

# Mark Scheme (Results)

June 2011

GCE Economics  
(6EC04) Paper 01

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N.B. Quality of written communication (QWC) is assessed in both parts of the essays and should be assessed on the candidate's ability:

- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economics vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

**\*\*SECTION A: ESSAYS - PLEASE USE DETAILED MARKING CRITERIA WHICH ARE TO BE FOUND AT THE END OF THIS MARKSCHEME\*\***

Question Number	Answer	Mark
1(a)	<p>Causes could include:</p> <ul style="list-style-type: none"> <li>• Global recession leading to rising unemployment - falling income tax and VAT receipt; increased expenditure on unemployment benefits</li> <li>• Falling consumer spending; falling profits; business failure and lower revenue from corporate taxes)</li> <li>• Decrease in employment/rising inactivity rates: e.g. more people in higher education;</li> <li>• Fiscal stimulus to prevent recession turning into depressions</li> <li>• Financial crisis resulting in need for bank bailouts</li> <li>• For UK: increased expenditure on public services</li> <li>• Rising cost of state pensions and benefits</li> <li>• Rise in risk premium on some countries' debt</li> </ul> <p>If no country reference then maximum top of level 3 (14/20)</p> <p>Evaluation:</p> <ul style="list-style-type: none"> <li>• Some countries had fiscal deficits before the financial crisis</li> <li>• Comment of magnitude of rise in fiscal deficit</li> <li>• Comment on implication for national debt and for servicing national debt</li> <li>• Prioritisation of factors</li> <li>• Significance of each factor</li> </ul> <p>(Synoptic element: reference government expenditure and taxation (unit 2) and use of Economist's tool-kit in analysis and evaluation and in approach to question))</p>	(20)
Level	Mark	Descriptor
Level 1	1-7	Identification of points which are largely irrelevant
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question Number	Answer	Mark
1(b)	<ul style="list-style-type: none"> <li>Candidates could take either side of the argument OR they could analyse and evaluate 2 arguments for cutting public expenditure and 2 for raising taxes</li> </ul> <p>Effects of tax increases include:</p> <ul style="list-style-type: none"> <li>Disincentive to work of higher taxes: could be analysed using income and substitution effects</li> <li>Reduce danger of crowding out</li> <li>Reduce possibility of government failure</li> <li>Size of public sector already too large according to some economists - waste and inefficiency</li> <li>Low productivity in the public sector</li> <li>More efficient allocation of resources</li> <li>Raising taxes could reduce tax revenues - use of Laffer curve analysis</li> <li>Less likelihood of tax avoidance and tax evasion</li> <li>Impact of cutting public expenditure may be more certain than raising taxes</li> </ul> <p>Evaluation could include:</p> <ul style="list-style-type: none"> <li>Job losses from cutting public expenditure might be more extensive than raising taxes (because rise in taxes might be offset by dissaving by consumers to maintain living standards)</li> <li>Reduction in both quantity and quality of public services</li> <li>Income distribution might become more uneven than if progressive taxes were increased</li> <li>Reduction in productive capacity in the long run if investment is cut</li> <li>Impact depends on the areas in which public expenditure is being cut</li> <li>Danger that public expenditure cuts might cause a double dip recession and cause fiscal deficit to rise</li> <li>(Synoptic elements: reference to concepts introduced in unit 2 e.g. fiscal policy; use of Economist's tool-kit in analysis and evaluation and in approach to question)</li> </ul>	<ul style="list-style-type: none"> <li>(30)</li> </ul>
Level	Mark	Descriptor
Level 1	1-11	Identification of points which are largely irrelevant
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question Number	Answer	Mark
2(a)	<p>Points could include:</p> <ul style="list-style-type: none"> <li>• Definition and measurement of absolute poverty: Inability to meet basic needs e.g. food, shelter, clothing, access to clean water. Measured by those living on less than \$1.25 a day at 2005 PPP GDP or those living on less than \$2 a day</li> <li>• Savings gap (Harrod- Domar model): link to low tax revenues; lack of government provision of public services and Lack of resources</li> <li>• No property rights</li> <li>• Civil wars/wars with neighbouring countries</li> <li>• Natural disasters</li> <li>• Population growing faster than GDP</li> <li>• Corruption</li> <li>• Debt</li> <li>• HIV/AIDs</li> <li>• Primary product dependency</li> <li>• Weak policies aimed at promoting growth resulting in low productivity; little FDI</li> </ul> <p>Evaluative points could include:</p> <ul style="list-style-type: none"> <li>• Problem of isolating most important factor</li> <li>• Absolute poverty may only be short term if caused by natural disaster</li> <li>• Problem of defining absolute poverty</li> <li>• Prioritisation of factors discussed.</li> </ul> <p><i>If no reference to a specific country then maximum 14 marks.</i></p> <p>(Synoptic element: reference to characteristics of development (unit 2) and to use of Economist's tool-kit in analysis and evaluation and in approach to question))</p>	(20)
Level	Mark	Descriptor
Level 1	1-7	Identification of points which are largely irrelevant
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question Number	Answer	Mark
2(b)	<p>Meaning of economic development (improvement in welfare over time) - either implicit or explicit is necessary to access levels 4 and 5 i.e. a mark above 21. Could be considered in terms of how it may be measured e.g. HDI</p> <p>Candidates may take either side of the argument <b>or they could analyse and evaluate 2 arguments on one side and 2 on the other</b></p> <p><b>Reducing absolute poverty is important in order to:</b></p> <ul style="list-style-type: none"> <li>• Improve life expectancy (costs of health)</li> <li>• Increase school enrolment and literacy rates (school fees)</li> <li>• Improve access to clean water</li> </ul> <p>Some may argue that development is also dependent on factors other than poverty reduction e.g.:</p> <ul style="list-style-type: none"> <li>• Improvements in education as evidenced by increased literacy rates/increases in primary school enrolment</li> <li>• Improvements in health (associated with higher immunization rates; more doctors per 1000 of population; better diet) as evidenced by increased life expectancy</li> <li>• Improved access to clean water</li> <li>• Improved infrastructure</li> <li>• Greater democracy (Amartya Sen)</li> <li>• If income and wealth are unevenly distributed then number of people in absolute poverty may remain constant but rest of population might have improvement in welfare</li> <li>• Absolute poverty would inhibit access to health and education</li> <li>• <b>Micro-credit schemes</b></li> <li>• <b>Access to technology e.g. mobile phones</b></li> </ul> <p>Evaluative points could include:</p> <ul style="list-style-type: none"> <li>• Argument that the proportion of population living in absolute poverty is more relevant than absolute number</li> <li>• Points listed above may only follow from a reduction in absolute poverty</li> <li>• Some may argue that development is impossible without a reduction in absolute poverty</li> <li>• Attempt to come to a conclusion on basis of evidence presented</li> <li>• <b>Normative nature of development</b></li> </ul> <p>(Synoptic element: reference to measures of economic development (unit 2) and to use of the Economist's tool-kit in analysis and evaluation and in approach to question))</p>	(30)
Level	Mark	Descriptor
Level 1	1-11	Identification of points which are largely irrelevant
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question Number	Answer	Mark
3(a)	<ul style="list-style-type: none"> <li>• Understanding of the term 'trading blocs' - usually groups of countries in specific regions that manage and promote trade activities. Could consider various types: free trade areas; customs unions; common markets; monetary unions</li> <li>• Consideration of trade creation - based on the law of comparative advantage</li> <li>• Consequent implications for: <ul style="list-style-type: none"> <li>• Global economic growth</li> <li>• Resource alloaction</li> <li>• Global inflation rates</li> <li>• Inequality</li> </ul> </li> <li>• Consideration of trade diversion - distortion of comparative advantage might be used in evaluation)</li> <li>• Free movement of labour within a common market leading to increased geographical and occupational mobility</li> <li>• Increase in FDI</li> </ul> <p>If no reference to the impact on the global economy then maximum top of level 3 (14/20)</p> <p>Evaluative comments might include:</p> <ul style="list-style-type: none"> <li>• Differential impact on those countries in blocs and those outside blocs</li> <li>• Trade diversion: Distortion of comparative advantage</li> <li>• Short run and long run effects e.g. in long run WTO might have further success in reducing trade barriers between blocs</li> <li>• Impact depends on number of trading blocs</li> <li>• And on size and extent of protectionist measures</li> </ul> <p>(Synoptic element: and use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p>	(20)

Level	Mark	Descriptor
Level 1	1-7	Identification of points which are largely irrelevant
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question Number	Answer	Mark
3(b)	<p>Candidates could take either side of the argument OR they could analyse and evaluate 2 benefits and 2 costs</p> <p>Analysis might include:</p> <ul style="list-style-type: none"> <li>• Consideration of key features of a monetary union: single currency</li> <li>• Help from other members should one country get into difficulties e.g. loans from ECB</li> </ul> <p>Other benefits: e.g.</p> <ul style="list-style-type: none"> <li>• no transactions costs; might help to attract more FDI</li> <li>• monetary union designed to impose limits on macroeconomic management e.g. to ensure low rate of inflation</li> <li>• price transparency: increase in competition; rightward shift in AS curve and lower inflationary pressures</li> <li>• Increased trade</li> </ul> <p>Evaluation could include:</p> <ul style="list-style-type: none"> <li>• Fiscal and political changes required as pre-requisite of monetary union</li> <li>• Inability of a country to allow its currency a depreciate e.g. Greece, Ireland, Portugal, Spain whereas the pound sterling has depreciated 25% against other currencies</li> <li>• Resulting in loss of competitiveness and fall in real GDP and employment</li> <li>• 'One size fits all' interest rate which is determined by the ECB for all Eurozone countries but which may be inappropriate for a particular member. Bank of England's MPC can set interest rates to meet UK's inflation target</li> <li>• Costs of economic mismanagement by individual members fall on other Eurozone members e.g. Greece, Ireland. Moral hazard issue</li> <li>• Possible loss of control of fiscal policy</li> <li>• Crisis in eurozone could lead to closer economic union which UK could benefit from as a member</li> <li>• Transition costs -allow as half a point</li> </ul> <p>(Synoptic element: monetary policy (unit 2) and use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p>	(30)
Level	Mark	Descriptor
Level 1	1-11	Identification of points which are largely irrelevant
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question Number	Answer	Mark
4(a)	Population growing rapidly (1) <a href="#">with some explanation (1)</a> ; OR 1 mark for definition of GDP per capita GDP needs to grow faster than population for living standards to increase (2); Kenya only expected to grow by 3% so resulting in a fall in living standards (2) <a href="#">or 'grew less than 2% in 2009' (2)</a> 3 marks for knowledge, 2 for application/ data reference	(5)
Level	Mark	Descriptor
Level 1	1-3	Up to 3 marks for knowledge - see above
Level 2	4-5	Up to 3 marks for knowledge and 2 marks for one data reference

Question Number	Answer	Mark
4(b)	Reasons include: <ul style="list-style-type: none"> <li>• FDI remained relatively stable</li> <li>• Less integrated into world economy/less dependence on foreign trade</li> <li>• Banks and stock markets less exposed to financial crisis</li> <li>• Oil-rich countries benefited from relatively high oil prices</li> <li>• <a href="#">Commodity price boom</a></li> </ul> <a href="#">Data reference: 'growth rate 3-4% higher' or from extract</a> Could approach this question by considering why advanced economies suffered more than those in SSA	(8)
Level	Mark	Descriptor
Level 1	1	2 marks for identification of two points
Level 2	2-5	2 marks for identification of 2 issues; 2 for application (e.g. one data reference from Figure 1 <a href="#">or from extract</a> )
Level 3	6-8	2 marks for identification of 2 issues; 2 for application(e.g. <a href="#">one</a> data reference from Figure 1 <a href="#">or from extract</a> ) and 4 for analysis of at least two issues ( <a href="#">2 + 2</a> or <a href="#">3 + 1</a> )

Question Number	Answer	Mark
4(c)	<p>Benefits could include:</p> <ul style="list-style-type: none"> <li>• Impact on growth - AD/AS analysis; multiplier effect</li> <li>• Employment implications</li> <li>• Inflow into financial account of B/P</li> <li>• Longer term: increase in foreign currency earnings from exports: <b>improvement in current account</b></li> <li>• <b>Boost to tax revenues</b></li> <li>• TNCs might provide new infrastructure</li> <li>• Technology transfer</li> </ul> <p>Also: reward analysis of benefits to those making the investments  <b>N.B. Do not reward analysis related to loans or aid</b></p> <p>Evaluation might include:</p> <ul style="list-style-type: none"> <li>• Might limit diversification out of primary products</li> <li>• <b>Overspecialisation, leading to unbalanced or unstable growth, especially when primary product prices are unstable</b></li> <li>• Repatriation of profits to TNCs in developed countries</li> <li>• Employment might be in low skilled jobs only</li> <li>• TNC might exert political influence on governments of these countries</li> <li>• <b>Repatriation of profits: adverse impact on current account of balance of payments</b></li> <li>• <b>TNCs might leave the country - resulting in economic and social disruption</b></li> </ul>	(10)
Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of 1 benefit; 2 for application (reference to 2 specific examples- <b>named countries or primary industries</b> - from data)
Level 2	4-6	1 mark for identification of 1 benefit; 2 for application (reference to 2 specific examples <b>named countries or primary industries</b> from data); 3 for analysis of 2 issues.
Level 3	7-10	1 mark for identification of 1 benefit; 2 for application (reference to 2 specific examples <b>named countries or primary industries</b> from data); 3 for analysis of 2 issues; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question Number	Answer	Mark
4(d)	<p>Analysis might include:</p> <ul style="list-style-type: none"> <li>• BRIC economies buying goods from African countries offsetting fall in demand from rich countries</li> <li>• Foreign currency earnings can be increased and used for debt servicing, purchasing of capital goods</li> <li>• African countries specialising and exporting goods in which they have a comparative advantage</li> <li>• Exports are a source of AD which can stimulate growth, <b>leading to increase employment and an improvement in the current account</b></li> <li>• Has enabled African countries to avoid recession</li> <li>• Provided diversification of markets</li> <li>• Trade important if domestic market is small <b>access to larger markets and economies of scale</b></li> <li>• <b>Gains from increased competition and efficiency</b></li> </ul> <p>Evaluative comments might include:</p> <ul style="list-style-type: none"> <li>• African countries locked into dependence on primary products with associated disadvantages</li> <li>• No diversification into manufacturing, usually associated with growth and development</li> <li>• Import substitution might be a better, alternative means of growth <b>at least in the initial stages of development</b></li> <li>• Increased vulnerability to external shocks</li> <li>• <b>Over-reliance on a narrow group of countries - problem if BRICs go into recession</b></li> <li>• <b>Volatility of commodity markets</b></li> <li>• Short run/long run effects</li> </ul> <p>(Synoptic element: concept of current account of balance of payments from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p> <p>Quality of written communication (QWC) is assessed on the candidate's ability:</p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economics vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>	(12)
Level	Mark	Descriptor
Level 1	1-3	2 marks for identification of 2 benefits;
Level 2	4-7	2 marks for identification; 2 for application (2 examples from text - <b>products or countries</b> - or own knowledge); 3 for analysis
Level 3	8-12	2 marks for identification; 2 for application (examples from text- <b>products or countries</b> - or own knowledge); 3 for analysis; 5 marks for any 2 evaluative points (2 + 3; or 3 + 2)

Question Number	Answer	Mark
4(e)	<p>Key issues: Aid might help to....</p> <ul style="list-style-type: none"> <li>• Reduce poverty</li> <li>• Helps to fill savings gap</li> <li>• Helps to fill foreign exchange gap</li> <li>• Impact on AD; multiplier effects</li> <li>• Improvement in infrastructure</li> <li>• Improvement in health and education</li> <li>• Also: Provision of expertise</li> <li>• Provision of new technology</li> </ul> <p>Evaluation might include:</p> <ul style="list-style-type: none"> <li>• Issue of tied aid</li> <li>• Loans may not be at much below market rate</li> <li>• Aid might help to keep corrupt governments in power</li> <li>• Corruption;</li> <li>• Creation of dependency culture: reduction in productivity and efficiency;</li> <li>• Undermining of domestic industries</li> <li>• Time lag before aid trickles down to poorest members of society</li> <li>• Asymmetric information may mean that aid is not used efficiently</li> </ul> <p>Maximum 12/15 if there is no clear application to development (Synoptic element: analysis of economic growth from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p> <p>Quality of written communication (QWC) is assessed on the candidate's ability:</p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economics vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>	(15)
Level	Mark	Descriptor
Level 1	1-4	2 marks for identifying 2 points; 2 for application (reference to 2 <a href="#">data references</a> or to 2 examples)
Level 2	5-9	2 marks for identifying 2 points; 2 for application(reference to 2 <a href="#">data references</a> or to 2 examples) ; 5 for analysis of at least 2 issues ( <a href="#">maximum 2/5 if not related to development</a> )
Level 3	10-15	2 marks for identifying 2 points; 2 for application (reference to 2 <a href="#">data references</a> or to 2 examples) ; 5 for analysis of at least 2 issues( <a href="#">maximum 2/5 if not related to development</a> ) ; 6 marks for any 2 or 3 evaluative points

Question Number	Answer	Mark
5(a)	WTO is primarily concerned with the promotion of free trade (2) by organising negotiations to reduce trade barriers such as tariffs and quotas (1). Also concerned with enforcing trade rules and settling disputes(1).  Comment on any particular dispute from text or comment on current round of trade talks (Doha) (2)	(5)
Level	Mark	Descriptor
Level 1	1-3	Up to 3 marks for outline of role of WTO (see above)
Level 2	4-5	Up to 3 marks for 2 aspects of the role of the WTO and 2 marks for application (reference to an example of work of WTO)

Question Number	Answer	Mark
5(b)	With currency undervalued, it implies that <ul style="list-style-type: none"> <li>• Price of Chinese exports is relatively low</li> <li>• <b>Impact on US inflation</b></li> <li>• Price of imports to China is relatively high making Chinese goods more competitive than would be the case if the exchange rate appreciated</li> <li>• Implies US current account balance will be worse</li> <li>• Higher unemployment in US</li> <li>• Lower rate of economic growth in US</li> </ul>	(8)
Level	Mark	Descriptor
Level 1	1	2 marks for identification of two points
Level 2	2-5	2 marks for identification of 2 points; 2 for application (e.g. one data reference to value of 6.83 renminbi to the \$ <b>or reference from extract</b> )
Level 3	6-8	2 marks for identification of 2 issues; 2 for application (e.g. <b>one data reference to value of 6.83 renminbi to the \$ or reference from extract</b> ) and 4 for analysis of at least two issues ( <b>2 + 2 or 3 + 1</b> )

Question Number	Answer	Mark
5(c)	<p>Key issues:</p> <ul style="list-style-type: none"> <li>• Higher US savings implies lower consumer expenditure</li> <li>• Therefore, lower amount spent on Chinese imports - <a href="#">dependent on marginal propensity to import (evaluative comment)</a></li> <li>• If exports remain steady then US trade deficit should fall</li> <li>• <a href="#">Analysis considering link between savings and investment</a></li> </ul> <p>Evaluative points could include:</p> <ul style="list-style-type: none"> <li>• Impact will depend on marginal propensity to import</li> <li>• Short run and long run effects - lower demand for Chinese goods might imply lower demand for US goods in the long term</li> <li>• Higher savings would not necessarily be translated into higher investment - necessary for US to compete more effectively with China and other countries</li> <li>• US trade deficit might be caused by fundamental structural weakness of US economy e.g. lack of competitiveness of US goods</li> <li>• If manufacturing base in China continues to expand then higher savings in US may have little impact</li> <li>• Much depends on exchange rate movements</li> <li>• <a href="#">Effect of QE is to cause depreciation of the \$ - currency manipulation</a></li> <li>• <a href="#">Lower US inflation due to cheaper imports</a></li> <li>• (Synoptic element: concept of current account of the balance of payments from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question))</li> </ul>	(10)
Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of 1 reason; 2 for application (comment on size of US trade deficit <a href="#">or</a> low savings ratio)
Level 2	4-6	1 mark for identification of 1 reason; 2 for application(comment on size of US trade deficit <a href="#">or</a> low savings ratio) ; 3 for analysis of 2 issues
Level 3	7-10	1 mark for identification of 1 reason; 2 for application (comment on size of US trade deficit <a href="#">or</a> low savings ratio); 3 for analysis of 2 issues; 4 marks for any two evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question Number	Answer	Mark
5(d)	<p>Candidates may approach this question in a variety of ways: e.g. a general approach...</p> <ul style="list-style-type: none"> <li>• Danger of increased use of protectionist measures by countries with trade deficits</li> <li>• <b>Financial</b> inflows from surplus countries to western <b>capital</b> markets led to <b>asset price bubbles</b> and to <b>financial institutions taking excessive risks</b> (could count as 2 points)</li> <li>• Financial crisis led to sharp downturn in economies of both deficit and surplus countries</li> <li>• Surplus countries were heavily reliant on export-led growth which resulted in deep falls in GDPs of those countries</li> </ul> <p><i>Evaluative comments might include:</i></p> <ul style="list-style-type: none"> <li>• <i>WTO rules might prevent protectionism</i></li> <li>• <i>World trade declined only for a relatively short period of time</i></li> <li>• <i>Trade imbalances may be offset by imbalances in other parts of B/P accounts</i></li> </ul> <p>In the case of trade deficits analysis could include:</p> <ul style="list-style-type: none"> <li>• Might indicate a lack of competitiveness</li> <li>• Might imply rising unemployment in manufacturing industries</li> <li>• The trade in goods deficit might be difficult to finance</li> <li>• In turn, a trade deficit might cause a depreciation in the exchange rate, with possible inflationary consequences</li> </ul> <p><i>Evaluative points include:</i></p> <ul style="list-style-type: none"> <li>• <i>Trade imbalance may be offset by surplus on the services balance and/or in financial account</i></li> <li>• <i>It may be easy to finance the deficit e.g. through inflows into the financial account</i></li> <li>• <i>May be desirable if trade imbalances are caused by imports of capital goods which would increase the country's productive capacity in the long run</i></li> <li>• <i>Exchange rate might change to bring about correction of B/P deficit/surplus</i></li> <li>• <i>Might be a short term problem only</i></li> </ul> <p>In the case of trade surpluses analysis could include:</p> <ul style="list-style-type: none"> <li>• Implies other countries have deficits which might result in the adoption of protectionist measures by these countries</li> </ul> <p>(Synoptic element: balance of payments (unit 2); use of the Economist's tool-kit in analysis and evaluation and in approach to question))</p>	

		<p>Quality of written communication (QWC) is assessed on the candidate's ability:</p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economics vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>	(12)
Level	Mark	Descriptor	
Level 1	1-3	2 marks for identifying 2 issues;	
Level 2	4-7	2 marks for identifying 2 issues; 2 for application e.g. 2 examples of countries with surpluses and/or deficits; 3 for analysis	
Level 3	8-12	2 marks for identifying 2 issues; 2 for application e.g. 2 examples of countries with surpluses and/or deficits; 3 for analysis for analysis; 5 marks for any 2 evaluative points (2 + 3; or 3 + 2)	

Question Number	Answer	Mark
5(e)	<p>Diagram to show effect of a tariff on price: (from <math>P_1</math> to <math>P_2</math>) and an increase in domestic production (from A to E). Imports decline from AB to EF.</p> <p>Discussion of:</p> <ul style="list-style-type: none"> <li>• Effects on consumers e.g. loss of jobs (25 000, line 12);</li> <li>• Effects on producers e.g. loss of export markets (loss of \$2.6bn worth of exports, line 11) ; fall in profits;</li> <li>• Tariffs imposed in retaliation so ultimately trade war could result in less choice and higher prices for US consumers</li> <li>• Fall in economic growth (distortion of comparative advantage) leading to lower real incomes for US consumers</li> </ul> <p><b>N.B. Allow analysis of tariffs by the US</b></p> <p>Evaluative comments might include:</p> <ul style="list-style-type: none"> <li>• Significance of PED in determining impact on US consumers and producers</li> <li>• Significance of PES in determining impact on US consumers and producers</li> <li>• Short run/long run effects.</li> <li>• Retaliation.</li> </ul> <p><b>Maximum 13/15 if there is no clear application to US consumers and producers</b></p> <p>(Synoptic element: supply and demand analysis including elasticities from unit 1. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p> <p>Quality of written communication (QWC) is assessed on the candidate's ability:</p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument</li> <li>• To organise information clearly and coherently</li> <li>• To use economics vocabulary appropriately</li> <li>• To use grammar, spelling and punctuation appropriately</li> </ul>	(15)
Level	Mark	Descriptor
Level 1	1-4	2 marks for tariff diagram; 2 for application (2 data references)
Level 2	5-9	2 marks for tariff diagram; 2 for application(2 data references); 5 for analysis of at least 2 effects
Level 3	10-15	2 marks for tariff diagram; 2 for application(2 data references) ; 5 for analysis of at least 2 effects; 6 marks for any 2 or 3 evaluative points

## GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04 June 2011

Level	Performance Criteria for Mark base <b>20</b>	
Level 1	1-7	<ul style="list-style-type: none"> <li>• Displays knowledge presented as facts without awareness of other viewpoints</li> <li>• Demonstrates limited understanding with little or no analysis</li> <li>• Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear</li> <li>• None of the assessment objectives are covered satisfactorily</li> </ul> <p><i>Identification of points which are largely irrelevant</i></p>
Level 2	8-10	<ul style="list-style-type: none"> <li>• Displays elementary knowledge of well learnt economic facts showing a generalised understanding together with limited analysis i.e. identification of points or a very limited discussion</li> <li>• Displays a limited ability to select and apply different economic ideas</li> <li>• Evidence presented has a basic relevance</li> </ul> <p><i>Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis</i></p>
Level 3	11-14	<ul style="list-style-type: none"> <li>• Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark</li> <li>• Shows some ability to apply economic ideas and relate them to economic problems</li> <li>• Employs different approaches to reach conclusions, presenting evidence with some relevance and coherence</li> </ul> <p><i>Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation</i></p>
	11-12	Award in this range for 2 factors and 1 evaluative comment (or 3 factors with no evaluation) which are <b>not</b> well developed/reasoned. <b>This could be several points and evaluation but limited analysis.</b>
	13-14	Award in this range for 2 factors and 1 evaluative comment (or 3 factors with no evaluation) which are well developed and reasoned
Level 4	15-16	<ul style="list-style-type: none"> <li>• Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved</li> <li>• Demonstrates an ability to select and apply economic ideas and to relate them to economic problems</li> <li>• Evidence of some evaluation of alternative approaches leading to conclusions which are presented in a relevant and coherent way</li> </ul> <p><i>Typically, answers will consider 3 factors with 1 evaluative point</i></p>
Level 5	17-20	<ul style="list-style-type: none"> <li>• Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues</li> <li>• Demonstrates an outstanding ability to select and apply economic ideas to economic problems</li> <li>• Evaluation is well balanced and critical leading to valid conclusions</li> <li>• Material is presented in a relevant, clear and coherent way with evidence fully and reliably integrated</li> <li>• Excellence is displayed across all assessment objectives</li> </ul> <p><i>Typically, answers will consider 3 factors with 2 evaluative points</i></p>

## GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04 June 2011

Level	Performance Criteria for Mark base <b>30</b>	
Level 1	1-11	<ul style="list-style-type: none"> <li>• Displays knowledge presented as facts without awareness of other viewpoints</li> <li>• Demonstrates limited understanding with little or no analysis</li> <li>• Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear</li> <li>• None of the assessment objectives are covered satisfactorily</li> </ul> <p><i>Identification of points which are largely irrelevant</i></p>
Level 2	12-15	<ul style="list-style-type: none"> <li>• Displays elementary knowledge of well learnt economic facts showing a generalised understanding together with limited analysis i.e. identification of points or a very limited discussion</li> <li>• Displays a limited ability to select and apply different economic ideas</li> <li>• Evidence presented has a basic relevance</li> </ul> <p><i>Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis</i></p>
Level 3	16-21	<ul style="list-style-type: none"> <li>• Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark</li> <li>• Shows some ability to apply economic ideas and relate them to economic problems</li> <li>• Employs different approaches to reach conclusions, presenting evidence with some relevance and coherence</li> </ul> <p><i>Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation</i></p>
	16-18	Award in this range for 3 factors and 1 evaluative comment (or 4 factors with no evaluation) which are <b>not</b> well developed/reasoned. <b>This could be several points and evaluation but limited analysis</b>
	19-21	Award in this range for 3 factors and 1 evaluative comment (or 4 factors with no evaluation) which are well developed and reasoned
Level 4	22-25	<ul style="list-style-type: none"> <li>• Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved</li> <li>• Demonstrates an ability to select and apply economic ideas and to relate them to economic problems</li> <li>• Evidence of some evaluation of alternative approaches leading to conclusions which are presented in a relevant and coherent way</li> </ul> <p><i>Typically, answers will consider 4 factors with 2 evaluative points</i></p>
Level 5	26-30	<ul style="list-style-type: none"> <li>• Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues</li> <li>• Demonstrates an outstanding ability to select and apply economic ideas to economic problems</li> <li>• Evaluation is well balanced and critical leading to valid conclusions</li> <li>• Material is presented in a relevant, clear and coherent way with evidence fully and reliably integrated</li> <li>• Excellence is displayed across all assessment objectives</li> </ul> <p><i>Typically, answers will consider 4 factors with 3 evaluative points</i></p>

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