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## Mark Scheme (Results)

January 2023

Pearson Edexcel International Advanced Level  
In Economics (WEC14) Paper 01  
Unit 4: Developments in the global economy

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## General Marking Guidance

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

## Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	<p><b>The only correct answer is D</b></p> <p><i>A is not correct because this is likely to decrease a country's exchange rate</i></p> <p><i>B is not correct because this is likely to decrease a country's exchange rate</i></p> <p><i>C is not correct because this is likely to decrease a country's exchange rate</i></p>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	<p><b>The only correct answer is C</b></p> <p><i>A is not correct because this would lead to an increase in the rate of inflation</i></p> <p><i>B is not correct because this would lead to an increase in debt servicing costs</i></p> <p><i>D is not correct because tax revenues are likely to be decreasing</i></p>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	<p><b>The only correct answer is B</b></p> <p><i>A is not correct because this tax on sugary drinks is a specific tax</i></p> <p><i>C is not correct because tax on income is a direct tax, whereas this tax on sugary drinks is a specific (indirect) tax</i></p> <p><i>D is not correct because tax on company profits is a direct tax, this tax on sugary drinks is a specific (indirect) tax</i></p>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	<p><b>The only correct answer is A</b></p> <p><i>B is not correct because this is likely to decrease income inequality</i></p> <p><i>C is not correct because this will shift the Lorenz curve closer to the line of perfect equality</i></p> <p><i>D is not correct because this will shift the Lorenz curve closer to the line of perfect equality</i></p>	(1)

5	<p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p><b>The only correct answer is C</b></p> <p><i>A is not correct because consumer surplus has decreased by the area <math>P_1P_2EF</math></i></p> <p><i>B is not correct because government tax revenue is the area BCDE</i></p> <p><i>D is not correct because producer surplus has increased by the area <math>P_1P_2BA</math></i></p>	(1)
6	<p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p><b>The only correct answer is D</b></p> <p><i>A is not correct because there will be a rise in both unit labour costs and export prices</i></p> <p><i>B is not correct because there will be a rise in both unit labour costs and export prices</i></p> <p><i>C is not correct because there will be a rise in both unit labour costs and export prices</i></p>	(1)

## Section B

<b>Question</b>	Between Q1 2020 and Q4 2021 the average annual rate of inflation in New Zealand increased from 2.5% to 5.4%.  Calculate the change in the rate of inflation between Q1 2020 and Q4 2021. You are advised to show your working.  <b>Answer</b>	<b>Mark</b>
7(a)	<b>Application 2</b>  Quantitative skills assessed: <b>QS2:</b> Calculate, use and understand percentages, percentage changes and percentage point changes. <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.  Up to 2 marks for calculations: <ul style="list-style-type: none"><li>• 5.4% - 2.5% <b>(1)</b></li><li>• 2.9 percentage points <b>(1)</b></li></ul> OR <ul style="list-style-type: none"><li>• <math>(5.4\% - 2.5\%) / 2.5\% \times 100</math> <b>(1)</b></li><li>• 116% <b>(1)</b></li></ul> <b>NB</b> Award 2 marks for correct answer (2.9 percentage points or 116%) <b>NB</b> Award only 1 mark for 2.9% or 116	<b>(2)</b>

Question	With reference to Figure 1 and the first paragraph of Extract A, analyse <b>two</b> causes of the increase in the rate of inflation.	Mark
Answer		
7(b)	<p><b>Knowledge 2, Application 2, Analysis 2</b></p> <p>Quantitative skills assessed:  <b>QS2:</b> Calculate, use and understand percentages, percentage changes and percentage point changes.  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge and analysis</b></p> <p>Up to 2 marks for identifying two causes and one mark for each linked explanation, e.g.:</p> <ul style="list-style-type: none"> <li>• Disruptions to the global supply chain/restrictions that had been in place during the global health crisis <b>(1K)</b> prevented firms from expanding capacity, creating shortages and causing cost-push inflation <b>(1AN)</b></li> <li>• Global health crisis <b>(1K)</b> increased government spending which resulted in an increase AD causing demand-pull inflation <b>(1AN)</b></li> <li>• High energy costs <b>(1K)</b> would increase firms cost of production, shifting SRAS left causing cost-push inflation <b>(1AN)</b></li> <li>• Increase in consumer demand for goods and services <b>(1K)</b> would increase in consumption/AD causing demand-pull inflation <b>(1AN)</b></li> <li>• Rising house prices <b>(1K)</b> would increase homeowners' confidence and increase consumption/AD causing demand-pull inflation <b>(1AN)</b></li> </ul> <p>NB: Demand-pull inflation and cost-push inflation may be shown through an accurately drawn and labelled AD/SRAS diagram</p> <p><b>Application</b></p> <p>Up to 2 marks for application to Figure 1, e.g.: Between Q1 2021 and Q4 2021 e.g.:</p> <ul style="list-style-type: none"> <li>• USA rate of inflation increased from around 1.9% <b>(1)</b> to 6.4% <b>(1)</b></li> <li>• UK rate of inflation increased by approximately 3.6 <b>(1)</b> percentage points <b>(1)</b></li> </ul>	<b>(6)</b>

<b>Question</b>	Explain what is meant by 'monetary policy instruments' (Extract A, line 9).	<b>Mark</b>
<b>Answer</b>		
7(c)	<p><b>Knowledge 2, Application 2</b></p> <p>Quantitative skills assessed:  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b>  Up to 2 marks for understanding of monetary policy instruments, e.g.:</p> <ul style="list-style-type: none"> <li>• These include: <ul style="list-style-type: none"> <li>○ interest rates <b>(1)</b></li> <li>○ asset purchases / money supply / quantitative easing <b>(1)</b></li> <li>○ changes in lending criteria <b>(1)</b></li> <li>○ reserve asset (liquidity) requirements <b>(1)</b></li> </ul> </li> </ul> <p><b>Application</b>  Up to 2 marks for application to monetary policy instruments, e.g.:</p> <ul style="list-style-type: none"> <li>• Can be adjusted to meet the inflation target, e.g. of 2% <b>(1)</b></li> <li>• Less effective in tackling inflation created by lack of supply <b>(1)</b></li> <li>• Allow reference to example from central bank/specific country <b>(1)</b></li> </ul>	<b>(4)</b>

<b>Question</b>	Examine <b>two</b> 'problems facing central banks when applying monetary policies to reduce the rate of inflation' (Extract A, lines 11-12).	<b>Mark</b>
<b>Answer</b>		
7(d)	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <p>Quantitative skills assessed:  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge and analysis</b>  Up to 2 marks for identifying two problems and up to 2 marks for linked explanations, e.g.:</p> <ul style="list-style-type: none"> <li>• Inability to control the rising rate of inflation caused by external factors/shocks <b>(1)</b>: may occur while policies are implemented or having their full impact, e.g. changes in exchange rates, prices of commodities, economic conditions in economies of main trade partners <b>(1)</b></li> <li>• Difficulty in knowing whether the increase in the rate of inflation is temporary or permanent <b>(1)</b>: because inappropriate policies could be applied, e.g. significant rise in base interest rate would not be appropriate if the inflation was temporary <b>(1)</b></li> <li>• Inaccurate information <b>(1)</b>: issues with estimating/sampling, time delays/time lags, inadequacy of information gathering systems and processes, shadow economy/informal sector <b>(1)</b></li> <li>• Risks and uncertainties <b>(1)</b>: the effects of policies may be difficult to predict either due to a lack of information as to consumers' and/or firms' reactions <b>(1)</b></li> </ul> <p><b>Application</b>  Up to 2 marks for application from Extract A (1+1), e.g.:</p> <ul style="list-style-type: none"> <li>• Temporary issue: as a one-off increase in supply chain disruptions / one-off increase in consumer demand <b>(1)</b></li> <li>• Permanent issue: as a result of rising wages <b>(1)</b></li> </ul> <p><b>Evaluation</b>  Up to 2 marks for evaluative comments:</p> <ul style="list-style-type: none"> <li>• Different factors will be more important in different economies <b>(1)</b> e.g. countries with proportionally larger shadow economies, less likely to have accurate information etc. <b>(1)</b></li> </ul>	

	<ul style="list-style-type: none"><li>• Other policies e.g. reflationary fiscal policy <b>(1)</b> might offset the impact of deflationary monetary policy <b>(1)</b></li><li>• Information may be becoming more accurate over time <b>(1)</b> as technology and economic understanding improves <b>(1)</b></li><li>• Historical data/information available on policy impact in the past <b>(1)</b> so not a significant issue to policymakers <b>(1)</b></li></ul>	<b>(8)</b>
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<b>Question</b>	With reference to Extract B, discuss how demographic factors may constrain economic growth of developed economies.  <b>Indicative content</b>
<b>7(e)</b>	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge, Application and Analysis (8 marks) – indicative content</b></p> <p>Understanding of economic growth Understanding of demographic factors</p> <ul style="list-style-type: none"> <li>• Ageing population and early retirement – could lead to: <ul style="list-style-type: none"> <li>○ labour shortages: there will be low participation rates/decrease in numbers of economically active people in the population; shortage of workers could increase wages, leading to wage inflation and thus reducing growth</li> <li>○ a rise in dependency ratio: workforce may experience a rise in income tax in order to support older population. This creates disincentives to work and will discourage firms to invest - therefore there could be fall in productivity and economic growth</li> <li>○ increased social welfare responsibilities: a higher proportion of older workers would require the government to increase its spending on health care/pensions, whilst older people pay lower income taxes as they are not working; opportunity cost of lower spending on capital/infrastructure</li> </ul> </li> <li>• Migration – “decline in international migration” could lead to: <ul style="list-style-type: none"> <li>○ fewer migrant workers bringing a range of skills/human capital to the labour market that complement each other, reducing productivity and lowering average incomes</li> <li>○ job vacancies being unfilled and firms unable to increase production: “many companies decreasing production due to a lack of workers” – impact on PPF/LRAS</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ reduction in labour force participation as there will be lower working-age population, hence increasing the dependency ratio (as size of the population falls) and decreasing the potential output of the economy</li> <li>○ a reduction in consumer spending/consumption within the economy, lowering aggregate demand and hence real output</li> </ul>
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<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1-3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
<b>Level 2</b>	4-6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
<b>Level 3</b>	7-8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

**Evaluation (6 marks) – indicative content**

- Different impact on different developed countries, e.g. the UK and the USA
- Consideration that it is likely to be a combination of factors have severely constrained the economic growth of developed countries
- Significance of factors over time, e.g. demographic pressures, especially an ageing population that has now been exacerbated by the “decline in international migration”
- Demographic factors may not be the main reason that constrains economic growth of developed countries; a more important factor could be reduction in labour force participation rate where some workers “have left the workforce” and do not want to “rejoin the labour force”
- Ageing population and early retirement:
  - If workers are still part of the labour force, they may have valuable skills and experience to pass on to the next generation: helping with long-term productivity and growth
  - Available to support younger families with childcare when they retire early, allowing them to attend/focus on work; contributing to higher productivity and hence growth
  - In France and Spain, employment has returned to its pre-crisis level and labour force participation rates have risen rapidly
- Migration:
  - If migrants are not employed, they would not participate in the labour force leading to greater unemployment and lost output
  - Migrants may not possess the skills to effectively contribute to output

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1-2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	3-4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	5-6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

## Section C

<b>Question</b>	<p>In February 2021 the UK Government applied to join one of the world's largest free-trade areas, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).</p> <p>Evaluate the likely economic benefits to a country of joining a trading bloc.</p> <p><b>Indicative content</b></p>
<b>8</b>	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge, Application, Analysis (12 marks) – indicative content</b></p> <ul style="list-style-type: none"><li>• Understanding of a trading bloc</li><li>• Trade creation: An analysis based on the law of comparative advantage; greater specialisation and more trade</li><li>• Benefits to domestic firms: increased production so that they can benefit from economies of scale; firms have access to larger and potentially more lucrative markets so they could increase sales</li><li>• Increase in competition between firms: this could lead to a reduction in x-inefficiency; increase in allocative efficiency</li><li>• Benefits to consumers: lower prices and therefore increase in consumer surplus; more choice and variety of goods and services</li><li>• Increase in GDP/rising incomes/falling unemployment</li><li>• Greater weight in trade negotiations/global trade agreements</li><li>• Improvement in current account of BOP if the country increases its exports</li><li>• Increase in labour market flexibility if free movement of labour is in place</li><li>• Increase in innovation and transfer of ideas: could lead to an increase in dynamic efficiency</li><li>• Reduction in transaction costs involved in international trade e.g. less bureaucracy</li></ul> <p><b>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country in their answer</b></p>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1-3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
<b>Level 2</b>	4-6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
<b>Level 3</b>	7-9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
<b>Level 4</b>	10-12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

**Evaluation (8 marks) – indicative content**

- Could lead to trade diversion and distortion of comparative advantage
- Imports may increase more than the exports causing a deterioration in the current account of the balance of payments of the UK
- There may be an increased interdependence on the economic performance of other countries in the CPTPP; greater impact of external shocks
- Domestic firms may be unable to compete with goods from other member countries and go out of business causing a rise in unemployment
- Domestic firms may face large unrestricted competition from the world's most powerful TNCs, and could exit the market
- The strongest participant in CPTPP might be able to dictate terms to suit themselves; UK will not have a big weight as they will be new to the bloc
- Countries in close geographic proximity will gain more benefits than those distant from the largest countries in the bloc
- There will be loss of independence and sovereignty for the UK as decisions made would apply to all the countries in the trading bloc
- Inefficient producers within the bloc can be protected from efficient ones outside the bloc
- CPTPP is a very large trading bloc, so any likely benefits may be substantial

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1-3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4-6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

<p><b>Question</b></p>	<p>In 2021 Singapore's surplus on its current account of the balance of payments was over \$60 billion.</p> <p>Evaluate possible causes of a current account surplus. Refer to a developed country of your choice in your answer.</p> <p><b>Indicative content</b></p>
<p><b>9</b></p>	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge, Application and Analysis (12 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Understanding of current account surplus</li> <li>• Higher productivity – more educated/skilled workforce, reducing unit costs and therefore more competitive in terms of labour costs</li> <li>• Fall in the external value/depreciation of a country's currency – makes exports relatively cheap and imports relatively more expensive</li> <li>• Relatively low inflation rates – Singapore's rate of inflation is relatively lower than most developed countries</li> <li>• Increase in demand for goods and services from the rest of the world</li> <li>• Falling real wages/incomes in Singapore, reducing demand for imports</li> <li>• Lower regulation/bureaucracy in Singapore, reducing costs of production</li> <li>• Protectionist policies designed to reduce country's dependence on imports</li> <li>• Reputation for producing high quality and highly reliable goods/services</li> <li>• Previous investment in modern technology, e.g. on machinery/equipment</li> <li>• Rise in price of key commodity exported, e.g. Singapore and petroleum</li> <li>• Firms in Singapore benefiting from external economies of scale</li> <li>• Abundance of raw materials – highly demanded by other countries, e.g. Saudi Arabia and oil</li> <li>• Increase in the world price of commodities; more relevant to countries in which commodities are a high proportion of exports</li> </ul> <p><b>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer</b></p>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1-3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
<b>Level 2</b>	4-6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
<b>Level 3</b>	7-9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
<b>Level 4</b>	10-12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	<p><b>Evaluation (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Short-run versus long-run considerations: reasons why surplus may not be maintained over the longer term</li> <li>• Significance of causes of current account surplus change over time</li> <li>• Prioritisation of causes: e.g. rising petroleum prices may be the most important</li> <li>• Inadequacies of data: the data provided is only for one year; it is likely that the surplus may not be maintained over a longer time period</li> <li>• Hard to identify if Singapore’s surplus is relatively small or large: perhaps surplus as a percentage of GDP would be more significant</li> <li>• Different combinations of causes affect different countries</li> <li>• Depends on which component of current account is causing the surplus</li> </ul>
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Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1-3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4-6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

<p><b>Question</b></p>	<p>In Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019.</p> <p>Evaluate interventionist strategies that a government in a developing country of your choice might use to increase <i>economic development</i>.</p> <p><b>Indicative content</b></p>
<p><b>10</b></p>	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge, Application, Analysis (12 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Understanding of economic development/HDI</li> <li>• Development of human capital – government investment in healthcare and education can increase human capital and productivity; increases HDI as it increasing life expectancy and mean years of schooling</li> <li>• Protectionism – by imposing restrictions on free trade, the government helps domestic (infant and geriatric) industries therefore maintaining employment; increases HDI as per capita incomes increase</li> <li>• Managed exchange rates – countries with an overvalued exchange rate can import raw materials and capital goods at a relatively lower price promoting advances in technology; e.g. increases proportion of people with access to mobile phones and the internet</li> <li>• Infrastructure development – investment in physical capital, e.g. power and water supplies, transport links and telecommunication networks will increase efficiency and reduce unit costs; e.g. increases the proportion of people with access to energy and clean water</li> <li>• Promoting joint ventures with TNCs – allows sharing of costs with the TNCs thereby gaining internal economies of scale that reduces export prices; local businesses could access resources including technology/human capital</li> <li>• Buffer stock schemes – by setting a floor and a ceiling price, governments reduce uncertainty caused by price volatility; this would therefore stabilise incomes and increase HDI</li> </ul>

	<p><b>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer</b></p> <p><b>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer</b></p>	
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1-3	<p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Use of generic material or irrelevant information or inappropriate examples.</p> <p>Descriptive approach which has no chains of reasoning.</p>
<b>Level 2</b>	4-6	<p>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Limited application of knowledge and understanding to economic problems in context.</p> <p>A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.</p>
<b>Level 3</b>	7-9	<p>Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.</p> <p>Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.</p>
<b>Level 4</b>	10-12	<p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.</p> <p>Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.</p>

**Evaluation (8 marks) – indicative content**

- Increase in government spending could worsen fiscal position; if government spending is financed through borrowing it could increase external debt and subsequently lead to crowding out: resource and financial
- Impact of the policies employed might depend on the state of the economy
- A combination of policies may have to be implemented by the government to experience a large increase in economic development and HDI
- Depends on the quality of education and healthcare programmes, e.g. if the government is investing in science/technology/maths based subjects, it may have a larger impact on economic development
- Protectionism could lead to a distortion of comparative advantage and hence resources will be allocated inefficiently; the lack of competition for domestic industries could result in higher x-inefficiency
- Overvalued exchange rate would make exports relatively more expensive therefore reducing demand for domestic goods and causing unemployment
- Depends on the quality of the infrastructure developments
- A joint venture is only a temporary arrangement with TNCs: once this ends, investment may fall and economic development may not be sustained; may not raise investment if firms have conflicting objectives and reaches a point of diseconomies of scale, causing export price to rise
- Government failure: information gaps for the government, unintended consequences, moral hazard, excessive administrative costs e.g. due to high costs of storage and security associated with buffer stock schemes
- Some of these policies will only have an impact after a significant time lag e.g. infrastructure developments

Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1-3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4-6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

