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June 2025

Int 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 economic development (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 needs 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 two marks for correctly calculating the value of world Grose Domestic Product (GDP) in 2020. Most candidates scored two marks for this question.

Q07(b): Many candidates could examine two factors that contributed to ‘increased globalisation’. Two knowledge and 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 centres are advised to address.

Q07(c): This question required an explanation of protectionist policies. Two relevant pieces of data were required from Extract A to attain the two application marks. Many simply did not use the Extract and did not get any application marks.

Q07(d): Most candidates could analyse two roles of the World Trade Organization. However, only a small percentage of candidates could fully explain the roles to access both analysis marks. As this is a data response question, the candidates are required to explain the benefits 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 given and could discuss likely economic benefits to China of signing free-trade agreements with other 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 strategies 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 less demanding than previously, and this is reflected in the mean scores on all three questions.

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 Q07e, 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 a 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)

Candidates needed to calculate the value of world GDP in 2020. Although over half of the candidates scored the maximum of 2 marks this still indicates that a large minority were not able to calculate the change correctly. It is important to use data carefully for calculation-based questions.

(a) In 2020 the value of world exports was $22.5 trillion.

With reference to Figure 1, calculate the value of world GDP in 2020. You are advised to show your workings.

(2)

$0.263 \times GDP = 22.5$

$GDP = \frac{22.5}{0.263} = 85.55$ Trillion $

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Examiner Comments

This is a 2-mark answer.

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Examiner Tip

Show workings for calculation-based questions.

(a) In 2020 the value of world exports was $22.5 trillion.

With reference to Figure 1, calculate the value of world GDP in 2020. You are advised to show your workings.

(2)

22,5 / 26,3 x 100 = 85,55

ResultsPlus

Examiner Comments

It is important to read/look at the data carefully and include the trillion to gain full 2 marks.

Question 7(b)

The question required the candidates to examine two factors that have contributed to ‘increased globalisation’. Most candidates were able to identify the factors from the given 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 analysis marks.

Evaluation was not always well written with many not being able to identify their point and explain it well. There were a few candidates who did not make an attempt at writing any points. For 8-mark questions and above, evaluation is a requirement and should be included.

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** factors that contributed to 'increased globalisation'.

(8)

Worlds ~~GD~~ exports as a % of worlds GDP increased from 20% in 1980 to 26.3% in 2020, one of the factors that contributed to this increase in globalisation could be the reduced cost of transport, containerisation has ~~mo~~ made it more easier for firms to export huge volumes of good ~~s~~ as a result helping them exploit economies of scale and ~~reduced~~ ~~cost~~ reducing costs.

Similarly, the cost of communications has decreased due to improvements in technology such as the development of the internet, making it easier for individuals to pass information.

However, other factors such as the development of WTO, who encourages more free trade has also helped to increase globalisation.

Overall, ~~the~~ the increase in globalisation would've been due to ~~a~~ multiple

Factors that contributed towards this.

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Examiner Comments

2AP - world export as a % of GDP rose from 20% in 1980 (1APmark) to 26.3% in 2020 (1AP mark). 1KN - reduced cost of transport. 1AN - containerisation increases export volume/help exploit economies of scale 1KN - reduced cost of communication. 1AN - internet making easier for individuals to pass information. 1EV - other factors such as the development of WTO has also helped to increase globalisation (implicit understanding that there are other factors which played a key role than those in extract). 1EV - multiple factors contributed to this. In summary: KN=2/2; AP=2/2; AN=2/2; EV=2/2.

(b) With reference to Figure 1 and the first paragraph of Extract A, examine **two** factors that contributed to 'increased globalisation'.

(8)

One factor that contributed to increased globalization is the reduced cost of transport. As transport from one country to another become easier and less costly due to availability of many flights, ships, vehicles, etc. When there is less costs for transport, people will be willing to travel more or export and import goods, therefore it increases globalization.

Another factor is ~~that~~ ~~there~~ the ~~significant~~ increased significance of TNCs, ~~when~~ when more TNCs operate worldwide, they work with other countries, communicate with them, use their resources, etc, globalisation increases as a business ~~fo~~ based in one cantry can operate in more than one country.

However globalization may be a threat as it makes a country loose its calture and traditions when there are too many TNCs and people migrating outside the country.

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Examiner Comments

1 KN – reduced cost of transportation. 1AN – development around easier and less costly transport. 1KN – increased significance of TNCs. 1AN – on development around operation of TNCs. No AP marks. No EV marks - not answering question. In summary: KN=2/2; AP = 0/2; AN = 2/2; EV = 0/2.

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Examiner Tip

We cannot evaluate a question on factors with effects. Focus on the demands of the question.

Question 7(c)

Many candidates were able to effectively explain protectionist policies. Only a handful did not get full marks. A common response was to explain it in terms of the different types. To access both the application marks, candidates had to include two pieces of data from Extract A, one for each. 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.

(c) Explain what is meant by 'protectionist policies'. (Extract A, line 14)

(4)

Protectionist policies are measures taken by countries to restrict the flow of goods and services between nations through trade. After 2010, growth in trade ~~only~~ increased at a slower rate under 'slowbal-isation', due to the use of protectionist policies by the USA and EU. Examples of protectionism include tariffs and quotas, which make trade more expensive.

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Examiner Comments

2KN - measures taken by countries to restrict (1K mark) the flow of goods and services between nations through trade (1K mark). 1AP - growth in trade increased at a slower rate. 1AP - use of protectionist policies by USA and EU. 1KN - tariffs and quotas. (2KN marks already awarded). In Summary: KN=2/2; AP=2/2.

(c) Explain what is meant by 'protectionist policies'. (Extract A, line 14)

(4)

Protectionist policies are government made policies to protect the economy from market failure and foreign countries

Growth in trade and investment increased slowly due to the US and EU introducing ~~market failure~~ protectionist policies on china to protect security.

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Examiner Comments

No KN marks as definition is imprecise/inaccurate. 1AP - trade and investment increased slowly. 1AP - USA and China introducing protectionist policies on China. In summary: KN=0/2; AP=2/2.

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Examiner Tip

Candidates need to be clear and accurate in their definitions. Vague statements do not get credited, so need to use technical vocabulary/terminology to access the full marks available.

Question 7(d)

This 6-mark question required the candidates to analyse two roles of the World Trade Organization (WTO). Most responses included: to promote free trade/trade liberalisation by reducing tariff and non-tariff barriers. They were also able to access the application marks by using relevant data from Extract A. Few candidates confused the role of the WTO with the roles of the IMF and the World Bank,and were unable to access any marks.

(d) With reference to the third paragraph of Extract A, analyse **two** roles of the World Trade Organization (WTO).

(6)

World Trade Orgcnisation is the only organisation that sets rules and regulation on international trade.

One role of WTO is to promote free trade. By 2022, China had signed free trade agreements with 28 countries. Therefore, WTO focuses on implementing policies that encourage countries to implement free trade and increase economic growth.

Another role of WTO is resolving international trade disputes between countries. Economists claimed that the WTO was ineffective in preventing the US and EU from using protectionist policies. Therefore, WTO would implement policies to remove protectionist barriers in USA and EU and settle disputes between them and other countries.

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Examiner Comments

1KN – Set rules and regulations on international trade. 1KN – Promote free trade. 1AP – China has signed free trade agreements with 28 countries. 1AN – Encourage countries to implement free trade and increase economic growth. 1KN – Resolving international trade disputes. Maximum 2 marks for KN. 1AP – WTO ineffective in preventing US and EU from using protectionist policies. 1AN – Implement policies to remove protectionist barriers. In summary: KN=2/2; AP=2/2; AN = 2/2.

(d) With reference to the third paragraph of Extract A, analyse **two** roles of the World Trade Organization (WTO).

(6)

WTO promote free trade between countries, they reduce the trade barriers. By 2022, China ~~[illegible]~~ has signed free-trade agreements with 28 countries, which allows the free movement of goods and services and remove ~~o~~ restriction on FDI.

WTO was ineffective in preventing the USA and EU from using protectionist policies.

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Examiner Comments

1KN – Promote free trade between countries. 1AN – Reduce barriers to trade. 1AP – China has signed free trade agreements with 28 countries. 1AP – WTO was ineffective in preventing the USA and EU from using protectionist policies. In summary: KN=1/2; AP = 2/2; AN=1/2.

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Examiner Tip

It is important to remember that 6-mark questions do not have any evaluation marks.

Question 7(e)

Candidates needed to use the source to discuss the likely economic benefits to China of signing free-trade agreements with other countries. It is important that candidates select any two benefits and develop their analysis by focusing on those points rather than trying to cover as many benefits 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 benefits such as trade creation and an improvement in current account. They could 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.

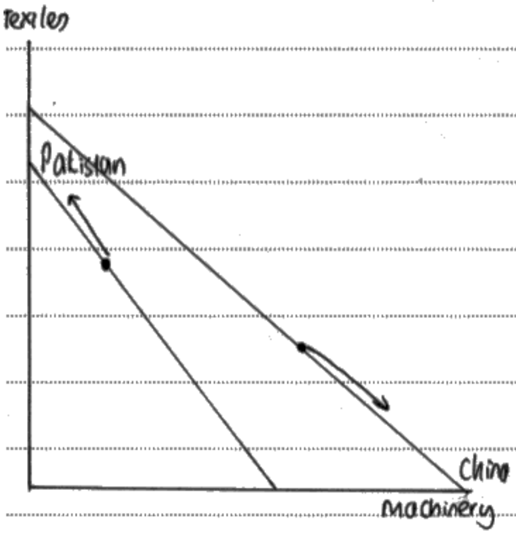
Evaluation points were well written. Candidates included references to trade diversion and impact on domestic firms. Candidates should ensure that they do this as opposed to listing a number of separate undeveloped points.

(e) With reference to the information provided and your own knowledge, discuss the likely economic benefits to China of signing free-trade agreements with other countries.

(14)

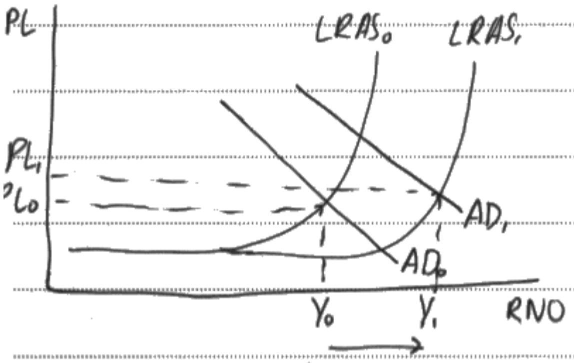
Free-trade agreements allow 2 or more countries to trade without protectionist barriers such as tariffs and quotas. ~~BA~~ ~~BA~~ By 2022, China has signed 28 free-trade agreements with developing countries, which allowed it to enjoy numerous benefits

The removal of tariffs and quotas allows China to freely trade with these 28 developing countries. This will encourage China to specialise on the basis of its comparative advantage.



China has a comparative advantage in machinery production, whilst (lets say ~~ch~~ Pakistan is one country China signed a FTA with) Pakistan has a comparative advantage in textile production. By specialising farther, both countries increase their ~~combined~~ output ~~of textiles~~ and see an increase in export revenue. For China, higher export revenues will attract greater investment in the export sector, which leads to capital accumulation and increases in capital & labour productivity, causing an expansion of China's productive capacity and an outward shift in LRAS - signifying increased potential growth.

Greater volume of exports will also lead to job creation in the Chinese export industry, lowering unemployment and ~~its~~ the associated strain on public finances. Consumers will also enjoy lower prices of imports (especially on fuel imports,) and benefit from lower domestic prices caused by increased levels of foreign competition. Their real disposable income will increase, which allows for greater consumption. Driven by higher employment and real incomes, the multiplier effect may occur: higher consumption encourages more production, creating demand for labour (a derived demand) further increasing employment (and consumption ....) Depending on the size of the multiplier, ~~the~~ China may experience a large rate of actual growth.



So overall, real national incomes increases from Y_0 to Y_1 and inflationary pressures increase.

However, the aforementioned benefits depends on whether the scale of (the increase in) trade ~~and~~, investment and employment resulting from the 28 FTAs are able to offset the costs incurred on the export industries (and negative spillovers onto the rest of economy) caused by the US and EU's protectionist policies. In 2023 exports to these 28 countries contributed to nearly 38% of China's global exports, ~~but it is uncertain whether~~ which is significant, meaning China has successfully diversified its export industry. However, the EU and the US still remain China's biggest trading partners, ~~so the~~ and economists suggest that

In the long term, China cannot replace its loss of trade with the USA and EU. ~~Trade t~~ In the long term, trade tensions may subside with preseidential changes in the US, thus the negative impact on China may be limited & temporary.

~~In addition,~~ Overall, these 28 FTAs will be beneficial both in the SR - to ~~sub~~ alleviate harm to export industry caused by US protectionism - and in the LR - to diversify export industry ~~on~~ leading to more stable profits and reduced dependency on the EU and the US.

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P1: KAA - Definition L1 and application L1. P2: KAA -Specialisation based on comparative advantage, application (China and Pakistan), increased output and export revenue. Benefits of higher export revenue. Multi-stage chains of reasoning L3. Diagram; L2+. P3: KAA - Lower unemployment, lower prices, greater consumption, increasing productivity, diagram integrated with no application but diagram integrated. Multi-stage chains of reasoning L3. P4: EV - Depends on scale of trade, application in comparison to the EU and US. Logical chains of reasoning E3. P4 (second half): EV - Significance - Link to the EU and US; tensions may subside. Logical chains of reasoning E3. KAA: L1, L3, L3- = 8. EV: E3, E3- = 6. In summary: 8 + 6 = 14.

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Examiner Tip

This is a strong answer which attains the highest level for both KAA and EV. It meets all the assessment objectives and integrates application well. Consistent contextualisation of arguments has given this response higher marks.

(e) With reference to the information provided and your own knowledge, discuss the likely economic benefits to China of signing free-trade agreements with other countries.

(14)

There are many benefits to China signing free-trade agreements with other countries. One is that ~~we~~ they will be able to freely trade without the worry of tarrifs or quotas, and as China is highly dependent on exports, this is greatly beneficial. Due to China's high export dependency, freetrade agreemenTS with ~~small~~ a ~~smaller amount~~ larger amount of small countrics rather than two large countries seems beneficial as they don't need to worry about any retaliations, ~~we~~ seeing as their too small, and they provide large amounts of ~~imp~~ export revenue. In figure 2 it shows that by 2023, the percentage of exports from China to both developing and developed countries had ~~reached the same~~ become the same, with developing countries taking over.

However, a drawback of having trade agreements with still developing countries is that while China is exporting high quality products and commodities to the developing, they may not get high quality imports back, or maybe not a variety of the same stature as the US. In Extract A it says "China cannot easily replace the loss of trade with the USA and EU by trading with other countries and regions.", meaning that despite having and abundance of developing countries with free-trade agreemens, it may not make up for what they were gaining back from the US and EU.

Another benefit of free-trade agreements with other countries for China is that

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P1 : KAA - Benefits of free trade. Starts with "Due to China's high export dependency." There is no need to worry about retaliation and integrates Figure 2. L2+. P2: EV - Contains two evaluation points. Firstly, may not get high-quality imports compared to US E2-. Second, the evaluation point begins with "application," indicating that it is unable to replace the loss of trade with the US and EU and may not compensate for the loss of trade E2-. KAA: L2+ = 4 (not sustained). EV: E2-, E2- = 3. In summary: 4 + 3 = 7.

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Focussing on time management is essential. Avoid spending too much time on low-tariff questions.

Question 8(x)

This question asked candidates to evaluate measures that could be taken to reduce a current account deficit on the balance of payments. In addition, to access high Level 4 for KAA, candidates are required to refer to a country of their choice in their answer.

Many explained measures. They assessed supply-side policies, deflationary policies and a depreciation of the currency. 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 the causes of current account deficits, and this meant that they did not access any marks as their analysis was not accurate given they were not answering the question. Those who identified a range of policies without linked development were only able to access Level 1 KAA.

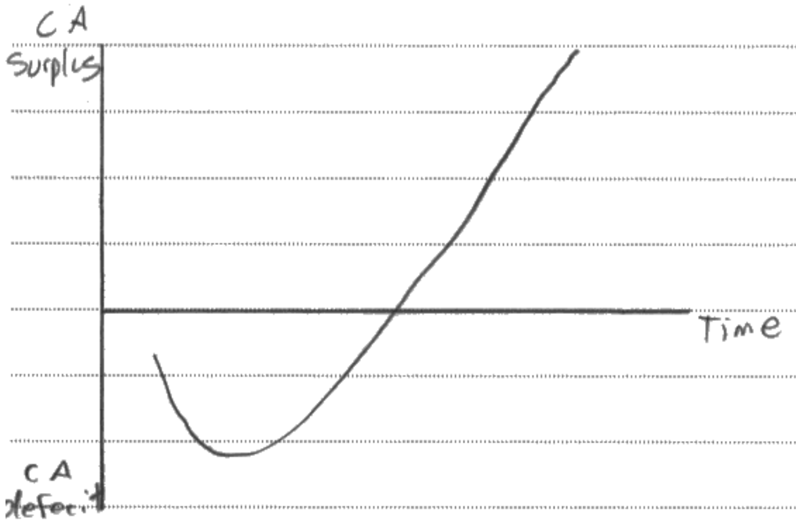
Evaluation included an attempt to discuss the short-run versus long-run considerations. Some candidates explained the effectiveness of the measures successfully and could get higher levels. Many were only able to explain one point with the other points often just being identified. Those who listed evaluation points achieved Level 1.

Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒

A current account defecit is when the total value of imports is greater than the total value of exports.

One measure that can reduce a current account defecit is to devalve the exchange rate of its currency. When the currency is devalved, this will make exports cheaper for foreigners to purchase, and in turn make imports more expensive for the country's population. For example, Turkey's current account defecit was $48.75 billion in 2022, and during that time the Turkish Lira had depreciated by around 40% from previous years. This had led to Turkey's export competitiveness to increase due to them being cheaper, and this will help Turkey reduce its defecit. Turkey can explicitely devalve its currency by ~~Buying~~ selling the Turkish Lira ~~Buy~~ ~~using its foreign~~ and increase its foreign ~~exchange~~ currency reserves. As the supply of the Turkish Lira has increased, the price of the Lira relative to other currencies has fallen.

However, a depreciation of Turkey's currency may only reduce its current account deficit if the Marshall-Lerner condition is met, and this is where the ~~the~~ sum of the price elasticity of demand for exports and imports is greater than one. This is true, as if the elasticities are elastic, a drop in price for exports will increase its quantity demanded significantly and vice versa for imports. Additionally, a depreciation may worsen the deficit in the short-term, which can be shown with the J-curve.



This is due to the fact that demand in the short-term is inelastic due to the lack of substitutes and lack of awareness. The time it takes to reduce the deficit, however, may take longer ~~than~~ than expected if Turkey is experiencing a lack of foreign demand.

Another measure is to increase public expenditure ~~is by increasing public expenditure~~ on healthcare infrastructure and healthcare, which ~~boosting~~ in turn will lead to a boost in the quality of human capital and ~~n~~ national productivity levels. ~~W~~ Canada has a small defecit of \$6.65 billion which is a small proportion of its total GDP. It's government can increase its education investment, leading to a more skilled population which can access technological industries, increasing innovation in the country. Canada can become more competitive globally and there will be more foreign demand for its exports, which would reduce Canada's defecit. Additionally, as Canada become more productive, due to a higher skilled population, its productivity increases leading to a fall in relative unit labour costs, and so can decrease its export prices. As firms become more productive they will reduce x-inefficiencey and become more allocatively efficient. Consumers in Canada will respond to a drop in price by switching to domestic products, reducing demand for the more expensive imports.

However, the government has a large opportunity cost and could instead invest the same amount of money into businesses across Canada, which boosts capital investment. Additionally, if Canada were to improve its human capital, there will be a large time-lag, as education may take a while to come into effect. If the public expenditure is financed through borrowing, this will increase Canada's national debt and therefore worsen its current account defecit. Public borrowing may also lead to crowding out in the private sector, as the commercial banks in Canada may raise interest rates, leading to less private sector loans.

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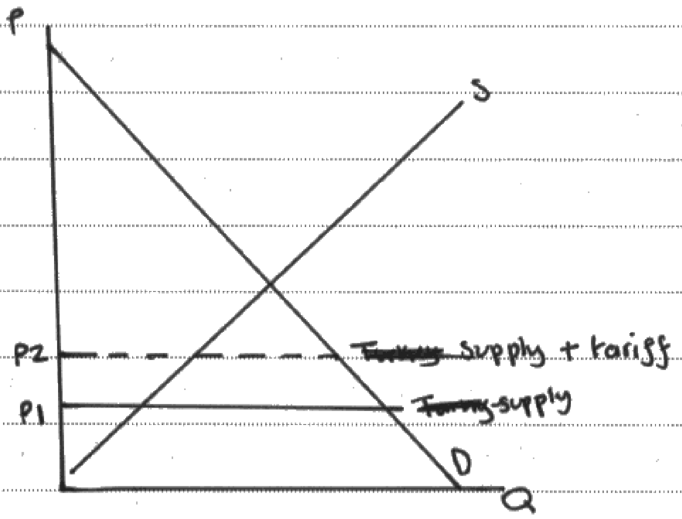
P1: KAA - Definition L1. P2: KAA - Focus on devaluation of the exchange rate. Clear explanation of how it will reduce the current account deficit and identifies a policy of how they can devalue the exchange rate. Several chains of reasoning with clear application L4. P3: EV - Reference to the Marshall-Lerner condition and J-Curve taken together with logical chains of reasoning E3. P4: KAA - Focused on increasing public expenditure. Productivity increasing, reduced labour costs and export prices. Application and multi-stage chains of reasoning L4. P5: EV - List of points made, opportunity cost E2, time lag E2, increase in national debt and crowding out (ignore worsening of the current account deficit) E2. No informed judgment offered. KAA: L4-, L4 = 11. EV: E3, E2-, E2-, E2 = 7. In summary: 11 + 7 = 18.

Chosen question number: **Question 8** ☒ **Question 9** ☐ **Question 10** ☐

A current account defecit occurs ~~when~~ on the balance of paymenrs occurs when a country's imports exceeds the value of that country's exports. The government can aim to reduce these defecits through protective policies, and improving global competitiveness.

One measure that can be taken to correct the current account defecit is by revaluing the local currency as typically an overvalued currency makes imports cheap and exports expensive. Therefore, in a floating exchange rate system, depreciating the currency can lower the price of exports, this can lead to an increased global competitiveness. Increasing global competitiveness allows for a corrected current account defecit as more countries buy from the initial country's export as the price is lower. However, this depends on the governments ability to revalue its currency. As currencies such as Bahraini Dinars, are pegged to the dollar - making it vulnerable to fluctuations.

Another measure governments can take is to implement protectionism in order to reduce the amount of imports. An example of a protectionist policy would be tarrifs, a tax on incoming imports which raises their prices, as seen in the diagram below.



If Turkey was to implement tariffs, price would shift from P1 to P2. This higher prices, alongside quotas and non-tariff barriers can minimise consumer demand for imports. As a result, this may lead to ~~decreased~~ increased domestic demand, promotes domestic firms and workers - resulting in an increased exporting ability.

As an evaluative point, this decrease in demand for imports ~~will~~ may result in less variety, thus decreasing living standards. It will also depend on the magnitude of the protectionist policy implemented as imports may still have a higher value in the current account than exports - especially if domestic consumption remains low.

It is also dependent on the elasticity of demand for imports and exports. The Marshall Lerner condition states that if demand is elastic, depreciating the currency can reduce the imbalance of the current account defecit. Turkiye's current account defecit being $48 billion means the government should utilise monetary policy as well as supply side (investment in infrastructure) to support their output of exports as well as implement protectionism to greatly ~~dep~~ reduce imports and protect domestic production as their defecit magnitude is significant due to large imports of imported counterfeit luxury items.

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P1: KAA - Definition L1 P2: KAA - Depreciating the currency with two-stage chains of reasoning. No reference to policy to devalue currency and context missing. L2 End of P2: EV - Focused on government ability to carry out policy change. E1 P3: KAA - Protectionist policy linking into tariffs. L2 Diagram L1+ (incomplete labelling) End of P3: EV - Focused on magnitude. E2 P4: EV - Marshall-Lerner condition with partially developed chains of reasoning. E2 KAA: L1, L2, L2+ = 6 EV: E1, E2, E2 = 5 In summary: 6 + 5 = 11 NB: Take the best two points

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Examiner Tip

Centres should ensure candidates focus on developing only two points by adding multi-stage chains of reasoning and in context. Evaluation of these two analysis points should also carry depth to access the higher levels. If there is a lot of breadth to answer, it would limit the ability of candidates to develop their arguments.

Question 8(y)

Question 9(x)

Question 9(y)

This question asked candidates to evaluate economic factors that constrain the growth **and** development. In addition, to access Level 4 for KAA, candidates are required to refer to a developing country of their choice in their answer.

The most common factors were linked to primary product dependency, savings gap and demographic factors. 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. Some candidates did not link to both growth and development and hence did not attain the highest levels.

Evaluative comments were not well written. Many offered some points that often went tangential and did not directly 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.

Chosen question number: **Question 8** ☐ **Question 9** ☒ **Question 10** ☐

In 2022 Mozambique had an HDI of 0.46 whereas Guatemala had an HDI of 0.63. Hence, Guatemala's economy is more economically developed compared to Mozambique. Economic development is the overall wellbeing of a county, usually indicated by HDI, and includes factors such as income, healthcare, education, and living standards. Economic growth can be represented by rising GDP.

Firstly, a major constraint that may be affecting mozambique is the harrod-Domer savings gap, this theory shows that saving in an economy is critical to investment in capital, which leads to increased economic growth and development. Developing countries like Mozambique are likely to have a low marginal propensity to save as it is a low income country, most of the income recieved is spent on essential necessities like food, and water. Therefore, there is little saving taking place by consumers. Firms in these counties make ~~low~~ ~~revenues~~ relatively low revenues, hence most of this revenue is used to pay wages and other costs of production. Therefore, firms may have low savings / retained profits, therefore firms will not be able to invest in capital to increase economic growth by lowering costs of production, rising productivity, and increased output, which would ~~be~~ generate higher revenues for the firm to expand and ~~[illegible]~~ increase employment. However, this method of growth may ~~increase~~ decrease development as only rich skilled members of the population may benefit from this growth, increasing their wages, whilst lower skilled workers ~~[illegible]~~ have stagnant or even less wages.

The harrod domar model can be overcome by govt. intervention, promoting joint ventures of TNC's and domestic firms, as inward investment occurs and transfers of greater technology and capital can be used to increase productivity and growth, by lower prices.

Another major constraint of growth and development is the volatility of commodity prices and the Prebisch Singer hypothesis. This states that as time increases the relative commodity prices will fall relative to manufacturing prices. Primary good commodities are usually sold and dominated by ~~larger [illegible]~~ LEDCs (low economically developed countries), hence they specialise in production, ~~[illegible]~~ like Ethiopia specialises in the

Production of coffee. Therefore, terms of trade is likely to decrease for a country (e.g. Ethiopia) as it's export prices fall over time compared to it's import prices rising, therefore export led growth will deteriorate and Ethiopia will spend more on imports. As commodities are not usually high in demand by other countries, ~~the elasticity of demand may be relatively elastic~~ the total income recieved by Ethiopia from it's exports will decrease. Therefore, it constraints growth as there will be less ~~[illegible]~~ circular flow of income in an economy like Ethiopia, and development may also decrease due to this as purchasing power of ~~[illegible]~~ Ethiopia will fall and real incomes from trade fall. Development will be restricted as lower incomes lead to lower living ~~[illegible]~~ standards.

However, this depends on the amount of the decrease in export prices relative to import prices. If the decrease is low, then Ethiopia may not be as affected by the change in price and may still have high export sales, hence export-led growth and development may still occur.

ResultsPlus
Examiner Comments

P1: KAA - Data L1-, Definition L1. P2: KAA - Harrod Domar, savings gap well developed with application to Mozambique linked to economic growth and development L4. End of P2: EV - Rich may benefit more than poor identified but not explained E1. P3: EV - Inward investment from joint ventures may help economic growth E2. P4: KAA - Prebisch-Singer hypothesis with application to Ethiopia L4. P5: EV - Depends on fall in export prices relative to import prices E2. KAA: L1-, L1, L4, L4. EV: E1, E2-, E2. In summary: 11 + 5 = 16.

Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒

There are many factors that lead to the Constraint of growth & development of developing Countries. In this essay i will be talking about those factors & will be reffering to Mozambique a developing Country in africa with HDI of 0.46.

One factor that leads to Constrain of growth & development is to do with the lack of skill. Mozambique does not offer ~~t~~ the righ education needed to train population to gain skill to develop the Country. In countries such as ~~africa~~ Mozambique ~~edu~~ children education is usully ~~most~~ stopped ~~at~~ ~~t~~ before higschool level this is due to families sending kids to work in agricultural jobs such as farming or they send daughters ~~t~~ off to get married at youngest possible age as it is seen as a source of income. So the lack of higher education leads to ~~a~~ a majority unskilled population that are unable to

Contribut to factors that Can develop /grow economy as they are not recieving enough education. However with the growth of tech & social media citizens of mozambique are able to see benfits of education therfore in long term may not be a problem.

Another factor that Contributes to the Constrainsts is globalisation. Globalisation involves the interdepence & integration of Cantry's economics so allow for factor such as free trade. ~~so developed~~ so due to this we see MNC setting up factories in developing Cantries where factor of production is cheaper, This leads to ~~business of~~ small business of country unable to Compete with these large MNC so causes them to shutdown which leads to unemployment which causes a strain on growth & development of Canty. however citizens are able to benfit from Job opportunities given by MNC's opening up Production plant in Canty.

Another factor that Constrains Growth & development of County is lack of infastrucre. We see in Cantries such as Mozambique is that roads are not developed or transport is outdated this leads to ~~~~ goods & Services produced being harder to transported aswell mozambique is a landlocked county so no ports are available to exports goods & so make exporting harder so causes Constraints on growth of economy as exportation is a ~~huge facto~~ factor of economic growth.

Finally another factor that causes ~~lack~~ constrains on development & Growth is forign aid. Types of forign aid such as the donation of clothes leads to constrains on growth as Consumers have no incentive to spend on local ~~shop~~ retail shops as they are reciving cloths for free. and consumer spending is a large contributer to Agraget demand so a drop in spending leads to decrease in AD which in effects constrains growth of economy. as they don't recieve revenue from tax of bussiness as business are making no money to be taxed. however this can be stopped by blocking types of forign aid.

ResultsPlus
Examiner Comments

P1: KAA - Data L1. P2: KAA - Lack of education with application but limited analysis L3. No credit for attempted evaluation on start of page 2. P3: KAA - Globalisation with development of MNCs impacting local firms L3-. End of P3: EV - MNCs providing jobs E1. P4: KAA: Lack of infrastructure linked to impact on exports L2+. P5: KAA - identification of a factor that could constrain growth - foreign aid L1. KAA: L1-, L3-, L3-, L2+, L1. EV: E1. In summary: 7 + 1 = 8.

ResultsPlus
Examiner Tip

Focus on fully developing only two KAA and two EV points to maximise chances of attaining the top end of higher levels. The depth of arguments is equally important as having breadth to answers.

Question 10(x)

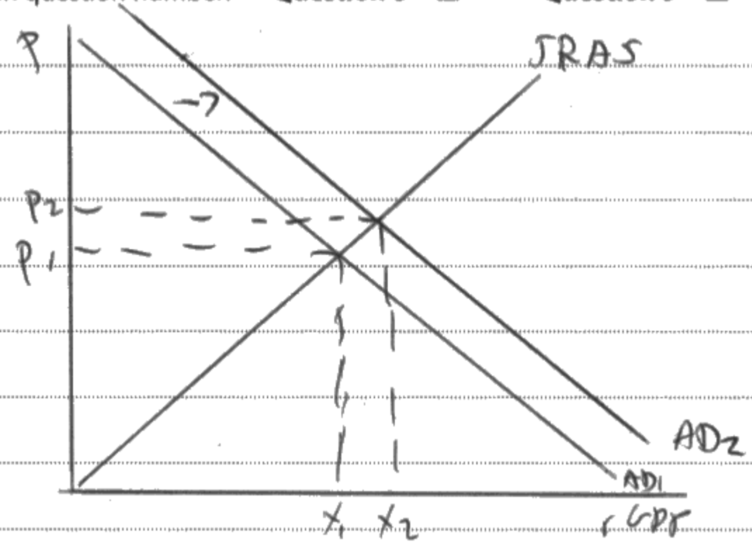
Question 10(y)

This question had asked the candidates to evaluate the economic effects of an increase in public expenditure as a proportion of GDP. To access Level 4 for KAA candidates are required to refer to a developed country of their choice in their answer.

Most were able to explain the economic effects. The most common points focused on economic growth and income inequality. 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 capital expenditure and current expenditure effectively, attained the higher-level marks.

Candidates struggled to evaluate effectively. The majority offered causes of an increase in public expenditure and this got no credit. The other points were quite generic and not very well developed; they did not achieve more than Level 1.

Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒



With an increase in public expenditure as a proportion of GDP, the ~~[illegible]~~ economic ~~[illegible]~~ growth within Italy's economy would rise. Since G is a component of AD, an ~~[illegible]~~ increase in spending by the Italian government ~~[illegible]~~ for such as in welfare benefits would result in AD increasing and shifting to the right from AD_1 to AD_2 leading to an increase in the price level from P_1 to P_2 and an increase in output from Y_1 to Y_2. With

This ~~often~~ means that Italy will experience a rise in economic growth which may translate to an increase in society's welfare ~~as~~ standards of living are likely to rise ~~[illegible]~~ as unemployment would also fall, leading to a decrease in income inequality which could multiply through the economy as therefore cause an even greater rise in economic growth or output increases more.

Another economic benefit could be an increase in economic development within ~~it~~ Italy. With interventionist spending in sectors such as education, healthcare or infrastructure, there would rise levels of HDI in Italy. With the Italian government increasing public expenditure from ~~2021~~ 47.1% in 2002 to 56.7%. In 2022, if they spent on the education sector this could lead to an increase in the quality of education for the Italian children which could mean that they spend more years in

~~the~~ higher learning education such as attending university, this could therefore result ~~t~~ in the population of Italy having greater skills and qualifications in the long run which would increase their productivity and raising the chance of ~~a~~ employability. With better quality of human capital this could lead to lower illiteracy rates in the future Italian generations and therefore increase HDI leading to economic development increasing in Italy as a consequence.

However, to evaluate Italy may not benefit with an increase in public expenditure as the ~~rise~~ increase in ~~other~~ AD would also lead to a ~~higher~~ rise in inflation within the economy, meaning that the benefits may be offset due a raise in average prices and therefore this may lead to inequality as lower income households will feel their purchasing power erode ~~whilst~~ ~~of~~ alongside lowering higher marginal propensities to consume. This would lead to a rise in unemployment and therefore conflict with Italy macro objectives.

Moreover, ~~the~~ Italy may only see an improvement in economic development in the long run, as investing in education may take decades for the benefits of the improved human capital to become evident, therefore Italy should adopt other policies if they attempt to see development in the short run, such as investing in Healthcare which would decrease mortality rates in Italy and therefore raise HDI.

In conclusion, Italy should attempt to use a variety of different methods to increase economic growth and maintain income equality, for example by also introducing progressive taxes in order to lower inequality further. ~~Additionally Italy may also need to raise~~ on top ~~of this~~ of that with state spending more on welfare benefits this could actually reduce the size of the labour force as people will be less motivated to take on jobs, so GDP may actually decrease as a result.

ResultsPlus
Examiner Comments

Diagram L2 (PL on y-axis would have given it a max of L2+ awarded for diagrams). P1: KAA - Impact on AD, economic growth and multiplier with multi-stage chains of reasoning. No context/application L3+. P2: KAA - Impact on economic development with multi-stage chains of reasoning and use of data L4. P4: EV - Negative impact of inflationary pressures E2. P5: EV - SR vs LR considerations for education as a policy. E2 P6: no credit as not answering question. KAA: L2, L3+, L4 = 10. EV: E2, E2 = 5. In summary: 10 + 5 = 15.

Chosen question number: **Question 8** ☒ **Question 9** ☒ **Question 10** ☒

Public ~~expantidure~~ ~~consits~~ consists of capital expenditure, current expenditure and transfer payments. An increase in public expenditure as a proportion of GDP is likely to increase economic growth ~~fo~~ and ~~have positive effects~~ and increase SRAS.

Firstly, an increase in public expenture will increase AD. Government spending is a component of aggregate demand and ~~inj~~ an injection to the circular flow of income. It will result in higher injections and lower leakages thus increasing AD and the productive potential output of a country such as Japan. ~~It can increase employment and li~~ It increases living standards and people's overall welfare in the economy.

An increase in public expenditure on education and training ~~po~~ programmes can increase the physical and human ~~productivity~~ capital thus increasing productivity and lowering cost per unit per hour worked. This can increase Japans international price competitiveness making its exports more competitive thus increasing aggregate demand.

If Japan increases its public expentiture on infrastructure ~~and~~ it can rapidly increase development. An investment in bullet trains and state of art tecnology Japan has can increase physical capital. This increase in public expenditure will increase long run aggregate supply and increase economic growth. ~~Investment~~ is an injection to the circular flow of income and ~~definety~~ defintely will have many potential ~~benet~~ benefits on its ~~ecomony~~ economy. It will increase AD and potential GDP. Italy's public ~~However any economic benefits~~ expentiture as a proportion of GDP increased from 47.7% to 56.7% which is a signifiant increase and will likely have large ~~murt~~ multiplier effects.

However any potential benefit depends on the value of the multiplier and the level of spare capacity in the economy. It also depends ~~whats~~ in what component ~~is~~ of public expentiure is increasing. If ~~pub~~ transfer payments are increasing this reduces the incentives to work and thus decreases tax revenue and will decrease any potential benefits to the economy.

Additionally, public expenditure ~~co~~ might be hard to finance and lead to a large fiscal deficits. They might not be able to be financed in the long run and can possibly ~~led~~ lead to large debts. The increase in publice expentiture is likely to have large inflationary pressures such as demand pull inflation.

Overall, this increase in public expenditure will likely benefit Japan in terms of growth, more productive and healthier workfore and ~~is~~ an increase in income due to economic growth but might not be sustained in the long run.

ResultsPlus
Examiner Comments

P1: KAA - identification L1. P2: KAA - explanation of impact of injection on AD L2. P3: KAA - impact of education on productivity and competitiveness L2+. P4: KAA - impact of infrastructure on LRAS and AD L2+. End of P4: EV - magnitude of increase E1. P5: EV - depends on multiplier and spare capacity E1. P6: EV - impact depends on what money is spent explained using transfer payments E2. P7: EV - explanation of fiscal deficit and national debt E2. End of P7: EV - reference to inflationary pressures E1. P8: summary – no credit. KAA: L2, L2+, L2+ = 6. EV: E1, E2, E2 = 5. In summary: 6 + 5 = 11.

ResultsPlus
Examiner Tip

Centres should ensure candidates focus on developing only two points by adding multi-stage chains of reasoning. Evaluation of these two analysis points should also carry depth to access the higher levels.

Paper Summary

Based on their performance on this paper, the candidates and centres are offered the following advice:

- 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

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