



# **Mark Scheme (Results)**

Summer 2019

Pearson Edexcel International Advanced  
Subsidiary in Economics (WEC02)

Paper 01 Macroeconomic Performance and  
Policy

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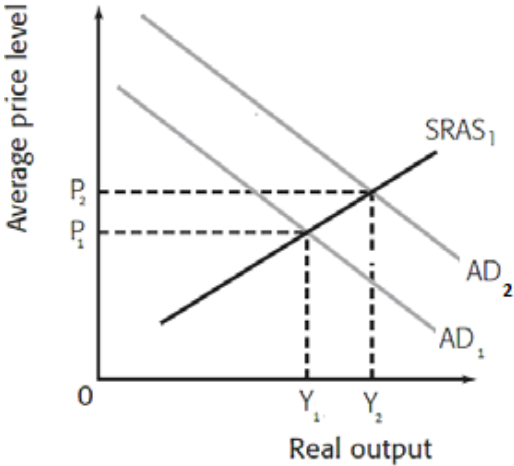
## General Marking Guidance

- 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: Supported multiple choice**

NB: Candidates may achieve up to 3 explanation marks even if the incorrect option is selected.

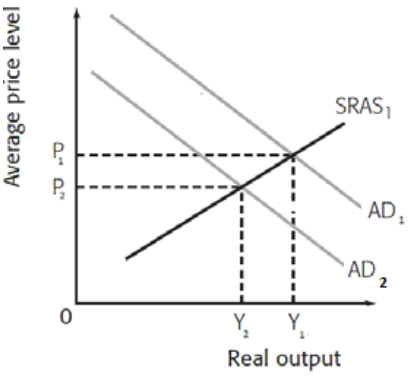
NB: Candidates may achieve up to 3 marks (rejection marks) for explaining three incorrect options (provided three different reasons are offered and each option key is clearly rejected).

Question Number	Answer	Mark
<p><b>1</b></p>	<p><b>Answer B (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Monetary policy involves changing interest rates and/or the supply of money to help achieve macroeconomic objectives</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>• Decreasing interest rates is a reflationary monetary policy <b>(1)</b></li> <li>• Mechanism by which lower interest rates would increase the rate of real GDP growth e.g. lower interest rates increases borrowing/reduces saving <b>(1)</b> leading to higher consumption/investment <b>(1)</b> AD and real GDP growth <b>(1)</b></li> </ul> <p>Up to 2 marks for diagram showing outward shift in AD, rising real output and average price level</p>  <p><b>Rejection marks</b> <b>Do not double award</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as direct tax rate changes are an example of fiscal policy not monetary policy <b>(1)</b></li> <li>• Option C: incorrect as direct tax rate changes are an example of fiscal policy not monetary policy <b>(1)</b></li> </ul>	<p><b>(4)</b></p>

	<ul style="list-style-type: none"><li>• Option D: incorrect as increasing interest rate is likely to reduce borrowing/increase saving, reduce AD and growth <b>(1)</b></li></ul>	
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Question Number	Answer	Mark
2	<p><b>Answer D (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of fiscal/budget surplus: government tax receipts exceed government spending <b>(1)</b></li> <li>• Taxation is a withdrawal from the circular flow of income <b>OR</b> government spending is an injection into the circular flow of income <b>(1)</b></li> <li>• Net withdrawal occurs when taxation exceeds government spending <b>(1)</b></li> <li>• Net withdrawal of 0.7% of GDP in 2016 tax year <b>(1)</b></li> <li>• Likely to decrease AD <b>(1)</b></li> <li>• Likely to decrease real output and average price level, ceteris paribus <b>(1)</b></li> </ul> <p><b>Rejection marks</b> <b>Do not double award</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as the MPM is not directly related to the budget surplus/MPM is the % of additional income spent on imports <b>(1)</b></li> <li>• Option B: incorrect as fiscal/budget deficit is a net injection <b>(1)</b></li> <li>• Option C: incorrect as MPS is not directly related to the budget surplus/ MPS is the % of additional income saved <b>(1)</b></li> </ul>	<b>(4)</b>

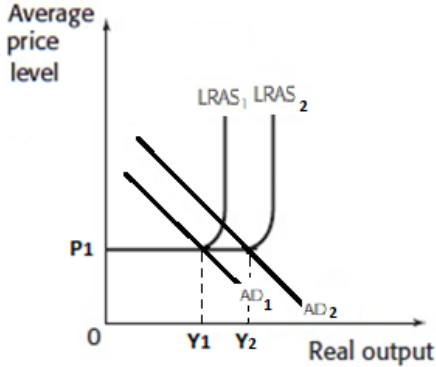
Question Number	Answer	Mark
3	<p><b>Answer C (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of disinflation: a decrease in the rate at which the average price level is increasing/decrease in the rate of inflation</li> </ul> <p><b>OR</b></p> <p>Definition of inflation: sustained increase in the average price level <b>(1)</b></p> <ul style="list-style-type: none"> <li>• The rate of inflation fell from 3.5% in Sept 17 to 3.1% in Oct 17</li> </ul> <p><b>OR</b></p> <p>Average prices rising at a slower rate in Oct 17 than in Sept 17 <b>(1)</b></p> <ul style="list-style-type: none"> <li>• Disinflation in Oct 17 <b>(1)</b></li> <li>• Although prices rising more slowly, the average price level was still increasing <b>(1)</b></li> </ul> <p><b>Rejection marks</b> <b>Do not double award</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as there was disinflation and not deflation/average prices were rising and not falling <b>(1)</b></li> <li>• Option B: incorrect as there was disinflation and not deflation <b>OR</b> prices were still growing at a slower rate <b>(1)</b></li> <li>• Option D: incorrect as there was inflation and the rate of inflation increased in each month <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
4	<p><b>Answer B (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Net Exports (X-M) are a component of AD <b>OR</b> <math>AD = C + I + G + (X-M)</math> <b>(1)</b></li> <li>• Therefore a rise in the value of imports (M) ceteris paribus likely to reduce AD/shift AD curve to the left <b>(1)</b></li> <li>• Ceteris paribus means that all other components of AD (including exports) remain the same <b>(1)</b></li> </ul> <p>Award up to 2 marks for correctly annotated diagram showing inward/left shift in AD, lower equilibrium real output and average price level</p>  <p><b>Rejection marks</b> <b>Do not double award</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as AD is likely to shift left due to falling net exports, decreasing real output and average price level <b>(1)</b></li> <li>• Option C: incorrect as AD is likely to shift left due to falling net exports, decreasing average price level <b>(1)</b></li> <li>• Option D: incorrect because AD is likely to shift left due to falling net exports, decreasing real output <b>(1)</b></li> </ul>	<b>(4)</b>



Question Number	Answer	Mark
5	<p><b>Answer A (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of output gap: difference between actual and trend/potential growth rate</li> </ul> <p><b>OR</b></p> <ul style="list-style-type: none"> <li>• Definition of positive output gap: where economic growth rate is above trend/potential growth rate <b>(1)</b></li> <li>• In 2013 difference between actual (2.6%) and trend (2.4%) was 0.2% <b>(1)</b></li> <li>• In 2014 difference between actual (2.8%) and trend (2.4%) was 0.4% <b>(1)</b></li> <li>• This shows an increase of 0.2 percentage points in the output gap <b>(1)</b></li> </ul> <p><b>Rejection marks</b></p> <p><b>Do not double award</b></p> <ul style="list-style-type: none"> <li>• Option B: incorrect as negative output gap would be when actual growth is below trend growth/growth. 2.7% is above trend thus positive output gap <b>(1)</b></li> <li>• Option C: incorrect as positive output gap decreased in 2015 from 2014 <b>(1)</b></li> <li>• Option D: incorrect as growth was 2.4% (on trend) and a recession is where there is negative growth for 2 consecutive quarters <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
6	<p><b>Answer B (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Nominal wage growth rate defined: change in the money value of wages that does not take into account inflation <b>(1)</b></li> <li>• Real wage growth rate can be calculated from nominal growth minus rate of inflation <b>(1)</b></li> <li>• Calculation: 2.0%-2.6% <b>(1)</b></li> <li>• Real wages were decreasing in 2017/negative real wage growth <b>(1)</b></li> </ul> <p><b>Rejection marks</b>  <b>Do not double award</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as inflation would be 4.6% <b>(1)</b></li> <li>• Option C: incorrect as would indicate real wage growth/inflation would be 1.4% <b>(1)</b></li> <li>• Option D: incorrect as would indicate positive real wage growth/deflation of -2.6% <b>(1)</b></li> </ul>	(4)

Question Number	Answer	Mark
7	<p><b>Answer C (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• As business investment (I) is a component of AD/injection into the circular flow then higher spending will increase AD/shift AD curve right <b>(1)</b></li> <li>• Business investment also increases the quantity and quality of capital <b>(1)</b> increasing the productive potential of the economy <b>(1)</b></li> <li>• This increase in potential output will shift LRAS right <b>(1)</b></li> </ul> <p>Annotated or drawn diagram showing outward/right shift in AD <b>(1)</b> and outward/right shift of LRAS <b>(1)</b></p>  <p><b>Rejection marks</b> <b>Do not double award</b></p> <ul style="list-style-type: none"> <li>• Option A: incorrect as LRAS curve likely to shift right as investment increases productive potential <b>(1)</b></li> <li>• Option B: incorrect as AD curve likely to shift right as investment is a component of AD <b>(1)</b></li> <li>• Option D: incorrect as both the AD curve (rising investment) and LRAS curve (increased productive potential) likely to shift right <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
8	<p><b>Answer A (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of current account: record of all money flows to and from a country arising from exports and imports of goods and services, transfers of income and other net transfers <b>(1)</b></li> <li>• In 2011 there was a surplus of 0.2% of GDP <b>(1)</b></li> <li>• This means that inflows of money on the current account exceeded outflows by 0.2% of GDP <b>(1)</b></li> </ul> <p><b>Rejection marks</b> <b>Do not double award</b></p> <ul style="list-style-type: none"> <li>• Option B: incorrect as there was a current account deficit and the current account includes more than just the value of exports and value of imports <b>(1)</b></li> <li>• Option C: incorrect as there was a current account surplus and the current account includes more than just the value of exports and value of imports <b>(1)</b></li> <li>• Option D: incorrect as there was a current account deficit in 2016 equal to 1.8% of GDP <b>(1)</b></li> </ul>	<b>(4)</b>

## Section B: Data response

NB: KAA marks relates to those awarded for AO1, AO2 and AO3

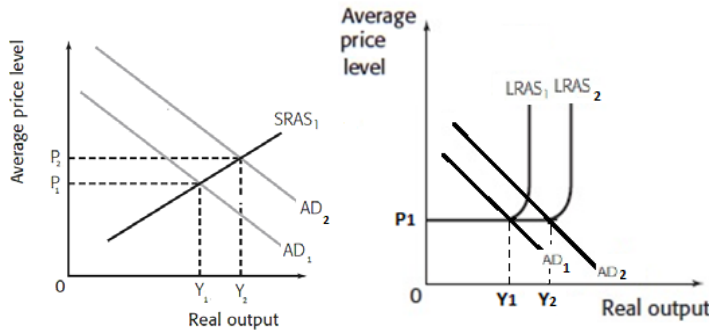
NB: Evaluation marks relates to those awarded for AO4

Question Number	Answer	Mark
<b>9 (a)</b>	<p><b>Knowledge and application (up to 4 marks)</b></p> <p><b>Up to 2 marks for knowledge:</b></p> <ul style="list-style-type: none"><li>• people of working age <b>(1)</b> actively looking for a job <b>(1)</b> unable to find a suitable job <b>(1)</b></li><li>• out of work in last four weeks <b>(1)</b></li><li>• ready to work in two weeks <b>(1)</b></li><li>• given as % of total workforce <b>(1)</b></li></ul> <p><b>Up to 2 marks for application:</b></p> <p>Valid reference(s) to data e.g. Figure 2</p> <ul style="list-style-type: none"><li>• Increasing unemployment rate between 2009 and 2014 <b>(1)</b></li><li>• Decreasing unemployment rate between 2014 and 2017 <b>(1)</b></li><li>• Highest rate is in 2014 (7.3% approx) <b>(1)</b></li><li>• Lowest rate is in 2009 (3.4% approx) <b>(1)</b></li></ul>	<b>(4)</b>

Question Number		Mark
<b>9 (b)</b>		<b>(14)</b>

Knowledge, application and analysis – indicative content

- Rising exports (Extract 1)
- Exports included in calculation of GDP as (X-M)
- Increasing exports may increase AD, ceteris paribus, increasing real output, average price level and lowering unemployment
- Higher growth (Figure 1) as result of increasing AD from rising consumption (Extract 1) and rising investment (Extract 1) decreases unemployment
- Continued current account surplus (Figure 1) may have a positive impact on employment
- Increasing investment (Extract 1) leading to increased LRAS, growth and employment
- Multiplier effect of rising exports on AD
- Candidates could support analysis with diagram(s) showing outward shift in AD, although some may also show outward shift in LRAS following rising investment.



Positive causing falling unemployment can be used for KAA and factors limiting this decrease in unemployment for evaluation or vice versa

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible causes or identification of one or more causes. Understanding of causes <b>or</b> data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of causes identified along with some development of analysis <b>or</b> some identification of possible causes and data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of causes <b>and</b> data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
		<ul style="list-style-type: none"> <li>• Low and falling rate of inflation 2014-2016 (Figure 2) may mean lack of AD, reducing impact on employment</li> <li>• Impact of investment on unemployment will depend upon the size of the multiplier</li> <li>• Inflation is forecast to increase in 2017, so this may indicate that the economy is reaching 'full employment' – perhaps the unemployment rate may not fall much more in the long-run</li> <li>• Exports were the best performing part of the economy suggesting a significant contribution</li> <li>• Unemployment rate is falling despite the increase in the budget surplus</li> </ul>
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.



Question Number		Mark
<b>9 (c)</b>		<b>(10)</b>
Knowledge, application and analysis – indicative content		
	<ul style="list-style-type: none"> <li>• Current account: A measure of the flow of funds from trade in goods and services, plus other net income flows (net investment income and net transfers)</li> </ul> <p>Causes of sustained current account surplus might include:</p> <ul style="list-style-type: none"> <li>• Rising exports (Extract 1)</li> <li>• Undervalued currency as Netherlands uses the euro (Extract 1) the value of which is lower than it would be if Netherlands had its own currency</li> <li>• Low inflation meaning exports are price competitive ((Figure 2)</li> <li>• Causes of current account surplus can be more than simply rising exports, may also be increasing primary income from overseas</li> <li>• Rising primary income could be due to increasing global economic growth and increasing profits from overseas investment</li> </ul> <p>Causes of surplus can be used for KAA and factors reducing surplus can be used for evaluation or vice versa</p>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-2	Shows some awareness of causes <b>or</b> data references.
2	3-4	Understanding of causes <b>or</b> some awareness of causes and data references.
3	5-6	Clear understanding of causes <b>and</b> linking to data.

Evaluation – indicative content		
		<ul style="list-style-type: none"> <li>• Netherlands real exchange rate may be strongly undervalued compared to other euro using countries with a deficit - making its goods artificially cheap and this might lead to political pressures to reduce surplus</li> <li>• The surplus is having an impact on other eurozone countries as the Netherlands surplus is another country's deficit thus there may be pressures to reduce surplus</li> <li>• Low inflation would suggest a stable economy and the danger of deflation in 2016 seems have been avoided and inflation is forecast to increase, reducing international competitiveness and surplus</li> <li>• Dependence upon exports for growth means Netherlands is vulnerable to low growth and demand in exports markets</li> <li>• High reliance upon exports can create imbalanced growth in the long-term</li> <li>• Impact upon rest of the eurozone can be negative and may cause rising inequality and political tension between members</li> <li>• Political pressures within eurozone and potential break-up of currency zone</li> <li>• Netherlands will have a deficit on the capital account by building up reserves or purchasing assets in other countries, this can lead to risk taking in overseas markets</li> </ul>
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.

Question Number	Answer	Mark
9 (d)	<p><b>Knowledge and application (up to 6 marks)</b></p> <p><b>Knowledge (up to 2 marks):</b></p> <ul style="list-style-type: none"> <li>• Definition of inflation: a sustained increase in the average price level <b>(1)</b></li> <li>• Low and stable inflation means the price of Netherlands' goods remain relatively low compared to those from economies experiencing higher inflation <b>(1)</b></li> <li>• Low and stable inflation increases certainty/decreases uncertainty for firms meaning investment is less risky <b>(1)</b></li> <li>• Increasing business and consumer confidence from low inflation increases investment as demand is likely to increase <b>(1)</b></li> </ul> <p><b>Application (up to 4 marks):</b></p> <p><b>Data references from Figure 2 might include</b></p> <ul style="list-style-type: none"> <li>• Inflation highest in 2013 at 2.6% <b>(1)</b></li> <li>• Inflation lowest in 2016 at 0.5% <b>(1)</b></li> <li>• Inflation below 3% throughout time series <b>(1)</b></li> <li>• Inflation is forecast to increase in 2017 to 1.5% <b>(1)</b></li> <li>• Limited fluctuation in rate of inflation/stable throughout time series <b>(1)</b></li> </ul> <p><b>NB up to 3 marks if only one effect is explained</b></p>	<b>(6)</b>

Question Number		Mark
<b>9(e)</b>		<b>(14)</b>
Knowledge, application and analysis – indicative content		
	<ul style="list-style-type: none"> <li>• Macroeconomic objectives include: increased economic growth, control of inflation, a reduction in unemployment, equilibrium of the Balance of Payments, balanced budgets, redistribution of income, as well as protection of the environment</li> </ul> <p>Conflicts might be expected due to:</p> <ul style="list-style-type: none"> <li>• Economic growth (Extract 1)</li> <li>• Increasing household consumption and investment (Extract 1)</li> <li>• Rising exports (Extract 1)</li> </ul> <p>Points to support avoidance of conflicts might include:</p> <ul style="list-style-type: none"> <li>• Economic growth (Figure 1 and Extract 1) as well as relatively low environmental impact e.g. agriculture (Extract 2)</li> <li>• Low and stable inflation (Figure 2) despite high costs of environmental regulation</li> <li>• Falling unemployment (Figure 2) despite impact of environmental regulation on competitiveness</li> <li>• Current account surplus (Figure 1) despite impact of environmental regulation on competitiveness</li> <li>• Budget surplus (Extract 1)</li> <li>• Strict laws and regulations (Extract 2) mean that the opportunity costs of growth are reduced</li> </ul> <p>Avoidance of conflicts used for KAA and conflicts for evaluation or vice versa</p>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible conflicts or identification of one or more conflicts. Understanding of conflicts <b>or</b> data references. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of conflicts identified along with some development of analysis <b>or</b> some identification of possible conflicts and data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation.

		Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the conflicts <b>and</b> data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

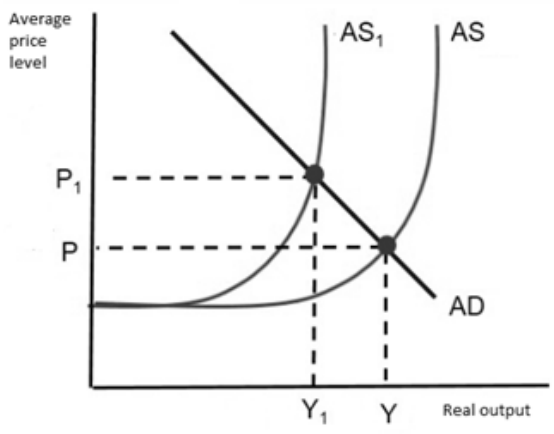
Evaluation – indicative content		
		<p>Conflicts may include:</p> <ul style="list-style-type: none"> <li>• Increasing growth may further increase environmental pressures</li> <li>• Conflicts may increase if the economy continues to grow</li> <li>• Rules and regulations may increase costs for firms, decreasing SRAS, growth and employment</li> <li>• Higher costs of environmental regulation may reduce international competitiveness thus decreasing current account surplus, growth and employment</li> <li>• Data relating to environmental regulation only relates to agriculture, which is likely to be a small percentage of GDP</li> </ul>
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

Question Number	Answer	Mark
<b>10 (a)</b>	<p><b>Knowledge and application (up to 4 marks)</b></p> <p><b>Up to 2 marks for knowledge:</b></p> <ul style="list-style-type: none"> <li>• Definition of HDI: a composite statistic of life expectancy <b>(1)</b>, education <b>(1)</b> and income indices <b>(1)</b></li> <li>• HDI used to rank countries into four tiers of human development <b>(1)</b> The higher the HDI ranking the higher the level of development <b>(1)</b></li> <li>• HDI measures more than GNI per capita <b>(1)</b></li> </ul> <p><b>Up to 2 marks for application with references to data in Figure 2: e.g.</b></p> <ul style="list-style-type: none"> <li>• HDI ranking falling for both Madagascar and Guinea-Bissau 2010-2015 <b>(1)</b></li> <li>• Madagascar HDI is higher than Guinea-Bissau in all years <b>(1)</b></li> <li>• Madagascar HDI ranking is higher than Guinea-Bissau in all years <b>(1)</b></li> <li>• Data suggests living standards are higher in Madagascar than in Guinea-Bissau <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number		Mark
<b>10 (b)</b>		<b>(10)</b>
Knowledge, application and analysis – indicative content		
	<ul style="list-style-type: none"> <li>• GDP per capita /real GDP per capita might be a better option than the money/nominal GDP per capita shown in the data</li> <li>• GDP but does not measure how this is distributed throughout the population</li> <li>• High or rising GDP does not, in itself, tell us much about the standard of living for the population</li> <li>• GDP does not give an indication of the quality of life/environment/holidays/hours of work</li> <li>• Need to know composition of GDP to get a clearer indication of living standards e.g. proportion of expenditure on defence/healthcare/education</li> </ul> <p>References to data might include:</p> <ul style="list-style-type: none"> <li>• Higher GNI per capita in Guinea-Bissau than in Madagascar but lower HDI (meaning lower standards of education and/or life expectancy (Figure 2))</li> <li>• Low education enrolment and attainment in Guinea-Bissau contribute to lower GDP and living standards</li> <li>• Lower levels of education also reduce productivity and this reduces GDP, growth and living standards</li> <li>• GDP data excludes the shadow economy, the value of unpaid work by volunteers and the population caring for their family</li> <li>• Can be a discrepancy between GDP and living standards, as high GDP can be associated with environmental degradation</li> </ul> <p>Limitations can be used for KAA and advantages of using GDP can be used for evaluation or vice versa</p>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-2	Shows some awareness of limitations <b>or</b> data references.
2	3-4	Understanding of limitations <b>or</b> some awareness of reasons and data references.
3	5-6	Clear understanding of limitations <b>and</b> linking to data.

Evaluation – indicative content		
	<p>Advantages of using GDP might include:</p> <ul style="list-style-type: none"> <li>• Higher GDP in Madagascar is associated with higher HDI and living standards</li> <li>• Higher GNI per capita in Guineas-Bissau may be the result of a smaller population and may not indicative of higher living standards</li> <li>• Higher GDP in Madagascar which also has a higher HDI ranking</li> <li>• In general, countries with a higher GDP tend to have higher living standards</li> </ul>	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.



Question Number	Answer	Mark
<p><b>10 (c)</b></p>	<p><b>Knowledge and application (up to 6 marks)</b></p> <p><b>Knowledge (up to 2 marks):</b></p> <ul style="list-style-type: none"> <li>• Education attainment determines the quality of labour as a factor of production <b>(1)</b></li> <li>• Low levels of educational achievement lead to low productivity <b>(1)</b></li> <li>• Low educational attainment reduces the LRAS of the economy <b>(1)</b></li> <li>• Lower LRAS reduces international competitiveness as efficiency is reduced <b>(1)</b></li> </ul> <p><b>Application (up to 4 marks):</b></p> <p><b>Data references might include</b></p> <ul style="list-style-type: none"> <li>• Lower economic growth <b>(1)</b></li> <li>• Low GDP per capita <b>(1)</b></li> <li>• Fails to improve productivity <b>(1)</b></li> <li>• Lower LRAS reduces real output <b>(1)</b></li> <li>• Lower LRAS increases the average price level/inflation <b>(1)</b></li> </ul> <p>Up to 3 marks for diagram showing inward shift in LRAS showing impact on real output <b>OR</b> average price level</p>  <p><b>NB up to 3 marks if only one effect explained</b></p>	<p><b>(6)</b></p>

Question Number		Mark
<b>10(d)</b>		<b>(14)</b>
Knowledge, application and analysis – indicative content		
	<ul style="list-style-type: none"> <li>• Low HDI ranking point to low income and health (as well as low levels of education)</li> <li>• Poor infrastructure and use of technology due to lack of investment</li> <li>• Reliance upon commodity exports for growth from export earnings mean income is uncertain/dependent upon overseas demand</li> <li>• Lack of international competitiveness reduces export earnings</li> <li>• Low levels of health and access to services reduce labour productivity</li> <li>• Political instability creating uncertainty for firms</li> <li>• Poor quality of roads increases inefficiency and costs for exporters and reduces geographical mobility of labour</li> <li>• Lack of railway increases inefficiency of transporting goods as well as reducing geographical mobility of labour</li> </ul> <p>Constraints on growth can be used for KAA and ways in which this may be overcome for evaluation or vice versa.</p>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible constraints or identification of one or more constraints. Understanding of constraints <b>or</b> data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of constraints identified along with some development of analysis <b>or</b> some identification of possible constraints and data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the constraints <b>and</b> data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
		<p>Ways in which constraints may be overcome include:</p> <ul style="list-style-type: none"> <li>• Investment in education/training and human capital to increase LRAS/productive potential</li> <li>• Investment in infrastructure, including transportation and healthcare</li> <li>• Increase exports to strengthen currency and reduce import prices</li> <li>• Improve technology to increase productivity in agriculture</li> <li>• Investment in new railways might improve export earnings which could be invested in road system</li> <li>• Measures to attract FDI and concessionary loans from international organisations</li> </ul>
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

Question Number		Mark
<b>10(e)</b>		<b>(14)</b>
Knowledge, application and analysis - indicative content		
	<p>HDI is composite index consisting of 3, equally weighted variables for income, health and education</p> <p>Macroeconomic policies to improve HDI index and ranking might include policies to increase GNI per capita, actual and expected years of schooling and life expectancy:</p> <ul style="list-style-type: none"> <li>• Demand-side policies, including fiscal and monetary to increase AD and GDP growth and the income component of HDI</li> <li>• Such policies might be expansionary, including decreasing taxation or increasing government spending to increase consumption and investment</li> <li>• Higher government spending might improve access to and the quality of healthcare, increasing the health/life expectancy component</li> <li>• Monetary policy might increase the availability of and reduce the cost of credit for consumption and investment, increasing the income component</li> <li>• Supply-side policies to increase LRAS, GDP growth and the income component</li> <li>• Supply-side policies may also improve access to and the quality of education and training, increasing the education component of HDI</li> <li>• Measures to attract FDI/World Bank funds; promote micro finance</li> <li>• Measures to break out of the poverty cycle</li> <li>• Long term programme of diversification</li> <li>• Measures to improve governance and reduce corruption</li> </ul> <p>Effective policies can be used for KAA and evaluation of such policies for evaluation or vice versa</p>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible policies or identification of one or more policies. Understanding of policies <b>or</b> data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of policies identified along with some development of analysis <b>or</b> some identification of possible policies and data references. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.

3	7-8	Clear understanding and analysis of the policies <b>and</b> data references. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.
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Evaluation – indicative content		
		<p>Evaluation might include:</p> <ul style="list-style-type: none"> <li>• Economic growth associated with expansionary policies must be sustainable (not based upon short-term consumption) or 'boom and bust' thus more likely HDI improvement would be short-term</li> <li>• The time-lag for supply-side policies to impact upon HDI</li> <li>• Political instability may reduce the effectiveness of such policies in the long-term and reduce impact on HDI</li> <li>• Increase government spending may create or increase budget deficit and increase national debt negatively impacting HDI in the long-term</li> <li>• Availability of credit may be limited by lack of banking infrastructure and/or lack of savings and this will be very difficult to overcome</li> </ul>
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.