



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel GCE A Level
in Economics (6EC04)

Paper 01 The Global Economy

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Summer 2017

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

****SECTION A: 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 mark scheme can cover all possible responses. Therefore, reward analysis which is relevant to the question even if this is not specifically identified in the mark scheme.

Question Number	Answer	Mark
<p>1 (a)</p>	<p>KAA 14; EV 6.</p> <p>Causes include:</p> <ul style="list-style-type: none"> • Expected/actual increase in base interest rate..... causing inflow of money into USA banks so increasing the demand for dollars and an appreciation of the exchange rate <i>But: this impact may be diminished if other countries raise interest rates also</i> • Strength of the US economy relative to that of other major economies e.g. strong data relating to GDP, employment/unemployment, productivity <i>But: this may be a temporary phenomenon</i> • Improvement in US trade balance <i>But: could be offset by other components of B/P</i> • Further, a relatively strong economy makes FDI more attractive, improving the financial account of the balance of payments and so increasing demand for dollars <i>But: other factors may be more significant in influencing FDI e.g. FDI to develop a country's natural resources</i> • Relative weakness of other major economies e.g. China, eurozone countries <i>But: in China's case, its growth rate is still significantly higher than that of USA</i> • US inflation rates low relative to some of its trading partners • Expectation that there will be an increase in interest rates in the USA and/or cut in interest rates in other countries/speculatio <p>NB: generic answers/not related to the dollar should receive a maximum of 16/20</p>	<p>(20)</p>

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)	<p>KAA: 21; Ev: 9</p> <p>Effects on US economy include impact on:</p> <ul style="list-style-type: none"> • The trade balance: Likely to deteriorate because imports will become cheaper while exports will become more expensive <i>But: this depends on whether the Marshall-Lerner condition is met. Also reference to short-run/long-run effects – J curve analysis. Non-price factors may be more significant than exchange rate changes.</i> • The rate of economic growth: Could fall if net exports decrease <i>But: this may be offset by increases in other components of aggregate demand.</i> • Unemployment may increase (as a result of the fall in rate of economic growth) <i>But: much will depend on the other components of aggregate demand</i> • Rate of inflation may fall (as a result of lower import costs) <i>But: an increase in other components of AD could offset downward inflationary pressures</i> • On standards of living: An increase in the exchange rate implies that less has to be exported to gain a given quantity of imports, implying an increase in living standards <i>But: if the fall in competitiveness has an adverse impact on economic growth then living standards may fall</i> • Possible negative impact on tourism. <p>Effects on other countries could include:</p> <ul style="list-style-type: none"> • Increase in exports to USA and decrease in imports from USA with implications for current accounts of their balance of payments • Increase in debt burden if countries have debts in dollars • Foreign companies would experience an increase in profits earned in USA <p>Must make specific reference to the dollar, otherwise maximum of 24/30</p>	(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)	<p>KAA: 14; Ev: 6</p> <p>Factors include:</p> <ul style="list-style-type: none"> • Exchange rate <i>But under a system of floating exchange rates, the impact could be short-term only</i> • Productivity which may be influenced by <ul style="list-style-type: none"> ~ Training and skills ~ Quality of capital and capital per worker ~ Quality of management ~ Methods of production ~ Quality of infrastructure <i>But: the relationship between wages and productivity is crucial in determining competitiveness</i> • Wage costs e.g. national minimum/living wage <i>But: higher wages could act as incentive for workers to increase their productivity</i> • Non-wage costs e.g. employers' national insurance <i>But: these may not be significant in labour intensive industries</i> • Regulations e.g. employment protection; environmental regulations; health and safety regulations; ease of setting up a business <i>But: some regulations might contribute to increased competitiveness e.g. safety regulations for products</i> • Power of trade unions and their impact on wage costs • Property rights • Rule of law • Degree of corruption <p>NB: generic answers should receive a maximum of 16/20</p>	(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)	<p>KAA: 21; Ev: 9</p> <p>Measures could be by firms e.g. investment in</p> <ul style="list-style-type: none"> • R & D • Innovation • Marketing • Training <p><i>But: above measures may not occur because of cost; lack of confidence; government policy</i></p> <p>Or: Measures could be by governments e.g.</p> <ul style="list-style-type: none"> • Supply-side policies designed to increase productivity e.g. education and training; Tax incentives for investment; Measures to increase competition e.g. incentives to small firms; regulation of monopolies and oligopolies Measures to increase migration Reduction in regulations <p><i>But: supply side policies would be ineffective if aggregate demand is very low</i></p> <ul style="list-style-type: none"> • For Greece and Portugal: decision to leave eurozone so facilitating a depreciation of their currencies • Measures to engineer a depreciation in the exchange rate e.g. quantitative easing <p><i>But: danger that inflation would rapidly erode the increase in competitiveness</i></p> <ul style="list-style-type: none"> • Cut in interest rates by the Bank of England could help to stimulate investment and so lead to an increase in productivity <p><i>But: other factors e.g. expected return of investment may be more significant than interest rates</i></p> <p><i>Other evaluative points could include:</i></p> <ul style="list-style-type: none"> • <i>Difference between short-run and long-run effects</i> • <i>Magnitude of impact of policy measures</i> <p>If no examples of countries, award a maximum of 24/30</p>	(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
<p>3(a)</p>	<p>KAA: 14; Ev: 6</p> <ul style="list-style-type: none"> • Significance of a low savings ratio: inadequate funds for investment resulting in limited capital accumulation, low growth and low incomes (Harrod-Domar model) <i>But the low savings ratio could be filled by FDI, aid, debt cancellation.</i> <p>A thorough discussion of the savings gap could count as two points.</p> <p>Other factors include:</p> <ul style="list-style-type: none"> • Primary product dependency <i>But less of an issue if prices of primary products are rising; some countries have developed on the basis of specialisation in primary products</i> • Foreign exchange gap <i>But could be offset by debt cancellation</i> • Protectionism by developed economies <i>But WTO active in bringing about a reduction in tariffs</i> • Debt <i>But could be offset by debt cancellation</i> • Rapid population growth: creating a high dependency ratio <i>But: larger markets will be created in the future and larger workforces</i> • Poor education and health care • Poor/inadequate infrastructure; land-locked countries • Corruption; poor governance • Political instability; Civil wars • Diseases e.g. AIDS <p><i>Other evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>Prioritisation of constraints</i> • <i>Some constraints may be of a short term nature only</i> • <i>High savings might limit consumption and growth</i> <p>If no examples of countries, award a maximum of 16/20</p> <p>If only the low savings ratio is considered, then maximum 14/20</p>	<p style="text-align: center;">(20)</p>

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited irrelevance
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>KAA: 21; Ev:9</p> <p>Issues which might be considered include:</p> <ul style="list-style-type: none"> • Infant industry argument: firms need protection to grow sufficiently large to gain economies of scale and so be able to compete in global markets <i>But: may result in inefficiency and ultimately reduce the rate of growth</i> • To promote industrialisation. In turn, workers move from relatively lowly paid and poorly productive jobs in rural economy to better paid and more productive jobs in manufacturing <i>But: may not be desirable if the country has a comparative advantage in primary products</i> • Might promote investment in capital equipment which will help to boost economic growth via the multiplier effect <i>But: investment may be by TNCs who repatriate profits</i> • Industrialisation could lead to export-led growth <i>But: makes the economy more susceptible to global external shocks</i> • Provides increased employment opportunities <i>But: danger of exploitation of labour</i> • To prevent dumping from developed economies <i>But: danger of retaliation</i> • Use of tariff diagram to analyse impact on imports and growth <i>But: distortion of comparative advantage might limit growth in the long run</i> <p>NB: candidates may discuss the case against protectionism as KAA e.g.</p> <ul style="list-style-type: none"> • Protectionism may lead to a misallocation of resources <i>But: could be justified if there was dumping by other countries</i> • May promote complacency and inefficiency in manufacturing industries <i>But could enable domestic industries to grow and benefit from economies of scale</i> • May be against WTO agreements 	(30)

	Must provide examples of countries, otherwise maximum of 24/30	
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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)	<p>Answers might include (1 + 1 + 1):</p> <ul style="list-style-type: none"> • Definition of real GDP growth (1) • Definition of standard of living (1) • Significance of real GDP per capita (1) • Real GDP growing more rapidly than population(1) • Comment on link between GDP and living standards (1) <p>Application (2 marks): Specific relevant data references e.g. 1.8% increase in population between 2013 and 2014 (1) while real GDP growth was 5.4% (1) so indicating a rise in living standards (1)</p> <p>3 marks for knowledge 2 for application/i.e. 2 data references</p>	(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
4(b)	<p>Basic Lorenz curve diagram : 2 marks awarded as follows: Axes correctly labelled 1 mark; Line of income equality (45° line) and initial Lorenz curve: 1 mark.</p> <div data-bbox="411 501 1166 999" style="text-align: center;"> </div> <p>Analysis (4 marks) 2 marks for: Correctly indicating new Lorenz curve for closer to the original Lorenz curve</p> <p>And: 2 marks for any one of the following:</p> <ul style="list-style-type: none"> • Measurement of Gini coefficient: $\text{Area A (between } 45^\circ \text{ line and Lorenz curve)} \div \text{Area A + B (whole area under } 45^\circ \text{ line)}$ • Decrease in inequality reflected in decrease in Gini coefficient <p>Application (2 marks): Data reference from Extract 1: decrease in Gini coefficient from 0.6 to 0.48 between 2005 and 2013</p>	(8)

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of two points
Level 2	3-4	2 marks for identification; 2 for application – 2 data references
Level 3	5-8	2 marks for identification; 2 for application – 2 data references, and 4 for analysis of the 2 points identified.

Question Number	Answer	Mark
4(c)	<p>Policies include (2 + 2 or 1 + 3 marks) of which 1 mark for identification of 1 factor:</p> <ul style="list-style-type: none"> • Nationalisation of gas and oil Profits from these industries could be used by the state • Measures to redistribute incomes e.g. cash transfers to young mothers The poor have a higher marginal propensity to consume than the rich, leading to higher consumption and an increase in aggregate demand • Infrastructure projects • Increase in national minimum wage This benefits workers on low incomes who also have a high marginal propensity to consume <p>Application: (2 marks): 2 data references or relevant examples e.g.</p> <ul style="list-style-type: none"> • 276% increase in the minimum wage since 2006 • \$500 million a year has been spent on cash-transfers to the elderly, children and pregnant women • Relevant quote from Extract 1 e.g. 'demanded a bigger share of revenues' <p><i>Evaluation (up to 4 marks: 2 + 2; 3 +1):</i></p> <ul style="list-style-type: none"> • <i>Danger of fall in commodity prices (which has happened) so causing a slowdown in growth</i> • <i>Danger that redistributive policies could cause disincentive effects e.g. higher welfare benefits to the unemployed</i> • <i>A higher minimum wage could cause unemployment and cause a fall in the real incomes of these households</i> • <i>Policies might cause a reduction of FDI if corporate taxes are increased</i> 	(10)

Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of one factor; 2 for application
Level 2	4-6	1 mark for identification of one factor; 2 for application 3 for analysis.
Level 3	7-10	1 mark for identification of one factor; 2 for application); 3 for analysis; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question Number	Answer	Mark
4(d)	<p>Possible benefits include: (up to 5 marks; maximum 2 for identification only) and <i>5 marks for evaluation</i>:</p> <ul style="list-style-type: none"> • Specialisation based on law of comparative advantage leading to an increase in the rate of economic growth and higher living standards <i>But: argument that development is associated with industrialisation</i> • Improvement in the current account of the balance of payments when prices of agricultural products are rising <i>But: problems of large price fluctuations associated with price inelastic demand and supply. Also, price fall more recently</i> • Reduction in unemployment because agriculture tends to be labour intensive in developing countries <i>But: inflationary pressures may limit the increase in competitiveness (or may be only a short term benefit)</i> • High income elasticity of demand for some agricultural products e.g. quinoa <i>But: in a recession, demand may fall significantly</i> <p>Application (2 x 1 mark) e.g.</p> <ul style="list-style-type: none"> • Soya represents about 60% of national farming yield • Soya alone represents Bolivia's third-biggest source of foreign exchange • Government plans to boost the area of land under cultivation from 2.7 million hectares in 2014 to 4.5 million hectares by 2020 • Increased price of quinoa: \$1 in 2007 to almost \$5 in 2014 • Quinoa exports soared from 4,900 tonnes in 2005 to 35,000 tonnes in 2013 • Reference to Fig 2: significance of agriculture to Bolivian economy <p><i>Evaluation marks (points in italics above): 2 + 3; or 2 + 2 + 1.</i></p>	(12)

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 benefits;
Level 2	3-7	2 marks for identification of 2 benefits; 2 for application as indicated above; 3 for analysis of at least 2 issues
Level 3	8-12	2 marks for identification of 2 benefits; 2 for application as indicated above; 3 for analysis of at least 2 issues; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

Question Number	Answer	Mark
4 (e)	<p>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)</p> <p>Issues considered could include:</p> <ul style="list-style-type: none"> • Diversification away from dependence on primary products and reducing sectoral imbalance <i>But: may not be appropriate if Bolivia does not have a comparative advantage in tourism</i> • Foreign direct investment may increase e.g. in new infrastructure. This would cause an increase in both AD and LRAS so causing an increase in real output and incomes <i>But: profits could be repatriated to global companies abroad</i> • Economic growth Demand for tourism likely to be income elastic. Therefore, if world growth is positive, demand for tourism will increase more than proportionately <i>But: will be subject to fluctuations related to state of the global economy</i> • Impact of balance of payments Tourism benefits the current account through the services balance and the financial account through FDI <i>But: Imports may increase to meet the needs of tourists e.g. food and profits could be repatriated to global companies abroad</i> • Employment Tourism is a labour intensive industry so many jobs could be created <i>But: these may be low paid and seasonal</i> • Public finances: Increased tax revenues: may increase as a result of revenues from increased employment, expenditure by tourists; tourist taxes <i>But increased public expenditure on waste disposal, policing, infrastructure</i> <p><i>Additional evaluative point:</i></p> <ul style="list-style-type: none"> • <i>Environmental impact: negative externalities e.g. pollution, waste, water supply</i> <p>NB If answer focuses solely on economic growth then maximum 7/9 for KAA</p>	(15)

Level	Mark	Descriptor
Level 1	1-4	2 marks for identification of 2 issues; 2 for application (2 data references/examples)
Level 2	5-9	2 marks for identification of 2 issues; 2 for application (2 data references/examples); 5 for analysis of at least 2 issues
Level 3	10-15	2 marks for identification of 2 issues; 2 for application (2 data references/examples); 5 for analysis of at least 2 issues; 6 marks for up to 3 evaluative points (3 + 3; 4 + 2; or 2 + 4; or 2 + 2 + 2)

Question Number	Answer	Mark
5(a)	<p>Answers might include: (1 + 1 + 1: up to 2 marks for identifying 2 factors and 1 mark for explanation of either of them)</p> <ul style="list-style-type: none"> • Increase in GNI per capita; • Increase in expected years of schooling at age 4/ mean years of schooling; • Increase in life expectancy • Only 1 mark for a simple definition of HDI listing its components <p>Application: 2 specific data references from Figure 1:</p> <ul style="list-style-type: none"> • Recognition of rise in HDI (1) • Reference to data: 1990: 0.5 (1); 2014: just over 0.7 (1) <p>3 marks for knowledge 2 for application/i.e. 2 data references</p>	(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 2 data references

Question Number	Answer	Mark
5(b)	<p>Knowledge and analysis: 6 marks (For each point: 1 for identification and 2 for explanation)</p> <p>Possible reasons include:</p> <ul style="list-style-type: none"> • Rebalancing of economy to the higher value added services sector so promoting economic growth. • Provide more employment opportunities since many service industries are labour intensive • Loss of comparative advantage in some manufacturing industries • To meet growing demand from more affluent consumers – demand for many services is income elastic <p>Application: 2 marks for data reference: e.g. services sector accounted for less than 35% of GDP in 1995 to about 47% in 2014 (figure 2); and to 50.5% in 2015 (Extract 1)</p>	(8)

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of two points
Level 2	3-4	2 marks for identification; 2 for application
Level 3	5-8	2 marks for identification; 2 for application, and 4 for analysis of the 2 points identified.

Question Number	Answer	Marks
5(c)	<p>Factors include (2 + 2 or 1 + 3 marks) of which 1 mark for identification of 1 factor:</p> <ul style="list-style-type: none"> Increasing consumer debt and increase in debt servicing costs – might result in a higher savings ratio <i>But: higher consumer spending is a component of aggregate demand and could contribute to growth</i> Over-supply of housing and factories resulting in a fall in investment resulting in a downward multiplier effect on GDP <i>But: could be offset by public sector investment on infrastructure</i> Fall in global stock markets and commodity prices associated with fall in confidence which deter consumption and investment <i>But: Housing market is still strong creating a positive wealth effect</i> Weak economic growth in other countries e.g. eurozone countries; BRICs <i>But: may be offset by measures to stimulate domestic demand</i> <ul style="list-style-type: none"> Fall in exports could be associated with loss of competitiveness <p>Application: (2 marks): 2 data references or relevant examples e.g.</p> <ul style="list-style-type: none"> Only 6.9% rate of economic growth in 2015 Consumer debt increased by 18.2% in 2015. Total debt was almost 260% of annual economic output in 2015 (1) , up from less than 160% in 2007 (1) Exports accounted for 34.9% (1) of GDP in 2007 but only 22.6% in 2014 (1) <p><i>Other evaluative comments (up to 4 marks: 2 + 2; 3 +1) could include:</i></p> <ul style="list-style-type: none"> <i>Prioritisation with reason</i> <i>Short run/long run influences</i> <i>Magnitude of impact of each factor</i> <i>Data may be inaccurate</i> 	(10)

Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of 1 factor; 2 for application
Level 2	4-6	1 mark for identification of 1 factor; 2 for application; 3 for analysis of 2 factors.
Level 3	7-10	1 mark for identification of 1 factor; 2 for application; 3 for analysis of 2 factors; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question Number	Answer	Mark
5(d)	<p>Effects include (up to 5 marks; maximum 2 for identification only) and <i>5 marks for evaluation</i>:</p> <ul style="list-style-type: none"> • Fall in oil and gas prices and commodity prices This could stimulate growth in importing countries because leakages are reduced <i>but could have an adverse effect on countries exporting primary products</i> • Slower growth in countries dependent on exports to China with implications for unemployment <i>But: could be offset by the fall in cost of importing primary products</i> • Fall in foreign direct investment to/from China <i>This may be especially significant for developing countries</i> • Fall in share prices and danger of negative wealth effect <i>But this may be short-term only and offset by expansionary policies in other countries e.g. quantitative easing in the eurozone</i> • Lower investment in other countries associated with falling confidence with implications for economic growth <p>Application (2 marks): 2 data references/examples e.g. from Figure 3 or examples from own knowledge</p> <p><i>Evaluation marks (points in italics above): 2 + 3; or 2 + 2 + 1.</i></p>	(12)

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 effects
Level 2	3-7	2 marks for identification of 2 effects; 2 for application; 3 for analysis of 2 reasons
Level 3	8-12	2 marks for identification of 2 effects reasons; 2 for application (e.g. 3 for analysis of 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)	<p>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)</p> <p>Reduction in interest rates could cause:</p> <ul style="list-style-type: none"> • Depreciation in the yuan – leading to an increase in competitiveness of Chinese goods and services <i>But: could would be ineffective if other currencies of other countries depreciate; also could lead to capital flight</i> • Increase in consumption and investment leading to an increase in economic growth <i>But: consumer debt is already very high; also surplus factory capacity in China and slowdown in global economy may deter investment</i> • Possibility of an increased rate of inflation caused by higher import costs and/or increased consumption and investment <i>But: this may be offset by falling global energy and commodity prices</i> <p>Increase in public expenditure could cause:</p> <ul style="list-style-type: none"> • Increase in economic growth via the multiplier effect <i>But: this could be offset by a decrease in other components of aggregate demand</i> • Deterioration in budget surplus <i>But: if there is an increase in economic growth then tax Revenues may increase</i> • Improvement in China’s infrastructure and increase in aggregate supply <i>But much will depend on how the extra public expenditure is spent</i> <p><i>Must use specific data references relating to the Chinese economy. Otherwise, maximum 7/9 marks for KAA.</i></p>	(15)

Level	Mark	Descriptor
Level 1	1-4	2 marks for identification of 2 points; 2 for application
Level 2	5-9	2 marks for identification of 2 points; 2 for application, 5 for analysis of at least 2 issues
Level 3	10-15	2 marks for identification of 2 points; 2 for application 5 for analysis of at least 2 issues; 6 marks for up to 3 evaluative points (3 + 3; 4 + 2; or 2 + 4; or 2 + 2 + 2)

GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04

Level	Part (a) Questions: Performance Criteria for Mark base 20	
Level 1	1-7	<ul style="list-style-type: none"> • 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 <p><i>Identification of points which have limited relevance</i></p>
Level 2	8-10	<ul style="list-style-type: none"> • 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 <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"> • 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 <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 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	<ul style="list-style-type: none"> • 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 <p><i>Typically, answers will consider 3 factors with 1 evaluative point</i></p>
Level 5	17-20	<ul style="list-style-type: none"> • 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 <p><i>Typically, answers will consider 3 factors with 2 evaluative points</i></p>

GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04

Level	Part (b) Questions: Performance Criteria for Mark base 30	
Level 1	1-11	<ul style="list-style-type: none"> • 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 <p><i>Identification of points which have limited relevance</i></p>
Level 2	12-15	<ul style="list-style-type: none"> • 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 <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"> • 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 <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 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	<ul style="list-style-type: none"> • 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 <p><i>Typically, answers will consider 4 factors with 2 evaluative points</i></p>
Level 5	26-30	<ul style="list-style-type: none"> • 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 <p><i>Typically, answers will consider 4 factors with 3 evaluative points</i></p>