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Mark Scheme (Results)

Summer 2013

GCE Economics (6EC04/01)

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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.

Mark scheme: 6EC04 JUNE 2013

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

QUALITY OF WRITTEN COMMUNICATION:
Quality of written communication (QWC) is assessed in **both parts of the essays and in parts (d) & (e) of the data response questions** 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

FOR ALL QUESTIONS: No markscheme can cover all possible responses. Therefore, reward analysis which is relevant to the question even if this is not specifically identified in the markscheme.

Question Number	Answer	Mark
1 (a)	**KAA: 14 marks;** *Ev: 6 marks* Possible reasons for more rapid growth in developing countries include: • Developing countries more isolated from financial crisis – banks less integrated into global economy • Fewer trading links with developed economies • Many developed economies suffered from a sharp fall in house prices e.g. Spain, Ireland, UK • Debt problems in developed economies resulting in austerity measures e.g. euro zone countries, UK in contrast with massive fiscal stimulus in China • Less dependence on financial services as a proportion of GDP • Developing economies have greater scope for growth e.g. into manufacturing where potential productivity gains are greater than in many service sector industries • More FDI in some developing economies • Increase in demand and prices of primary products • Impact of investment in human capital on productivity in developing countries • Rapid population growth • Improvements in infrastructure • Cheaper, more flexible labour force: link to comparative advantage in manufacturing shifting away from developed economies Possible reasons for slower growth in developed countries include: • Austerity measures • Ageing populations • Deleveraging/saving • Low bank lending • Many developed economies suffered from a sharp fall in house prices e.g. Spain, Ireland, UK *Evaluation (6 marks) might include:* • *Time period under consideration might not reflect longer term trends* • *Insignificant because developing countries are starting from a lower base i.e. GDP lower than for developed economies* • *Although GDP growth rates are higher, GDP per capita is often much lower in developing economies* • *Prioritisation of most significant factor(s) with supporting reason(s)* • *Disadvantages associated with FDI e.g. repatriation of profits* • *Problems associated with primary product dependency* • *Overall figures obscure significantly different growth rates between countries*	**(20)**

	• *Validity of growth figures may be questioned* *N.B. Answers can only achieve a maximum of 14/20 if they do not refer to both developed and developing countries (Some specific examples of countries should be included)*	

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited relevance
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)	**KAA: 21 marks; Evaluation 9 marks.** Analysis of monetary policy in a specific developed country: Interest rate transmission mechanism: i.e. • impact on consumption; • investment; • net trade via the effect of exchange rate changes Quantitative Easing and transmission mechanism • Bank of England purchase of government bonds; causing increase in their price and fall in yields Role of Credit Easing: in UK four banks will offer loans to SMEs at a 1% interest rate discount Bank of England Loan Guarantee Scheme worth £40bn Monetary policy may not have an impact on the budget deficit *Evaluation points could include:* • *Interest rates already low and little scope to reduce them further* • *Interest rate policy is ineffective if business and consumer confidence is low* • *Time frame: monetary policy does not usually have an immediate effect on behaviour e.g. people with fixed mortgage rates; traders who have fixed term contracts* • *Limited evidence that QE has resulted in increased lending to businesses and growth* • *It is argued that QE has resulted in increased asset and commodity prices*	

	• *No guarantee that credit easing will result in an increase in the overall level of lending by banks* • *Conditions attached to Loan Guarantee Scheme are so tight that it is unlikely to have much effect* • *Primary role of monetary policy to control inflation* • *Some countries do not have an independent monetary policy e.g. members of eurozone* *.* Consideration, analysis and evaluation of at least one alternative policy i.e. fiscal policy or supply side policies. Analysis of fiscal policy: e.g. Cuts in income taxes: • Increase in disposable income • Impact on consumption • Impact on aggregate demand, real output and employment *But:* • *Tax cuts may be used to repay debts or to increase savings or may be used to purchase imports* • *Difficult to implement for countries with huge budget deficits and national debts* • *Danger of credit rating downgrade* Analysis of supply side policies: e.g. Cuts in state benefits: • Increase incentives for the unemployed to seek work or for inactive people to seek employment *But:* • *if aggregate demand is very low, then supply side policies will be ineffective* • *danger of increased inequality* *N.B. If no reference to a specific country then award a maximum of 24/30*	**(30)**

Level	Mark	Descriptor
Level 1	1-11	Identification of points which have limited relevance
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)	**KAA: 14 marks; Eval: 6 marks** Possible causes of Germany's surplus include: • More competitive in terms of labour costs • Strong manufacturing base • Previous investment in modern technology • Highly educated and productive workforce • Reputation for producing high quality, highly reliable goods • Has developed markets outside EU USA & UK deficits caused by: • Inability to compete with goods produced by low wage countries such as China • Until 2008-9, the dollar and sterling were overvalued • Relatively low productivity • UK's manufacturing base eroded during period of high exchange rate • High marginal propensity to import *If no reference to BOTH a deficit and a surplus country, then award a maximum of 14/20* *Evaluation (6 marks) points might include:* • *These are data for one year only – may not be maintained in the long run. Germany now suffering from crisis in euro zone* • *Significance depends on deficits/surplus as a percentage of GDP* • *Germany is in Euro zone and more competitive than other members* • *Trade in goods balance is just one part of the current account and may be balanced by surplus in trade in services account or in investment income* • *Deficit might be financed by inflows into the Financial Account*	**(20)**

Level	Mark	Descriptor

Level 1	1-7	Identification of points which have limited relevance
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)	Evaluate means by which trade imbalances could be reduced. **KAA: 21 marks; Evaluation: 9 marks** Methods include: • Measures taken by the German government/surplus countries to stimulate domestic consumption e.g. tax cuts; reduction in incentives to save *But tax cuts may be saved or spent on domestically produced goods rather than spent on imports* • Measures taken by the US and UK governments/deficit countries to promote saving e.g. tax free savings schemes *But these measures may be ineffective if interest rates are low and consumers continue to spend* • Supply side measures in US and UK/ deficit countries to increase productivity and competitiveness e.g. investment incentives; cuts in corporation tax; investment in education and training (could count as 3 points) *But these measures might involve extra public expenditure; they might result in increased inequality e.g. cuts in benefits and cuts in higher rates of income tax; time lags may be considerable* • Contractionary fiscal and monetary policies in deficit countries *But these measures might cause an increase in unemployment* • Protectionist measures by deficit countries / e.g. awarding major infrastructure projects to domestic companies; subsidies; tariffs. *But might be risk of retaliation* • Allow exchange rate adjustments i.e. depreciation of the dollar and pound and/or appreciation of the euro only if mechanism by which this may be achieved is included. *But this will depend on whether or not the Marshall-Lerner*	**(30)**

	condition is met. *Also: short run/long run effects: J curve* *N.B. If no reference to context e.g. in discussing protectionism then award a maximum of 24/30*	

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)	**KAA: 14 marks;** *Evaluation 6 marks* Accept analysis of different types of inequality e.g. income and wealth. Analysis that inequality between countries has decreased: • Closer integration of countries e.g. through trade liberalisation has resulted in increased living standards in developing countries *But: monopsony power of TNCs in developed economies might keep people in developing countries relatively poor* • Increased trade has resulted in rapid growth rates in countries such as China and India which have lifted large numbers of people out of poverty *But: some countries left behind e.g. those with civil wars such as Mali or wars with neighbours Sudan/South Sudan* • Differences in levels of foreign direct investment • Differences in the take up of technology/internet/broadband/mobile phones • Increased demand for commodities has resulted in an increase in prices so leading to an improvement in the terms of trade and higher living standards of some developing countries. *But: problem that supplies of some non-renewable commodities will be exhausted in the future so the decrease in inequality might be temporary; fluctuating commodity prices so reduction in inequality might be*	

	temporary Analysis that inequality within countries has increased: (these points may be used as evaluation) • Unskilled workers in developed countries have been priced out of the market by outsourcing of work to low wage countries *But: with rising transport and wage costs in developing countries, some companies are moving factories back to developed countries* • In developing countries, workers moving to industrialised areas likely to see their wages rise relative to those remaining in rural areas • Evidence that earnings of top 1% of workers has increased relative to those on middle incomes – related to global market for top executives/footballers/entertainers • Relative poverty within countries has increased e.g. because of fall in demand for unskilled labour in developed countries; industrialisation in developing countries *But governments can take measures to redistribute incomes.* *Further evaluative point:* • *Consideration of the difference between inequality of income and wealth* *If discussion relates to one country only or if there is no reference to the world economy, then award a maximum of 14/20*	**(20)**

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited relevance
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)	**KAA: 21 marks; Evaluation 9 marks** Policies include: • More progressive tax system *But a higher top rate of tax might have disincentive effects e.g. people and businesses relocating abroad*	

	• Increase in benefits to those on low incomes *But this could act as a disincentive to work for the unemployed* • Increase in the National Minimum Wage *But those on NMW are not necessarily in the poorest households e.g. someone in household could be on a high salary* • Increased opportunities for women in the workforce *But positive discrimination might result in an overall loss in productivity* • Increased incentives for women to join the workforce e.g. better and cheaper childcare *But cost of childcare might have to be met by the taxpayer* • Improved training and education for the unemployed *But difficulty of knowing what type of training to provide; cost of training must be met by firms or the government; also: quality, relevance and time lags* • Measures to reduce the geographical immobility of labour e.g. housing subsidies *But cost associated with this and problem of targeting subsidies effectively* • Reduction in indirect taxes *But: loss of tax revenue for the government which could have been used more directly to reduce inequality* • Improvements in health care, so increasing longevity/productivity *But: cost to the government* • Job creation schemes *But issues with quality and relevance to the needs of the economy* *N.B. Award a maximum mark of 24/30 if there is no reference to a specific country*	**(30)**

Level	Mark	Descriptor
Level 1	1-11	Identification of points which have limited relevance
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)	• Understanding of external debt relief: e.g. cancellation or partial cancellation of debt by developed economies/owed to other countries (1 mark); • Impact on Balance of Payments: reduction in interest outflows on 'investment income' section of current account (1 mark) • Leading to improvement in current account (1 mark) • Credit to 'capital transfers' on capital account (1mark) • Leading to improvement in capital and financial account (1 mark) • Example of one country from Figure 1 with data reference (1 + 1 marks)	**(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 application –see above

Question Number	Answer	Mark
4(b)	Possible benefits:(2 marks for identification; 4 for analysis i.e. 2 x 2 marks) • Better communications enables business to become more productive; easier to trade with other countries • Easier to make payments/development of informal banking system • Both of above would encourage FDI • Mobile phones/internet also allows markets to become more efficient; reducing barriers to entry on the supply side; and improving the flow of information reducing market failure on the demand side. • Creation of consumer society • Increased employment opportunities resulting from improved technology Analysis of above points could include impact on in	**(8)**

	aggregate demand, long run aggregate supply and economic growth 2 marks for 2 data references from the fifth paragraph e.g. 60 million mobile phones; market expanding at 20% per year; 40-fold fall in internet connection costs; 2 527% increase in internet usage between 2000 and 2011; 41% of population use mobile phones to pay for goods or specific examples of new technology e.g.fibre optic cables. 2 marks for identification; 2 for application and 4 for analysis.	

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 effects
Level 2	3-4	2 marks for identification of 2 effects; 2 for application as indicated above
Level 3	5-8	2 marks for identification of 2 effects; 2 for application as indicated above and 4 for analysis

Question Number	Answer	Mark
4(c)	Meaning of poverty e.g. absolute poverty – inadequate resources to meet basic human needs of food, water, shelter, clothing or measurement: those living on less than $1.25 a day. (Allow: $1 / $1.50 / $2.00) (1 mark for either verbal description or monetary measure) OR Meaning of relative poverty – Relative poverty refers to those who fall below a certain threshold income or below the poverty line in a country. (Allow measurement of relative poverty: e.g. the % of the population living below 50% or 60% of the median household income. (1 mark) Data references: e.g. astonishing growth in number of billionaires and millionaires; 100% increase in number of people spending $2.20 a day; or examples from own knowledge. (2 marks for 2 data references) Possible impact (Analysis: up to 3 marks for any analysis of one point or 2 + 1 marks;): • With higher real incomes, more people should be	

	lifted out of poverty: "the wealth is trickling down" *But: differential impacts e.g. males/females; urban/rural communities.* • Associated analysis of the trickle down effect *But: economic growth might be associated with increased inequality so may be limited impact* • Increase in consumption *But Africa still one of the poorest continents on earth – most live off less than $1 a day* • Increased tax revenues which could be used to redistribute incomes or to improve public services *But: tax evasion and avoidance; inefficient tax collection systems* • Increased employment *But depends on sources of growth* *Other evaluative comments:* • *Poverty difficult to determine because of subsistence agriculture* • *Economic growth rates vary between countries so impact will vary across Africa* • *Corruption/military expenditure/interest payments on debt/expenditure on prestigious projects/droughts/civil wars ….might limit the impact of growth on poverty* • *Could contast impacts on absolute and relative poverty* *Marks for evaluation (points in italics above): 2 + 2 or 3 + 1.*	(10)

Level	Mark	Descriptor
Level 1	1-3	1 mark for understanding of poverty; 2 for application (reference to 2 relevant examples from the extract/data)
Level 2	4-6	1 mark for understanding of poverty; 2 for application (reference to 2 relevant examples from the extract/data); 3 for analysis.
Level 3	7-10	1 mark for understanding of poverty; 2 for application (reference to 2 relevant from the extract/data); 3 for analysis; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question Number	Answer	Mark
4(d)	Key reasons (Up to 5 marks for knowledge and analysis; maximum 2 marks for identification only): • Increased demand and value of commodities found in African countries – leading to improved terms of trade, increased foreign currency earnings from exports (could count as 2 points) *But: an increase in the terms of trade would reduce*	

	competitiveness of the country's goods and services; possibility that price rises will not be maintained in the long run • Lower birth rates – leading to decreased dependency ratios *But: may have greater proportion of elderly people in the longer term.* *Also, problems such as AIDs, famines and civil wars might reduce the size of the workforce* • Improvements in infrastructure – leading to increased productivity *But: evidence that infrastructure is still deficient e.g. power cuts* • Increases foreign direct investment e.g. from China *But: possible exploitation of labour and resources by TNCs* • Improvements in education; • Aid from developed economies; • Improvements in governance; • Property rights allocated and enforced; rule of law upheld For the 2 application marks, there should be reference to 2 relavant examples either from extract or own knowledge. These could be countries or groups of products. *Evaluation marks (points in italics above): 2 +3; or 2 + 2 + 1.*	**(12)**

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 reasons;
Level 2	3-7	2 marks for identification of 2 reasons; 2 for application (reference to 2 relevant examples); 3 for analysis of at least 2 reasons
Level 3	8-12	2 marks for identification of 2 reasons; 2 for application (reference to 2 relevant examples); 3 for analysis of at least 2 reasons; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

Question Number	Answer	Mark
4(e)	**For knowledge, application and analysis**: **9 marks** for up to 3 points (up to 5 marks for any one point) *Evaluation: 6 marks: (3 + 3; 4 + 2; or 2 + 2 + 2 marks)* Factors include: • Poor quality of education so human capital is weak resulting in low productivity • Poor infrastructure: interruptions to power supplies disrupting production so reducing economic growth • Corruption: resulting in an inefficient allocation of resources and deterring FDI. This factor is also likely to reduce economic growth. • Conflicts over land and water resulting from climate change • Problems regarding internal security • Primary product dependency • Natural environment • Debt Also allow as a third issue: • Geography: some countries are landlocked and far away from large markets • Legacy of colonialism • Diseases e.g. HIV/AIDs; malaria • Poor health care *Evaluation:* • *Rapid rates of growth in some countries will enable more resources to be devoted to health and education* • *FDI is increasing rapidly because countries such as China wish to gain access to raw materials and land* • *More democracy might reduce corruption* • *Internal security issues may be short term only* **Application: 2 marks may be awarded for any 2 relevant examples from extract** **N.B. If there is no reference to any of the factors identified in Extract 1, then award a maximum of 13/15.** **If the answer makes no reference to economic development (either explicitly or implicitly) then award a maximum of 7/9 marks for KAA.** **Therefore, an answer which makes no reference to any of the factors in Extract 1 or to economic development may only achieve a maximum of 11/15.**	15

Level	Mark	Descriptor
Level 1	1-4	Identification of one or two factors with superficial analysis
Level 2	5-9	Identification, applcation and and analysis of at least two factors
Level 3	10-15	At least two factors analysed well with at least one convincing evaluative comment

Question Number	Answer	Mark
5(a)	• Definition of GDP or change in GDP or GDP per capita:(1 mark) OR Distinction between GDP and GDP per capita (1) • Population has been increasing steadily and for most of the period GDP per capita has been increasing in the same period(1) OR because GDP per capita rising, so must GDP (1) • GDP has risen (1) • This implies that GDP has been increasing at a faster rate than population (2) Application: Specific data references to population growth from Figure 2 (1) and to change in GDP per capita from Figure 1 (1)	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 data references

Question Number	Answer	Mark
5(b)	Factors include:(2 marks for identification; 4 for analysis i.e. 2 x 2 marks) • Wealth of natural resources • High interest rates • Foreign direct investment • QE in other countries has caused their currencies to depreciate against the *real* • Significant growth in manufacturing and services suggesting that exports have	

	increased • Speculative reasons • Brazil as a safe haven 2 marks for 2 data references from Extract 1 e.g. 40% increase in value of *real*; in 2011, Brazil attracted $50.5bn in FDI; privatisations in 1990s attracted FDI from China and US. 2 marks for identification; 2 for application and 4 for analysis (This should include transmission mechanisms) .	8

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 reasons
Level 2	3-4	2 marks for identification of 2 reasons; 2 for application as indicated above
Level 3	5-8	2 marks for identification of 2 reasons; 2 for application as indicated above and 4 for analysis

Question Number	Answer	Mark
5(c)	Understanding of the impact of an appreciation of the *real:* Higher price (in foreign currency) of Brazil's exports; Lower price of imports into Brazil (in domestic currency). (1 mark) Data references: e.g. 40% increase in value of the *real* or comment on magnitude of rise; dependence on primary products such as sugarcane, coffee and tropical fruit. (2 marks for 2 data references) Possible effects: (Up to 3 marks for any analysis of one point or 2 + 1 marks): • Lower import prices for intermediate goods, raw materials reduces price level and improves competitiveness in the long-run • Loss of competitiveness of Brazil's goods and	

	services (resulting from an increase in its terms of trade): could lead to a deterioration in its current account balance (depends on whether or not Marshall-Lerner condition is fulfilled) • *But: there would be a reduction in the cost of imported raw materials* • If commodity boom ends, then Brazil would suffer a fall in the value of its exports so causing a deterioration of its current account. *But this depends on the price elasticity of demand for its exports of commodities.* • Less attractive for FDI which would cause a fall in inward flows into the financial account of the Balance of Payments *But: if price of commodities continues to remain high, then Brazil will still be attractive to TNCs as living standards will continue to increase* • Brazil's wealthy individuals might increase investments abroad (outward flow from the financial account) but would receive interest, profits and dividends in the medium term (inward flow to the current account) • Impact on capital and financial accounts: e.g. could lead to increase in overseas investment. *Marks for evaluation (points in italics above): 2 + 2 or 3 + 1.*	10

Level	Mark	Descriptor
Level 1	1-3	1 mark for understanding of appreciation of the *real*; 2 for application (reference to 2 relevant examples)
Level 2	4-6	1 mark for understanding of appreciation of the *real*; 2 for application (reference to 2 relevant examples); 3 for analysis.
Level 3	7-10	1 mark for understanding of appreciation of the *real*; 2 for application (reference to 2 relevant examples); 3 for analysis; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question Number	Answer	Mark
5(d)	Possible problems include: Key reasons (Up to 5 marks for knowledge and analysis; maximum 2 marks for identification only): • Price volatility (price inelastic supply and demand) making it difficult to plan investment and output *But possibility of reducing risks by modern farming methods and diversification by producers* • When prices of primary products are rising, then the exchange rate of the currency is likely to appreciate. *But this would make imports cheaper e.g. of capital goods* • Fluctuations in producers' revenues *But these could be offset by futures contracts/hedging* • Income inelastic demand for primary products – so incomes of countries producing these products will rise less quickly than countries producing manufactured goods or services *But demand for some of Brazil's primary products are likely to be income elastic e.g. tropical fruit, beef, oil* *However, if demand is income elastic, then it makes producers more vulnerable to world recessions* • Danger of declining terms of trade (reference may be made to the Prebisch-Singer Hypothesis) – leading to relative fall in living standards *But: primary product prices have been increasing over the last decade* • Some primary products are finite and resources might eventually be exhausted *But income gained may be used to diversify into other products* • Lack of diversification so no balanced growth across the sectors of the economy leading to risk of shocks, lack of structural change *But country may have comparative advantage in primary*	12

	products so resources are being used in most efficient way *Evaluation marks (points in italics above): 2 +3; or 2 + 2 + 1.*	

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of two problems;
Level 2	3-7	2 marks for identification of two problems; 2 for application (reference to 2 relevant examples); 3 for analysis of at least 2 reasons
Level 3	8-12	2 marks for identification of two problems; 2 for application (reference to 2 relevant examples); 3 for analysis of at least 2 reasons; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

Question Number	Answer	Mark
5(e)	**For knowledge, application and analysis**: **9 marks** for up to 3 points (up to 5 marks for any one point) *Evaluation: 6 marks: (3 + 3; 4 + 2; or 2 + 2 + 2 marks)* Benefits include: • Economic growth: investment is an injection into the circular flow and will have a multiplier effect on GDP *But multiplier may be small* • Increased employment *But: these may be low skill jobs if the TNC brings its own managers and skilled workers* • Increase in skills of the workforce if TNCs invest in training *But would not be the case if only unskilled jobs are created* • Reduction in absolute poverty *But possibility of increased inequality* • Increased tax revenues *But tax avoidance schemes might be used by TNCs* • Technology transfer/New management techniques *But domestic firms might not benefit if*	

	technologies are protected by patents • For balance of payments: inflow into financial account; in medium term inflow into current account because of increase in exports *But: outflow from current account in long term in form of interest, profits and dividends* Other evaluative comments: • *External costs: e.g. resulting from deforestation; pollution from extra traffic and factories* • *Finite resources might be exhausted more quickly than would otherwise be the case* • *Exploitation of labour: low wages; use of child labour* • *Political influence of TNCs e.g. influence on tax policies* **Application: 2 marks may be awarded for any 2 relevant examples from own knowledge/use of Figure3/extract** **N.B. If there is no reference to any country(s) or to Figure 3 then award a maximum of 7/9 marks for KAA**	15

Level	Mark	Descriptor
Level 1	1-4	Identification of one or two factors with superficial analysis
Level 2	5-9	Identification, applcation and analysis of at least two factors
Level 3	10-15	At least two factors analysed well with at least one convincing evaluative comment

Unit 4 Assessment Grid JUNE 2013

Question Number	AO1 Marks	AO2 Marks	AO3 Marks	AO4 Marks	Total marks for question
Section	**Knowledge**	**Application**	**Analysis**	**Evaluation**	
A					
Qu.1(a)	4	4	6	6	20
Qu.1(b)	6	6	9	9	30
Total	**10**	**10**	**15**	**15**	**50**
Qu.2(a)	4	4	6	6	20
Qu.2(b)	6	6	9	9	30
Total	**10**	**10**	**15**	**15**	**50**
Qu.3(a)	4	4	6	6	20
Qu.3(b)	6	6	9	9	30

Total	**10**	**10**	**15**	**15**	**50**
B					
Qu.4(a)	3	2			5
Qu.4(b)	2	2	4		8
Qu.4(c)	1	2	3	4	10
Qu.4(d)	2	2	3	5	12
Qu.4(e)	2	2	5	6	15
Total	**10**	**10**	**15**	**15**	**50**
Qu.5(a)	3	2			5
Qu.5(b)	2	2	4		8
Qu.5(c)	1	2	3	4	10
Qu.5(d)	2	2	3	5	12
Qu.5(e)	2	2	5	6	15
Total	**10**	**10**	**15**	**15**	**50**
Combined % (A + B)	**20**	**20**	**30**	**30**	**100**

GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04 June 2013

Level	Part (a) Questions: Performance Criteria for Mark base 20	
Level 1	1-7	• Displays knowledge presented as facts without awareness of other viewpoints • Demonstrates limited understanding with little or no analysis • Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear • None of the assessment objectives are covered satisfactorily *Identification of points which have limited relevance*
Level 2	8-10	• 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 • Displays a limited ability to select and apply different economic ideas • Evidence presented has a basic relevance *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	• 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 • Shows some ability to apply economic ideas and relate them to economic problems • Employs different approaches to reach conclusions, presenting evidence with some relevance and coherence *Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation*
	11-12	Award in this range for 2 factors and 1 evaluative comment (or 3 factors with no evaluation) which are *not* well developed/reasoned
	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	• Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved • Demonstrates an ability to select and apply economic ideas and to relate them to economic problems • Evidence of some evaluation of alternative approaches leading to conclusions which are presented in a relevant and coherent way *Typically, answers will consider 3 factors with 1 evaluative point*
Level 5	17-20	• Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues • Demonstrates an outstanding ability to select and apply economic ideas to economic problems • Evaluation is well balanced and critical leading to valid conclusions • Material is presented in a relevant, clear and coherent way with evidence fully and reliably integrated • Excellence is displayed across all assessment objectives *Typically, answers will consider 3 factors with 2 evaluative points*

GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04 June 2013

Level	Part (b) Questions: Performance Criteria for Mark base 30	
Level 1	1-11	• Displays knowledge presented as facts without awareness of other viewpoints • Demonstrates limited understanding with little or no analysis • Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear • None of the assessment objectives are covered satisfactorily *Identification of points which have limited relevance*
Level 2	12-15	• 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 • Displays a limited ability to select and apply different economic ideas • Evidence presented has a basic relevance *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	• 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 • Shows some ability to apply economic ideas and relate them to economic problems • Employs different approaches to reach conclusions, presenting evidence with some relevance and coherence *Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation*
	16-18	Award in this range for 3 factors and 1 evaluative comment (or 4 factors with no evaluation) which are *not* well developed/reasoned
	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	• Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved • Demonstrates an ability to select and apply economic ideas and to relate them to economic problems • Evidence of some evaluation of alternative approaches leading to conclusions which are presented in a relevant and coherent way *Typically, answers will consider 4 factors with 2 evaluative points*
Level 5	26-30	• Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues • Demonstrates an outstanding ability to select and apply economic ideas to economic problems • Evaluation is well balanced and critical leading to valid conclusions • Material is presented in a relevant, clear and coherent way with evidence fully and reliably integrated • Excellence is displayed across all assessment objectives *Typically, answers will consider 4 factors with 3 evaluative points*

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