



Examiners' Report

June 2023

International Advanced Level Economics WEC14 01

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Introduction

This is the June series for assessment of WEC14 Developments in the global economy. The examination tests the candidates' abilities to select and apply appropriate economic concepts, theories and techniques in a variety of contexts. As Unit 4 is a synoptic unit, the examination may draw on material from Units 1, 2 & 3.

In **Section A**, the multiple-choice section, candidates performed best on primary product dependency (Question 1). The question with the focus on terms of trade was the least well answered question (Question 5) and this part of the specification may need attention by centres. On the remaining questions, candidates performed reasonably better.

In **Section B**, the data response section, questions are based on information provided in the source booklet.

Q07(a): Candidates only access 2 marks for correctly calculating the increase in the price of coal. Most candidates scored 2 marks for this question.

Q07(b): This question required explanation of 'interest rates'. Two relevant pieces of data were required from Extract A to attain the 2 application marks. Many simply mentioned only one point in the definition and they were only able to access 1 mark.

Q07(c): A large majority of candidates were able to examine two economic benefits of the increase in the number of tourists visiting Southeast Asian countries. 2 knowledge and 2 application marks were often awarded for relevant use of the sources. However, several candidates copied paragraphs from the extract and were not able to obtain analysis marks. This is an area which all the centres are advised to address. Candidates attained the 2 evaluation marks for explaining the costs.

Q07(d): Most candidates could analyse why Thailand and Singapore are experiencing low rates of economic growth. However, only a small percentage of candidates could fully explain the impact to access both analysis marks. As this is a data response question, candidates are required to examine the factors that have been provided in the extract and not from their own knowledge, unless specifically mentioned. Application marks were often awarded for appropriate references to Extract A. Some candidates evaluated their analysis points, but this was not credited as this is not a requirement of the question.

Q07(e): Most candidates made effective use of the source and were able to discuss the factors that might cause an improvement in terms of trade of Southeast Asian countries. A low proportion of candidates developed their analysis with clear chains of reasoning to achieve at least Level 3 KAA marks. A common feature in responses was to try to cover as many measures as possible, but without any development in analysis. Many responses were also not able to access evaluation marks as they gave solutions to these problems rather than directly answering the question.

In **Section C**, candidates have the opportunity to choose two out of three questions. The section was more demanding than previously, and this is reflected in the mean scores on all three questions. Question 8 was most popular followed by Question 10 and then Question 9.

In all three questions, candidates' knowledge of relevant economic concepts was sound but they often struggled to apply it to the context of the question. Another challenge was the level of analysis. As in question Q07(e), answers often lacked a fully developed chain of reasoning. This is because they focussed their explanations on several points, and this meant they did not have enough time to develop them. Some candidates drew appropriate and accurate diagram(s) and incorporated it with sound analysis points. This allowed them to consistently achieve the top levels.

Evaluative comments were often made and, whilst some offered supporting evidence and were linked to the context, many were unable to offer logical chain of reasoning. It should be stated that 8 marks are now awarded for evaluation in the essay section. A reference to a country will always form part of the questions in Section C. Candidates are expected to have an awareness of countries to form a basis of their arguments and to achieve the highest levels.

The questions were accessible at all levels and offered good opportunities for candidates to differentiate by ability. Answering the exact question asked, integrating the data with analysis and strong evaluation continue to remain the essential ways that the A-grade candidates achieve higher marks. It appears that most candidates were not actually able to complete the paper in the time available.

Moreover, candidates are highly encouraged to have better structure to their answers. Many have written essay questions in bullet points, and some have written in long blocks/ paragraphs without making a clear distinction between analysis and evaluation. This was also seen in the higher mark question in Section B.

Question 7 (a)

The source booklet focused on the economic outlook of Southeast Asian economies. It comprised of one graph showing index of global prices for selected commodities. There was one extract that highlighted how several major economies in the region avoided stagflation, whilst some still experienced issues.

For Q07(a), candidates needed to calculate the increase in the price of coal between January 2020 and April 2022. Although 60% of total candidates scored the maximum of 2 marks, this still indicates that 40% were not able to calculate the change correctly. It is important to use the data carefully for calculation-based questions.

- (a) With reference to Figure 1, calculate the increase in the price of coal between January 2020 and April 2022. You are advised to show your working.

(2)

$$500 - 100 = 400$$

Coal has increased by 400%.



ResultsPlus
Examiner Comments

This candidate attains the 2 application marks.



ResultsPlus
Examiner Tip

It is important to know how to calculate and interpret index numbers.

(a) With reference to Figure 1, calculate the increase in the price of coal between January 2020 and April 2022. You are advised to show your working.

(2)

Jan 2020 = 100
April 2022 = 500

there was an increase of 400



ResultsPlus
Examiner Comments

This candidate attains only 1 application mark as they have missed out the % sign.

Question 7 (b)

Many candidates were able to successfully explain interest rates and only a handful did not attain full marks.

A common response was to explain it in terms of monetary policy where it represents the cost of borrowing and the reward for saving. To access both the application marks, candidates had to include two pieces of data from the extract. Some candidates only offered one, and not both. Given the nature of the question, it is key to cover all aspects of the answer in knowledge and application.

(b) Explain what is meant by 'interest rates' (Extract A, line 4).

(4)

Interest rates are set by central banks in order to manipulate monetary policy. Interest rates are the cost of borrowing from a bank. They are an instrument of monetary policy.

In response to "increasing global prices for fuel, food and other commodities" "many central banks have ~~increased~~ raised base interest rates." The European Central bank increased its base interest rate from 0% to 1.25% between ~~July~~ January and September 2022.



ResultsPlus
Examiner Comments

This candidate attains the 2 knowledge and 2 application marks.



ResultsPlus
Examiner Tip

Always remember to use two pieces of data from the Extract to gain application marks.

(b) Explain what is meant by 'interest rates' (Extract A, line 4).

(4)

Interest rates is the rate, shown in a percentage, which people or firms have to additionally pay the bank when taking a loan.

For example the European Central Bank increased its base interest rate from 0% to 1.25%, which means when taking a loan of for example 100'000€, the firm or individual would have to repay 101'250€ to the bank.



ResultsPlus
Examiner Comments

This candidate attains only 1 knowledge mark and 1 application mark.

Question 7 (c)

The question required the candidates to examine two likely economic benefits of the increase in the number of tourists visiting Southeast Asian countries. Most candidates were able to identify the benefits from the extract and were also able to gain the two application marks required. Many copied paragraphs from the extract and did not explain it. This did not allow them to gain the higher marks.

Evaluation was good and well written with many identifying a cost and explaining it well. There were some candidates who did not make an attempt of writing any points. For 8-mark questions and above, evaluation is a key requirement and should be included.

(c) With reference to the third paragraph of Extract A, examine **two** economic benefits of the increase in the number of tourists visiting Southeast Asian countries.

(8)

Increasing in economic growth rate in Vietnam and Malaysia is partly as a result of an increase in the number of tourists visiting these countries. For example, between February 2022 and May 2022 the number of tourists increased by 1050% in Indonesia and by 8629% in Vietnam. It would cause some benefits for these countries.

Firstly, increasing of tourists visiting Southeast Asian countries can improve the trade balance. As the tourist to Southeast Asian countries increased, the export value of exports increase so it can improve trade balance. After that, the AD would increase when $X - M$ is bigger and the demand for labour would increased. So it can reduced unemployment in Southeast Asian countries.

Secondly, increasing of tourists to Southeast Asian countries would reduce the ~~to~~ foreign currency gap in Southeast Asian countries. As ~~a~~ more and more tourist come to Southeast Asian countries, ~~the~~ Southeast Asian countries can get more foreign currency so they can use these foreign currency to purchase the capital goods and commodities so it can increase the investment and productivity in these countries.

However, it depends on how much the number of tourists increased. Between February 2020 and May 2020 the number of tourists increased by 1050% in Indonesia and by 8629% in Vietnam. 1050% and 8629% are significant number so it would cause huge impact to Southeast Asian countries.



ResultsPlus
Examiner Comments

This candidate attains all the marks as they have included two pieces of information for knowledge, application, analysis and evaluation.

(c) With reference to the third paragraph of Extract A, examine **two** economic benefits of the increase in the number of tourists visiting Southeast Asian countries.

(8)

Tourism is the frame of people to another country in general ~~seeing~~ for its natural services. Tourism can be good for the economy as it can increase exports of goods and services to tourists. The tourism sector has had major benefits to some southeast Asian countries. The tourism sector has increased the revenue produced from GDP as tourists buy products to take home. They also create jobs for people in the service sectors ~~as tourists~~. This has led countries like Vietnam and Malaysia to have an increased rate of GDP, higher than inflation. This is increasing people's real wage.



ResultsPlus
Examiner Comments

This candidate only attains the 2 knowledge and 2 analysis marks. There is the identification of the point and linked development. There is no application (reference to the extract) or attempt of evaluation.



ResultsPlus
Examiner Tip

For an 8-mark question, always remember to evaluate as the command word is examine.

Question 7 (d)

This question required candidates to analyse why both Thailand and Singapore are experiencing low rates of economic growth.

Most responses included the reasons for both countries e.g. Thailand with fall in consumption and Singapore with a fall in exports. They then linked it to AD. They were also able to access the two application marks by using relevant data from Figure 3. Few candidates confused national debt with current account deficit and were unable to access any marks.

(d) Analyse ~~why~~ Thailand and Singapore 'are experiencing low rates of economic growth' (Extract A, line 22).

(6)

There are some reasons that why Thailand and Singapore are experiencing low rates of economic growth.

~~In terms of Thailand, the inflation rate would~~

Firstly, inflation rate might be one of the factor. For example, In ~~that~~ Thailand, inflation is reducing real incomes. As the inflation rate increased, the price of goods and services would increased which means people might not afford the high price of goods and services and their real income fall. Thus, the consumption fall ~~and~~ ^{and} AD decreased so cause low rates of economic growth.

Secondly, ^{Singapore} ~~the~~ economic growth rate is low ~~in~~ ~~Singapore~~ because of the slowdown in China's economy. China is Singapore's main trading partner. If the economy in China is decreased, the demand from China might ~~decrease~~ decreased. So it might reduce the value of export for Singapore. After that, AD would fall and cause low rate of ~~economy~~ economic growth.



This answer attains the 2 knowledge, 2 application and 2 analysis marks. There is a link to AD in each paragraph to get both analysis marks.



For questions that require link to economic growth, there needs to be reference made to real output or AD.

(d) Analyse why Thailand **and** Singapore 'are experiencing low rates of economic growth' (Extract A, line 22).

(6)

Inflation is a measure of the value of a currency with the help of the money supply. The reason why ~~in Thailand~~ there is low economic growth in Thailand is because the rate of inflation reduces real incomes. For Singapore it is stated in extract A that China is Singapore's main trading partner and does most trade as much due to the slowdown of Chinese economy.



ResultsPlus
Examiner Comments

This answer gets only 2 application marks. There are no knowledge points identified nor is there any explanation of these.

Question 7 (e)

Candidates needed to use the source to discuss factors that might cause an improvement in the terms of trade of Southeast Asian countries. It is important that candidates select any two factors and develop their analysis by focusing on those points rather than trying to cover as many measures as possible, some of which are not in the source provided. This will allow candidates to access the higher levels of response.

A handful of candidates were able to successfully identify and explain factors such as high relative rates of inflation/labour costs or lower relative productivity. They were able to integrate this with the application given in the source from Extract A. This gave them access to Level 3. However, many candidates just copied the source and did not explain their points. This gave them access to Level 1 only.

Evaluation points made were not very well written. Some candidates included references to short run vs long run considerations/significance of factors changing over time. Many included magnitude as an evaluative comment, but were not able to successfully support this point using a logical chain of reasoning. Candidates should ensure that they do this as opposed to listing a number of separate undeveloped points.

(e) With reference to the information provided and your own knowledge, discuss factors that might cause an improvement in the terms of trade of Southeast Asian countries.

(14)

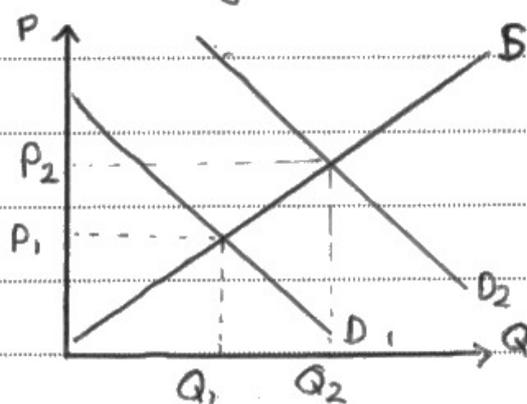
The terms of trade is the $(\text{index price of } X / \text{the index price of } M) \times 100$. An improvement in the ToT thus means an increase in the price of X and/or a decrease in the price of M.

The first factor causing the ToT of Southeast Asian countries to improve is the rising prices of commodities that they export, such as coal (Indonesian X) which rose by 400% from Jan 2020 to Jan 2022, palm oil (Indonesia + Malaysia), and rubber (Malaysia). These rising prices are likely due to decreased S of commodities due to global conflicts (Russia-Ukraine war) which have disrupted global supply chains due to trade restrictions & political tensions.

Another cause for an improvement in the ToT of SE Asian countries is the high levels of inflation around the world, especially in Western economies, which:

Though SE Asian countries are still experiencing inflation, their rates of inflation are lower. Thus, Western countries which have high domestic demand will choose to import more products instead of purchasing from local producers as ~~the~~ imports

become relatively less expensive. This pushes up demand for SE Asian exports & commodities:



In this diagram, which represents the market for Indonesian coal, increased demand has led to an increase in the

price of coal. This as $P_X \uparrow$, the ToT improves.

However, the improvement in the ToT is ~~as~~ ~~and~~ may only be in the SR due to the ephemeral nature of global conflicts. As trade restrictions fall again & global supply chains revert back to normal, the price of SE Asian exports will fall, & worsening the ToT.

And ~~if~~ ^{since if} these countries are dependent on commodities, then this fall in the price of their exports will have a significant negative impact on the ToT.

Secondly, their imports prices will rise due to high inflation in other countries as ~~go~~ their goods become more expensive. ~~The~~ Commodity exporters like Indonesia & Malaysia buy their capital equipment from western MEOCs, & so

This is sure to impact the price of their imports as Western economies have been affected the most by high inflation rates. This will cause the ToT to worsen, or at the very least reduce its improvement.



ResultsPlus
Examiner Comments

This answer attains 14/14 marks – top of L3 for KAA (8) and EV (6).

There is an in-depth analysis of the points with good chains of reasoning and sound integration of the data provided in arguments.

(e) With reference to the information provided and your own knowledge, discuss factors that might cause an improvement in the terms of trade of Southeast Asian countries.

(14)

An improvement in the terms of trade can be caused by the increased price of exports of a country. The rising prices of fuel, food and other commodities have benefited the countries that export them in large quantities, such as Indonesia for coal, and Malaysia for rubber. This means that the price of exports for Indonesia and Malaysia ~~have~~ has increased more than that of imports, leading to an improvement in Indonesia and Malaysia's terms of trade.

However, an improvement in the terms of trade of Southeast Asian countries due to an increase in export prices means that their exports are less price competitive on the global market, as they are more expensive. The volume of exports in Southeast Asian countries could therefore fall, leading to a worsening of the current account deficit in the balance of payments of Indonesia and Malaysia, for example.

An improvement in the terms of trade of Southeast Asian countries can also be caused by a fall in the import prices of that country. The President of the Philippines has promised to decrease the price of rice by

imposing a maximum price. This means that the price of importing rice in for many Southeast Asian countries would decrease. If the price of imports decrease more quickly than that of exports, it leads to an improvement in the terms of trade.

However, the maximum price of rice in the Philippines would make the price of the rice they export decrease. While this may at first be beneficial to the Philippines' economy, as their exports become more competitive on a global market, the price of their exports may fall faster than that of their imports. The Philippines may therefore experience a worsening of their terms of trade.



ResultsPlus
Examiner Comments

This candidate attains 50% of the overall score.

Although they gain bottom of L3 for KAA, especially as their first paragraph is strong, they do not gain any evaluation marks.

So overall score of 7+0.



ResultsPlus
Examiner Tip

It is important to recognise that evaluation for questions which ask for causes has to be linked to the cause identified. Any reference to consequences or solutions will not be credited as this will not be directly answering the question.

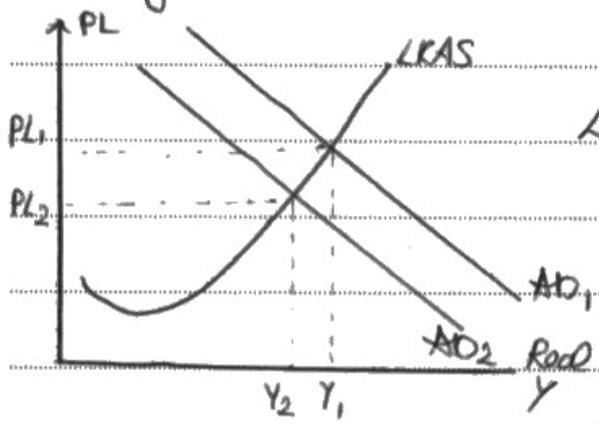
Question 8

This question asked candidates to evaluate the likely economic effects of an appreciation of a country's currency on its economy. In addition, to access high Level 4 for KAA, candidates were required to refer to a developed country of their choice in their answer.

Many explained the impact on this appreciation. They discussed the impact on tax current account and net trade/AD. Most of the answers only carried a two-stage chain of reasoning, and therefore, they were not able to access Level 3 KAA. Some focussed on depreciation, and this meant that they were not able to access any marks as their analysis was not accurate. Those who identified a range of effects without linked development were only able to access Level 1 KAA.

Evaluation included an attempt to discuss the short run versus long run impact. Some candidates used the negative effects as KAA and the positive effects as EV (and vice versa). This was credited. Many were only able to explain one point with the other points often just been identified. Those who listed evaluation points achieved Level 1.

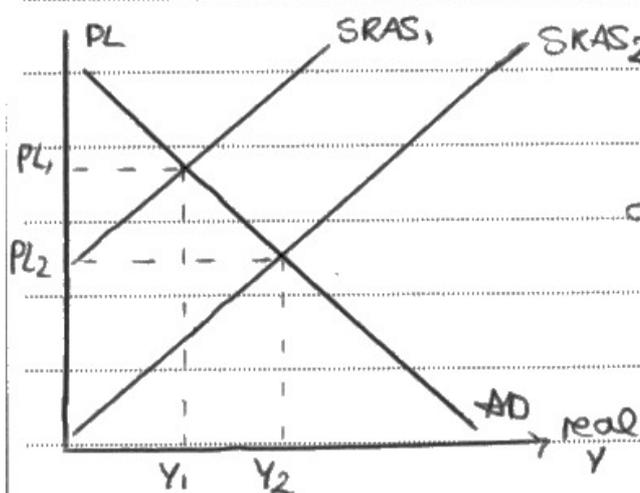
From September 2021 to September 2022, the USD\$ appreciated by almost 18% against the euro €. The first economic effect of this appreciation is that the price of US exports rises and the price of their imports falls as their own goods/services become relatively more expensive to foreigners while foreign goods/services become relatively cheaper in the US. As the price of ^{US} exports rises, demand for them falls and as the price of imports falls, demand for M in the US rises. This leads to a reduction in the CA on the BoP as NX falls. As the USA already runs a large CA deficit, as its high national income means high spending on imports. (MPI ↑ as $Y \uparrow$), this further exaggerates it. This fall in NX causes AD, of which it is a component, to fall too: Thus, real



Y falls. Since, on a Keynesian LRAS curve, the USA operates at near full capacity (low unemployment rate) then the reduction in AD also causes a large reduction in

the inflation rate π may even lead to deflation. This would further cause AD to fall as deflation discourages C & I as people expect their money to be worth more in the future.

Another effect is a fall in AS. As the price of imports falls, firms in the US who import commodities, capital equipment, ~~ma~~ technology etc will see their costs of production fall. This is significant to US firms as many TNCs, who import large amounts worldwide due to their global supply chains, are US owned & are based in the US, such as Starbucks, McDonald's, and Walmart. This leads to a ^{rise} fall in SRAS. This

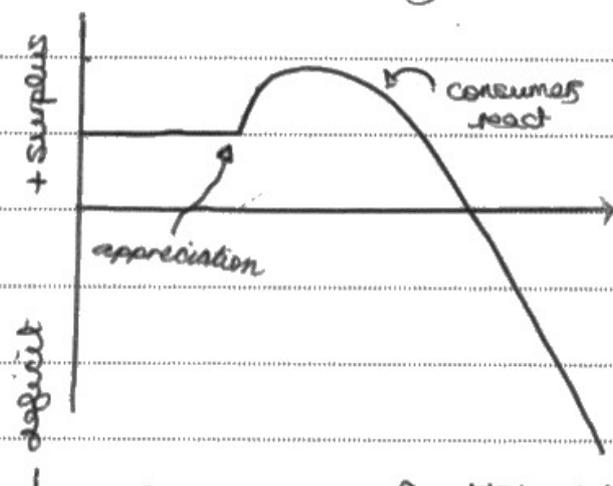


leads to low inflation ($PL_1 \rightarrow PL_2$) and a rise in real Y (Y_1 to Y_2) so the US economy grows.

However, an appreciation of the \$ will not lead to a worsening CA if, according to the Marshall-Lerner condition, $PED(X) + PED(M) < 1$ as a rise in the price of exports will lead to a less than proportional fall in D, so overall the value of X

rises, and vice versa for M . Thus, $NX \uparrow$ and $AD \uparrow$.
 As the US exports oil, an inelastic commodity, this condition may apply to the US. (*, having large oil reserves in the states of Alaska & Texas)

Furthermore, the impact of the appreciation of the \$ varies in the SR & in the LR. This can be illustrated using a J curve: When the appreciation



first occurs, ~~the~~ NX will rise as ~~the~~ CA will worsen. Consumers take time to react to changes in price. In the SR, $P_X \uparrow \neq D_X -$, so value of $X \uparrow$ and $P_M \downarrow \neq D_M -$

so value of ~~M~~ $M \downarrow$. But in the LR as consumers react to changes in prices (provided that the Marshall-Lerner condition is met) then the CA will worsen.

To conclude, currency appreciation leads to a worsening of the CA & a fall in AD , though only in the LR and not at all if $PED(X) + PED(M) \leq 1$. It also causes ^{US} firms' costs to fall as $P_M \downarrow$, so $SRAS \uparrow$.



This answer attains 20/20 marks – top of L4 for KAA (12) and top of L3 for EV (8). There is an in-depth analysis of the points with strong multi-stage chains of reasoning and sound integration of context in arguments.

Between September 2021 and September 2022 the US dollar appreciated by 18% against the Euro, this means that in 2022 the US dollar has more value and is worth more than the euro.

When a country's currency appreciates over the other, in this case the US dollar over the Euro. the US's exports to Europe will reduce, this is because since the US dollar is higher in value when goods and services are exported from the US to Europe they will be more expensive for Europeans because they will have to pay more since 1€ now is worth less than a US dollar. This increase in price of exported goods and services will result in a lower demand for them.

On the other hand, Imports would result cheaper for americans paying with the US dollar, this will increase the demand on Imports and overall bring more choice for US consumers but in the long-term this could be a threat to domestic producers in the US because competition would increase.

This is where the government should implement protectionist measures in order to protect their domestic producers.



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Examiner Comments

This answer attains 8/20 marks – L2 for KAA (4) and EV (4). There is only one KAA and EV point which are not well developed.

The candidate needs to add more chains of reasoning to attain higher levels.



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Examiner Tip

It is important to have both depth and breadth to answers. There only needs to be two well developed analysis and evaluation points, with an informed judgement for the essay questions.

Question 9

This question asked the candidates to evaluate the role of international institutions in promoting economic development. In addition, to access high Level 4 for KAA, candidates were required to refer to a developing country of their choice in their answer.

The most common international institutions mentioned were linked to the IMF and the World Bank. Most answers demonstrated some chains of reasoning, but they were not always fully developed or had some stages omitted. These candidates were not able to access more than Level 3 KAA. Those who mentioned WTO or NGOs attained marks too. Some candidates were quite confused about the roles of the IMF and the World Bank and flipped them.

Evaluative comments were not well written. Many offered some points that often went tangential and did not answer the question. Those who made an attempt were not always able to explain their arguments in good depth. The rest of their points were again quite generic and did not have any chains of reasoning and did not achieve more than Level 1.

Economic development is investing in a country to help aid them in increasing their GDP.

To begin with, the role of international institutions in promoting economic development can be helpful in improving infrastructure, health and education. With the IMF and World Bank giving a combined \$56 billion in assistance, this can help improve the physical and human capital of the country, since they will work be healthier and better trained to do the work and will have better conditions to do it in. This will allow them to be more productive and through the role of these institutions it will help their economies grow, reduce unemployment and potentially increase trade. The reduction in unemployment will also allow welfare benefits to decrease for the government and allow them to collect tax. However, these countries

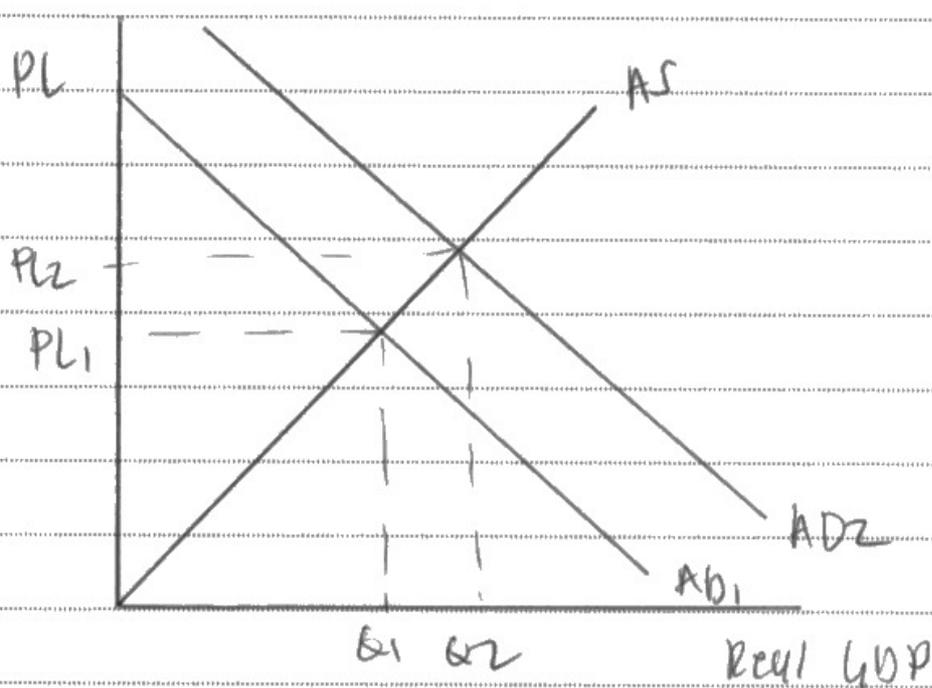
are inexperienced and are undeveloped in sectors that aren't in primary products. This means that unless the financial aid given, is effectively used and controlled by these international institutions, and the money is given to corrupt governments. Then the role that they aimed to have on these less economically developed countries won't have been successful.

Another international institution's role in promoting economic potential could be the WTO and increased trade.

Through the removal of trade barriers in LDCs this will help them export their goods, especially if they have strong resource endowment in primary goods.

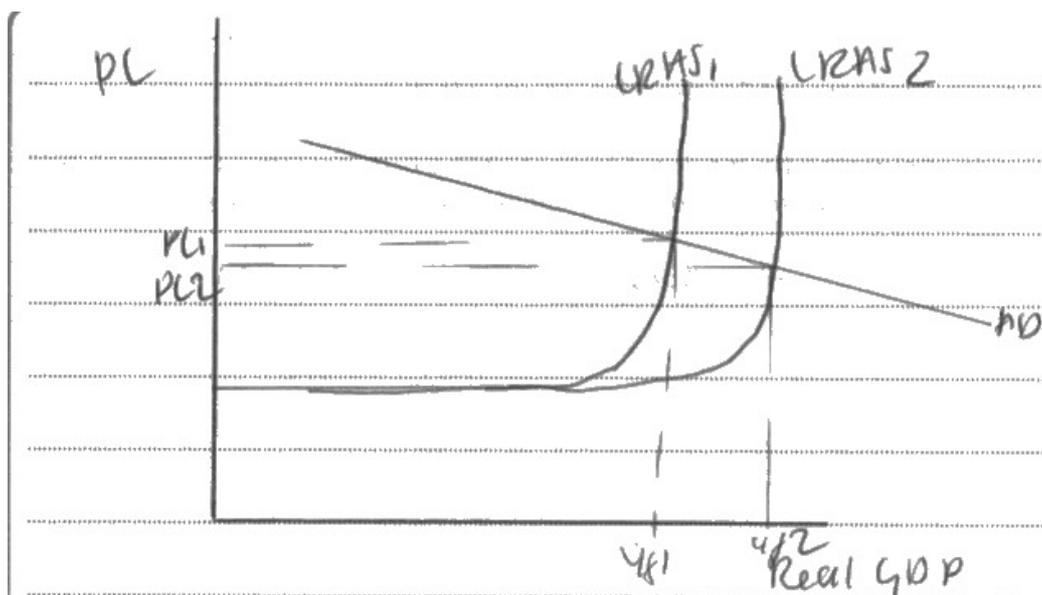
Through being involved with the WTO, they will help these countries become more internationally competitive. This will increase the demand for the goods by P_1 to P_2 . This will improve terms of trade for the countries and allow them to have more revenue which they can reinvest in. However, the WTO is an international

institution which hasn't previously fulfilled its role of economic development in developing economies. As in Ghana, in 1997, they removed government subsidies on farmers and allowed for the dumping of goods such as rice from the USA, meaning domestic producers suffered, became unwell, plagued and lost their living standards. Although, the WTO may have improved on this.



Lastly, another role in promoting economic development can be seen from TRCs moving to less developed countries and setting up greenfield FDI. This can help improve a country's infrastructure

as well as their countries skills and living standards from employment. This helps increase a countries productive potential, and shift LRAS₁ - LRAS₂, as workers will eventually become more efficient and produce more which will help their economic develop and grow. The TNC's can also be charged corporation tax by the governments which will help raise their revenue. However, TNC's are known for exploiting workers, and as these LEDCs don't tend to have labour laws, there is no protection of worker welfare ~~and~~ or minimum wages to ensure they are treated fairly. They also tend to avoid paying tax since they have higher power against local governments. Therefore, their role may not necessarily help promote economic development and could damage both social and environmental welfare of these less developed economics.



In conclusion, financial aid from international
 credit help promote a positive role or
 influence economic development unless
 they have conditional control on
 how the funds are spent. Moreover,
 institutions of the WTO haven't proven
 to be effective previously so without
 mediation, it may not help other
 countries either. Also, IMF's may
 help develop economies however, this
 will be at the expense of their
 social and environmental well-being.
 Therefore, the role of these institutions,
 where they are needed to help
 reduce inequality and promote
 economic development, sometimes
 they come at a high expense.



This answer attains 15/20 marks – mid L3 for KAA (8) and L3 for EV (7). There needs to be link to economic development in each KAA paragraph to elevate the answer to L4.

In evaluation, the arguments were sound but not sustained at the top of L3. More chains of reasoning were required for the first evaluative comment.



TNCs are not international institutions, hence the last two pages were not credited with any marks. Focus on World Bank, IMF, WTO and NGOs.

Economic development is improvement over time, measured by some economic indicators, like GNI, life expectancy, etc. In this case, IMF provided financial assistance of \$13 billion to low-income developing countries, and the World Bank provided financial assistance of \$43 billion to low-income developing countries in 2020. There are some positive impacts of international institutions in promoting economic development.

First of all, it can help to reduce absolute poverty. Giving money directly can help citizens in low-income developing countries like Iran to purchase necessities, which could lead to a reduction in absolute poverty.

Secondly, the government of low-income developing countries like Ethiopia could use this funds to invest on improving infrastructure, like roads, network. Improved infrastructure could increase the efficiency of production, and attract FDI to build factories here, creating more jobs.

Thirdly, the governments of those countries like Morocco could use the funds from international institutions to develop education and training. Therefore, the knowledge and skills of people in Morocco could increase, and human capital would increase, which will help them to find a high-level job.

Moreover, the funds from international institutions could help those developing countries to narrow foreign currency gap. For example, Serbia now has about \$56 billion foreign currency capital. The government of Serbia could

use it to purchase materials and high-quality technology to develop its own industries, and once these industries is mature, they can produce goods or jobs can be created, so employment will increase. ~~Not~~ Not only this, these industries could produce goods and ~~services~~ services to sell overseas ~~in order to~~ in order to increase ~~our~~ current account surplus and seek for economic growth and services.

However, there are some drawbacks.

Firstly, to begin with, it might lead to dependency of those countries. They might rely on the finance aid from international institutions to develop, instead of relying on themselves to achieve economic development.

Secondly, it is also for governments to decide which aspects need to be invested. Therefore, inability of policymakers might cause ~~lots~~ opportunity costs.

What's more, the impacts of promoting education are not immediately. Natural talents need a long time, so time lags exist.

Lastly, it also depends on the magnitude of financial assistance provided by international institutions. ^{and side} If the assistance is small, it's hard to narrow foreign currency gap and then promote economic development.



This answer attains 9/20 marks – low L3 for KAA (7) and mid L1 for EV (2). More chains of reasoning is required to support each paragraph and direct links need to be made to economic development. Evaluative (drawbacks)) arguments were only identified but not explained in context, hence only getting L1 each.



Quality of answers is more significant than the quantity. Focus on two KAA and two EV points and develop them in detail. Avoid listing a range of points as this will not elevate the answer to a higher level.

Question 10

This question asked the candidates to evaluate possible causes of an increase in income inequality within a country. To access Level 4 for KAA, candidates were required to refer to a country of their choice in their answer.

Most were able to identify the causes. The most common points being focused on wages, education and training or globalisation. Some answers carried a two-stage chain of reasoning without application to terminology and concepts, and therefore, candidates were not able to access Level 3 KAA. Those who linked it to the Gini coefficient and the Lorenz curve effectively, attained the higher level marks.

Candidates struggled to evaluate effectively. The majority offered solutions on how to reduce inequality and this got no credit. The other points were quite generic and not very well developed; they did not achieve more than Level 1.

Plan :

Causes of increase in income inequality
(Brazil)

① Educational apartheid

- unequal human capital between rich and poor
- unequal opportunities

BUT population in poverty is lowest in history (8.4%)

- rising opportunities / better access to education (long term)

② Corruption

Between 1960-2014 - 1.4% of GDP was lost to corruption

- could have been used to invest in infrastructure

BUT new president (Lula): maybe less corruption (left-wing)

③ Gender discrimination (women)

- less opportunities than men

BUT microfinance schemes are in place for women micro-business owners
(NE Brazil)

When thinking about Brazil, 2 things come to my mind: Wealthy footballers and favelas. This is representative of the high level of income inequality within the country. With a Gini coefficient of approximately 0.5, Brazil has a relatively high level of income inequality. This income inequality may have been caused by the educational apartheid in the country, corruption, and gender discrimination.

Firstly, Brazil's ^{increased} income inequality is caused by ^{an} educational apartheid. The rich and the poor are usually kept separate in schools, with rich children going to quality schools with quality teachers, while poor children from favelas attend in sub-par schools, with low quality teachers. This leads to differing levels of human capital between Brazil's rich and poor; the rich have high human capital, while the poor have a significantly lower level. As a result, the poor cannot possibly compete with the rich in the labour market, and are stuck doing low-skill and low-wage jobs. These unequal levels of opportunities leads to income inequality.

However, the poverty rate is at an all-time low in Brazil. Only 8.4% of the population lives below the poverty line. With increased globalisation and economic growth, it is likely that Brazil's poverty rate will

continue to fall in upcoming years. As a result, the differing levels of human capital between the rich and poor may decrease, leading to equal opportunities for all, and a fall in Brazil's income inequality.

Secondly, ^{increased} income inequality could be caused by corruption. In a study spanning from 1960 to 2014, it is estimated that between 1-4% of Brazil's GDP was lost to corruption. It is sad, because this money could have been used by the Government to invest in new infrastructure, such as schools, to ~~see~~ increase their population's ~~income ineq~~ human capital and decrease the level of income inequality in Brazil.

However, Brazil has a new government, as of last year. ~~There~~ the new President, Lula, is significantly more left-wing than his predecessor Jair Bolsonaro. It may therefore be possible that corruption in Brazil falls, and government expenditure on important infrastructure increases, leading to a fall in income inequality in Brazil in the future.

Finally, income inequality can be caused by gender discrimination, particularly towards women. It is the case, in most of the world, that women earn less than men in the workplace. This can be due to women receiving less opportunities than men, or simply, that they work less hours due to maternity leave for example. Gender discrimination in the workplace, has, historically, been the main cause of income inequality, and may still be an important one today.

However, there are currently microfinance schemes put in place in Northeast Brazil for women owners of micro-businesses and entrepreneurs. Northeastern Brazil contains some of the most economically challenged areas of the whole country; these microfinance would therefore help the poorest women in Brazil start their businesses. In addition to helping increase Brazil's GDP, it helps reduce income inequality, as women are starting to receive similar opportunities as men in the professional world.

Overall, income inequality in Brazil may have increased by the vicious cycle of the educational apartheid, corruption, and gender discrimination. However, low poverty rates, a new government and microfinance

Schemes may all contribute to decreasing the level of income inequality in upcoming years. It is therefore crucial for the Lula administration to implement policies to ~~decrease~~ continue decreasing income inequality ~~over~~ for future generations, as everyone deserves equal opportunities.



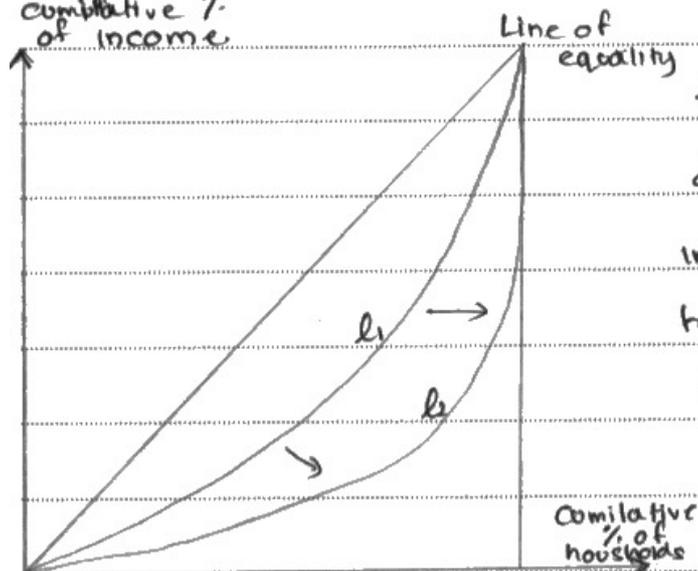
ResultsPlus
Examiner Comments

This answer attains 15/20 marks – mid L3 for KAA (8) and L3 for EV (7). There needs to be link to *increase* in income inequality in each KAA paragraph to elevate the answer to L4.

In evaluation, the arguments were sound, but not sustained at the top of L3. More chains of reasoning were required for the first two evaluative comments.

Income inequality refers to the difference of income that different people in the society receive.

cumulative % of income



An increase in income inequality can be shown through a Laffer curve diagram. As the Gini-Coefficient increase in Sweden from 0.25 to 0.29 and in Indonesia from 0.32 to 0.37 the curve will shift outwards from l_1 to l_2 .

One cause of increase in income inequality is Globalisation. As ~~global~~ globalization increase Multi-nationals and Transnationals who contribute towards to it receives higher returns. These will be share among owners, directors and managers. Only an insignificant amount is passed on the ~~the~~ labour workforce who actually contribute towards. This ~~great~~ increase income inequality.

Another cause of increase in income inequality is access to education. ~~People in cities~~ In ~~the~~ India, ~~people in cities~~ people living in cities such as Mumbai and Delhi

will have more access to education than the people living in rural areas and villages. Those people will receive higher pay for their educational qualifications or migrate abroad to get higher pay. People in rural areas will lack skills and therefore will be unable to find work to increase income. Therefore this will cause an increase in income inequality.

Moreover external shocks will also contribute to an increase in income inequality. During the global health crisis, majority of people in India were unemployed due to lack of work and lockdowns. ^{But} however, the people who received high pay tend to have more savings to support during these times. This will cause a significant increase in income inequality.

Furthermore many businesses in India tend to exploit workers by providing them low wages than the national minimum wage. This is because of the lack of knowledge among people about wage rights and government inefficiencies to monitor businesses carefully. This increases income inequality.

Also, majority of the income coming into a country is secured by the top 1%. Possibly

due to corruption or imperfect knowledge of the Indian government progressive tax systems tend to be inefficient. This increase income inequality in countries like India.

However, Globalization increase Foreign direct investment into India. This increase output which will also create employment opportunities. This will increase the incomes of Indian workforces. As a result, income inequality will reduce.

Moreover with time education will be more accessible in rural areas and villages. Their skills and level of qualifications will increase. This will increase their income levels which will reduce income inequality in India.

furthermore it will depend on the magnitude of external shocks. During time periods of recessions income inequality will increase insignificantly and tend to reduce during the recovery time period of an business cycle.

Income inequality can also be reduced if the Indian government tends to be more efficient by regularly monitoring progressive tax systems, wage payments, increasing awareness among people.



This answer attains 12/20 marks – mid L3 for KAA (8) and low L2 for EV (4). There needs to be link to economic development in each KAA paragraph to elevate the answer to L4.

Evaluation arguments, apart from the first point, are weak but not sustained at L2. More chains of reasoning are required throughout evaluation.



Avoid including a range of points. Quality of answers is more significant than quantity. Focus on two KAA and two EV points and develop them in detail, integrating context effectively. Avoid explaining many points as this will not elevate the answer to a higher level and time management will become an issue.

Paper Summary

The main implications for centres regarding future teaching, learning and examination preparation are:

- Ensure that all parts of the specification are taught and internally assessed. This needs to include addressing all the quantitative skills (as found on page 69 of the specification).
- Candidates must read all questions carefully, and make sure that they have addressed all parts of a question in their response. In a few different questions on this paper, not understanding requirements of the questions, in terms of its depth and breadth, was the main reason for low scores.
- Encourage candidates to draw accurate, appropriate, legible and labelled diagrams to support their arguments, even if not required. This would help add depth to arguments.
- **Section B:** Ensure that candidates refer to the relevant extracts, but do not copy from them. Brief quotations are acceptable but, in themselves, will not achieve higher level marks. Remember that the 4 – and 6-mark questions do not require evaluation, so please use the time given effectively and avoid assessing the analysis points made.
- **Section B** 14-mark question and **Section C** essays: Encourage candidates to develop a chain of reasoning by analysing two salient points in depth. By contrast, covering a lot of points in a superficial way will limit the mark to a low Level 2 at best. In addition, analysis needs to be contextualised by using relevant source information (Section B), appropriate examples (Sections B and C) or context at the start of Section C questions.
- In addition, ensure that candidates are aware that evaluative comments should be linked to the context of the question being asked. These should have a chain of reasoning or sufficient development to be able to achieve at least Level 2. To achieve Level 3 for evaluation in Section C, it is necessary to include an informed judgement.
- Candidates are encouraged to have a clear structure to their answers. They must avoid writing essays in bullet points or in long blocks/paragraphs without making a distinction between their analysis and evaluation points.
- Encourage candidates to make full use of the specimen papers, previous examination papers, mark schemes and principal examiner reports.

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>

