evaluation throughout the response and in a final conclusion.</li> </ul>
4	16–20	<p><b>Sound, focused analysis and some supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>• is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present</li> <li>• includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response</li> <li>• includes some well-focused analysis with clear, logical chains of reasoning</li> <li>• includes some reasonable, supported evaluation.</li> </ul>
3	11–15	<p><b>Some reasonable analysis but generally unsupported evaluation that:</b></p> <ul style="list-style-type: none"> <li>• focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present</li> <li>• includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response</li> <li>• includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>• includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren’t well-supported by arguments and/or data.</li> </ul>
2	6–10	<p><b>A fairly weak response with some understanding that:</b></p> <ul style="list-style-type: none"> <li>• includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely</li> <li>• includes some limited application of relevant economic principles to the given context and/or data to the question</li> <li>• includes some limited analysis but it may lack focus and/or become confused</li> <li>• includes some evaluation which is weak and unsupported.</li> </ul>
1	1–5	<p><b>A very weak response that:</b></p> <ul style="list-style-type: none"> <li>• includes little relevant knowledge and understanding of economic terminology, concepts and principles</li> <li>• includes application to the given context which is, at best, very weak</li> <li>• includes attempted analysis which is weak and unsupported.</li> </ul>
	0	No creditworthy material

**Indicative content:**

- meaning of economic development and how this differs from economic growth
- explanation of the role of international organisations such as the World Bank and IMF
- definition and examples of low income countries
- distinction between the IMF's role which focuses on financial stability and macroeconomic management and the World Bank's role in funding and advising on specific development projects but also a recognition of the similar roles they play in funding and supporting development
- explanation that there are other international organisations which may also play a role in promoting economic development such as the WTO and NGOs
- examples of support from international organisations such as:
  - loans and funding agreements
  - technical advice
  - holding governments to account to promote good governance
- possible negative effects such as:
  - increasing debt burdens and problems with public sector finances
  - loan conditionality and a reduction in policy independence
  - inequality impacts of privatisation programmes
- analysis of the arguments relating to government failure at an international and domestic level
- analysis of the factors that may determine the success of IMF or World Bank involvement such as global economic conditions, levels of private sector FDI, political stability and corruption
- knowledge of different situations, experience and priorities of particular countries
- evaluation of the short-run versus long-run impacts of restructuring programmes
- evaluation of possible alternative sources of finance if the IMF and World Bank were not used, such as private financial markets and selling government bonds, broadening the tax base, bilateral loan agreements and overseas development aid
- an awareness that the specific context of an economy matters and that all LICs are not the same and therefore face different challenges
- an overall assessment of the role of international organisations such as the IMF and World Bank in promoting economic development in LICs.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

## Section D

Total for this section: 25 marks

Question	Part	Marking guidance	Total marks
15		<p>Argentina is one of a number of economies that has suffered from currency fluctuations over the years. It has tried both fixed and floating exchange rate systems to try to control inflation and prevent rapid depreciations.</p> <p>Evaluate the effectiveness of a fixed exchange rate as a method of improving the macroeconomic performance of an economy.</p>	<p>25</p> <p>AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p><b>Sound, focused analysis and well-supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors</li> <li>includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response</li> <li>includes well-focused analysis with clear, logical chains of reasoning</li> <li>includes supported evaluation throughout the response and in a final conclusion.</li> </ul>
4	16–20	<p><b>Sound, focused analysis and some supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present</li> <li>includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response</li> <li>includes some well-focused analysis with clear, logical chains of reasoning</li> <li>includes some reasonable, supported evaluation.</li> </ul>
3	11–15	<p><b>Some reasonable analysis but generally unsupported evaluation that:</b></p> <ul style="list-style-type: none"> <li>focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present</li> <li>includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response</li> <li>includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.</li> </ul>
2	6–10	<p><b>A fairly weak response with some understanding that:</b></p> <ul style="list-style-type: none"> <li>includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely</li> <li>includes some limited application of relevant economic principles to the given context and/or data to the question</li> <li>includes some limited analysis but it may lack focus and/or become confused</li> <li>includes some evaluation which is weak and unsupported.</li> </ul>

1	1–5	<p><b>A very weak response that:</b></p> <ul style="list-style-type: none"> <li>• includes little relevant knowledge and understanding of economic terminology, concepts and principles</li> <li>• includes application to the given context which is, at best, very weak</li> <li>• includes attempted analysis which is weak and unsupported.</li> </ul>
	0	No creditworthy material

**Indicative content:**

- explanation of a fixed exchange rate and alternative exchange rate systems such as free floating and managed
- explanation of the process by which an exchange rate would be fixed, including the manipulation of the base rate of interest, money supply and foreign currency reserves
- identification of indicators that may be used to judge macroeconomic performance including economic growth, unemployment, inflation and the balance of payments
- the importance of a fixed exchange rate in stabilising export prices, ensuring that exports remain competitive, contributing to export-led growth and improvements in the balance of trade
- the effectiveness of a fixed exchange rate in stabilising import prices, ensuring that cost-push inflation remains under control for inputs to the production process and for consumers
- impact on poverty and inequality of stabilised import prices but also possible higher interest rates
- impact on investment and consumption of a loss of monetary policy freedom and a possible fall in growth
- the role of speculation and an evaluation of the ability of economies, particularly low income and middle income economies, to credibly maintain the fixed exchange rate and have sufficient currency reserves
- the impact of using foreign currency reserves to stabilise the exchange rate and possible negative impacts on growth and employment of reduced spending in other areas
- an assessment of the possible long-term feasibility of a fixed exchange rate and the likelihood of a failure to maintain the currency's value and the consequent impacts on credit rating and future stability
- evaluation of the impact of a fixed exchange rate on an economy's ability to deal with economic shocks
- evaluation of importance of some sort of exchange rate control in economies that are highly dependent on one export that raises the exchange rate to the detriment of other exports
- assessment of the desirability of regulatory intervention to control speculation within an economy/financial markets
- evaluation of the possible alternative methods of improving macroeconomic performance and the relative importance of a fixed exchange rate in comparison to these other methods
- evaluation of possible policy combinations that may be necessary to ensure a fixed exchange rate regime can be effective
- evaluation of the extent to which economies will be able to identify the appropriate exchange rate for their economies and the related problems of under/overvaluation
- knowledge of different situations, experience and priorities of particular countries
- an overall assessment of the effectiveness of a fixed exchange rate as a method of improving the macroeconomic performance of an economy.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
16		Financial markets in high income countries have been deregulated since the 1980s.  Deregulation has been blamed for the financial crisis in 2007 because of the high levels of lending and systemic risk.  Assess the case for and against greater regulation of financial markets.	25  AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<b>Sound, focused analysis and well-supported evaluation that:</b> <ul style="list-style-type: none"> <li>is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors</li> <li>includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response</li> <li>includes well-focused analysis with clear, logical chains of reasoning</li> <li>includes supported evaluation throughout the response and in a final conclusion.</li> </ul>
4	16–20	<b>Sound, focused analysis and some supported evaluation that:</b> <ul style="list-style-type: none"> <li>is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present</li> <li>includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response</li> <li>includes some well-focused analysis with clear, logical chains of reasoning</li> <li>includes some reasonable, supported evaluation.</li> </ul>
3	11–15	<b>Some reasonable analysis but generally unsupported evaluation that:</b> <ul style="list-style-type: none"> <li>focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present</li> <li>includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response</li> <li>includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.</li> </ul>
2	6–10	<b>A fairly weak response with some understanding that:</b> <ul style="list-style-type: none"> <li>includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely</li> <li>includes some limited application of relevant economic principles to the given context and/or data to the question</li> <li>includes some limited analysis but it may lack focus and/or become confused</li> <li>includes some evaluation which is weak and unsupported.</li> </ul>
1	1–5	<b>A very weak response that:</b> <ul style="list-style-type: none"> <li>includes little relevant knowledge and understanding of economic terminology, concepts and principles</li> <li>includes application to the given context which is, at best, very weak</li> <li>includes attempted analysis which is weak and unsupported.</li> </ul>
	0	No creditworthy material

**Indicative content:**

- understanding of the meaning of ‘regulation’ and ‘deregulation’
- the types of financial markets that could be regulated including money markets, capital markets and foreign exchange markets
- the impact of deregulation including privatisation, the growth of financial market products and removal of lending restrictions
- explanation of the link between a lack of regulation and the causes of financial crises including prioritising profit and growth over liquidity and stability, the growth of risky lending and a lack of oversight by regulators
- the problems of asymmetric information in financial markets
- the importance of functioning and stable financial markets for the wider economic system including for consumers, firms and governments
- meaning of systemic risk and the need to prevent systemic risk from financial market failures and the associated need to avoid individual financial firms becoming ‘too big to fail’
- assessment of the possible methods of regulation including liquidity and cash ratios, stricter lending criteria, stress tests of financial institutions, nationalisation, breaking up banks and information provision
- evaluation of the likelihood of central bank or government failure when trying to intervene including issues such as regulatory capture, insufficient information and unintended consequences
- assessment of the extent to which financial markets are now global and thus regulation must be coordinated between national governments and central banks
- the extent to which regulation is the responsibility of central banks rather than the government
- the problems of moral hazard caused by some regulation and the extent to which financial markets should be left to adapt to market signals and failures
- possible negative consequences on growth and investment as regulation limits lending and risk-taking and possible growth of shadow banking market
- evaluation of the need for ‘greater’ regulation and questioning whether or not current regulation is already sufficient
- knowledge of the global financial crisis and experience of particular countries
- overall assessment of the case for and against greater regulation of financial markets.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student’s response to the question.

Credit valid alternative content.

**Assessment Objectives Grid**

	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	<b>Total</b>
<b>Section A</b>					
01	1				<b>1</b>
02		1			<b>1</b>
03		1			<b>1</b>
04		1			<b>1</b>
05		1			<b>1</b>
06		1			<b>1</b>
07	1				<b>1</b>
08	1				<b>1</b>
09			1		<b>1</b>
10	1				<b>1</b>
<b>Section B</b>					
11.1	2				<b>2</b>
11.2	2	2			<b>4</b>
11.3		4			<b>4</b>
<b>Section C</b>					
12.1	1	1	2		<b>4</b>
12.2	1	1		2	<b>4</b>
13	3	3	6		<b>12</b>
14	4	3	9	9	<b>25</b>
<b>Section D</b>					
15 and 16	4	3	9	9	<b>25</b>
<b>Unit total</b>	<b>21</b>	<b>22</b>	<b>27</b>	<b>20</b>	<b>90</b>