Oxford Cambridge and RSA

GCE

Economics

H460/03: Themes in economics

Advanced GCE

Mark Scheme for Autumn 2021

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All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

Annotations

Annotation	Meaning
BP	Blank Page – this annotation must be used on all blank pages within an answer booklet (structured or unstructured) and on each page of an additional object where there is no candidate response.
✔	Tick
✘	Cross
CON	Confused
BOD	Benefit of doubt
KU	AO1 – Knowledge and understanding
APP	AO2 – Apply knowledge and understanding
AN	AO3 - Analyse
EVAL	AO4 - Evaluation
^	Omission
NAQ	Not answered question
SEEN	Noted but no credit given
TV	Too vague
OFR	Own figure rule

Multiple Choice Questions	Answer
1	B
2	C
3	D
4	A
5	A
6	C
7	A
8	C
9	C
10	B
11	D
12	D
13	A
14	A
15	B

Multiple Choice Questions	Answer
16	B
17	D
18	B
19	B
20	A
21	D
22	B
23	A
24	B
25	A
26	B
27	A
28	D
29	B
30	C

Q	Key		Rationale	AO	Quantitative skills
1	B	A	This is a characteristic of a normative statement	AO1	
		B	**Correct:** positive economic statements are statements of fact that can be tested.		
		C	A positive economic statement can be false – it just has to be possible to prove whether the statement is true or false.		
		D	The word 'positive' does not mean 'good' in this context – it is simply whether the statement can be proven true or false.		
2	C	A	Construction is a secondary sector industry.	AO2	
		B	Fishing takes place in the primary sector.		
		C	**Correct:** The leisure industry operates in the service sector.		
		D	Manufacturing is a secondary sector industry.		
3	D	A	This occurs when a change in output leads to no change in LRAC – X is a unique point rather than a series of points.	AO1	✓
		B	This is when long run average cost increases as output increases.		
		C	This is when long run average cost decreases as output increases.		
		D	**Correct:** This represents the lowest level of output at which a firm can produce at its lowest possible long run average cost.		
4	A	A	**Correct:** ((122 – 87) / 87 x 100) / ((400 – 500) / 500 x 100) = 40.23% / - 20% = -2.01	AO2	✓
		B	Calculates % change in price as (500 – 400) / 400 x 100		
		C	Calculates PED as % change in price / % change in quantity demanded		
		D	Calculates % change in quantity demanded as (87 – 112) / 87 x 100		

Q	Key		Rationale	AO	Quantitative skills
5	A	A	**Correct:** This reduces the risks of banks failing, as if they run into problems they can be bailed out by the central bank. This increases confidence in the financial sector.	AO3	
		B	This is a function of a central bank but would not help overcome the problem explained in the question.		
		C	This is a function of a central bank but would not help overcome the problem explained in the question.		
		D	This is a function of a central bank but would not help overcome the problem explained in the question.		
6	C	A	This is likely to solve market failure caused by a firm exploiting its market power.	AO1	
		B	Regulation will increase costs of production, which is likely to reduce rather than increase production.		
		C	**Correct:** A subsidy will reduce costs of production, making it more profitable to produce the good, resulting in production increasing.		
		D	Taxation will increase costs of production, which is likely to reduce rather than increase production.		
7	A	A	**Correct:** When countries have a common set of trading rules but independence over macroeconomic policy they are in a customs union.	AO1	
		B	This occurs when there is not only free trade but also closely integrated macroeconomic policy.		
		C	This is a looser form of integration where countries have tariff free trade but are free to reach their own trade deals with other countries.		
		D	This occurs when a group of countries are in a customs union and also share the same currency.		
8	C	A	This is the multiplier effect.	AO1	
		B	This is often true in the early stages of economic development and is shown by the Kuznets curve.		

Q	Key		Rationale	AO	Quantitative skills
		C	**Correct:** Investment will increase rapidly when output is increasing as firms seek to expand their productive capacity.		
		D	This statement is true but does not explain the accelerator effect, which concerns investment.		
9	C	A	Demand will increase rather than decrease when the price of a substitute increases.	AO3	✓
		B	This will be the impact on the market for flights, not the market for campsites.		
		C	**Correct:** As the price of foreign holidays increases, consumers will switch away to domestic holidays as they are relatively cheaper, causing the demand curve to shift to the right.		
		D	This is an extension rather than a shift in demand – because the increase in demand has resulted from a change in a non-price factor, there is a shift rather than a movement.		
10	B	A	This is not necessarily indicative of a structural deficit as the budget may be in surplus in the boom phase of the economic cycle.	AO1	
		B	**Correct:** This suggests there is a persistent budget deficit.		
		C	This is a budget surplus.		
		D	This is a budget surplus.		
11	D	A	Deflation is a fall in the price level – the price level is rising in both 2018 and 2019.	AO1	
		B	Hyperinflation is where there is rapid inflation, with prices typically more than doubling each year		
		C	Hyperinflation is where there is rapid inflation, with prices typically more than doubling each year.		
		D	**Correct:** There is inflation in both years as the price level is rising, but as it is increasing at a slower rate this means there is also disinflation.		
12	D	A	Social cost includes private cost and external cost	AO1	
		B	Social cost includes private cost and external cost		

Q	Key		Rationale	AO	Quantitative skills
		C	Private cost is a component of social cost		
		D	**Correct:** This occurs in the negative externalities of production case when there is a cost not just to the producer but also to third parties as a result of the production of the good.		
13	A	A	**Correct:** The economy will equilibrate at the full employment level of output – any increase in AD will simply cause inflation.	AO1	
		B	This would only be possible if demand side policy resulted in a significant increase in the productive capacity of the economy. This is by no means guaranteed and depends upon the nature of the demand side policy implemented.		
		C	Keynesian economists argue demand side intervention could cause a trade-off between growth and inflation as the economy approaches full capacity.		
		D	Keynesian economists suggest this may be possible, but only when there is significant spare capacity. Neo-classical economists do not believe in the existence of a negative output gap as the economy always reverts to the full employment level of output.		
14	A	A	**Correct:** In the long run firms will only make a normal profit. There will be productive inefficiency because firms operate on a small scale of output.	AO1	
		B	In the short run it is possible for firms in monopolistic competition to make a supernormal profit or a loss.		
		C	A profit maximising monopolist is likely to make a supernormal profit, with AR > AC.		
		D	A profit maximising monopolist is likely to make a supernormal profit, with AR > AC.		
15	B	A	Achieving high levels of employment/low unemployment is one of the government's macroeconomic objectives but does not measure the level of economic activity.	AO1	
		B	**Correct:** the circular flow of income shows there are three ways of measuring the level of economic activity in an economy – output, expenditure and income.		

Q	Key		Rationale	AO	Quantitative skills
		C	This measures the level of economic development in a country.		
		D	Achieving price stability is one of the government's macroeconomic objectives.		
16	B	A	3.6%. This is the absolute change in the terms of trade (91.60 – 88.03), not the percentage increase.	AO2	✓
		B	**Correct:** 4.1%. 2000 terms of trade = 103/117 x 100 = 88.03. 2020 terms of trade = 109/119 x 100 = 91.60. Terms of trade have increased by (91.60 – 88.03) / 88.03 x 100 = 4.1%.		
		C	10.8%. Calculates terms of trade incorrectly and then calculates the absolute change in these numbers rather than a percentage change. 91.80 – 81.03 = 10.8%.		
		D	13.0%. Incorrectly calculates 2000 terms of trade as (103 / 117) and 2020 terms of trade as (109 / 119). (91.80 – 81.03) / 81.03 x 100 = 13.0%.		
17	D	A	This occurs when there is a monopoly buyer and monopoly seller of labour. There is no indication of the market structure or union presence given here.	AO2	
		B	This occurs when a country can produce a good or service at a lower opportunity cost than another country.		
		C	There is no reference to the restaurant's demand here, so derived demand is not relevant.		
		D	**Correct:** Workers are engaged in specialisation, with the firm directing each of them to concentrate on a particular part of the production process.		
18	B	A	Microfinance is primary targeted at developing nations with an underdeveloped financial sector.	AO1	
		B	**Correct:** individuals or groups of individuals access small scale loans to stimulate entrepreneurship.		
		C	Microfinance is targeted at individuals or small businesses, not large firms.		
		D	Microfinance is targeted at individuals or small businesses, not large firms.		
19	B	A	This concept is associated with the product market rather than the labour market.	AO1	✓
		B	**Correct:** This is the surplus workers earn above the lowest wage they would be willing to supply		

Q	Key		Rationale	AO	Quantitative skills
			their labour at in the occupation.		
		C	This concept is associated with the product market rather than the labour market.		
		D	This is the area below the supply curve and represents the opportunity cost of working in a particular occupation.		
20	A	A	**Correct:** Initial profit = (£29.17 x 30,000) - £675,000 = £200,100. New profit = (£35 / 1.05 x 30,000) - £675,000 = £325,000. Profit increases by £124,900.	AO2	✓
		B	This is the initial profit made.		
		C	This is the new profit that is made.		
		D	Profit increases because the firm pays less VAT than it did before.		
21	D	A	Net exports will decrease and consumption is also likely to fall, causing AD to shift left.	AO3	
		B	This occurs when AD falls as a result of an increase in the domestic price level.		
		C	This occurs as a result of an increase in the quality or quantity of factors of production – there is no direct impact on productive capacity of a change in the exchange rate.		
		D	**Correct:** An exchange rate appreciation reduces costs of production for domestic firms, who now have access to cheaper inputs from abroad. This shifts SRAS right.		
22	B	A	A direct tax is a tax on income or profit.	AO1	
		B	**Correct:** an indirect tax is a tax imposed on goods or services – in this case the tax is imposed on fuel.		
		C	Progressive taxes take a higher proportion of income from those on high income than those on low income. Indirect taxes generally take a higher proportion of income from those on low income so are regressive.		
		D	Proportional taxes take the same proportion of income from all income groups. Given this tax is		

Q	Key		Rationale	AO	Quantitative skills
			not charged dependent upon income earned it is not a proportional tax.		
23	A	A	**Correct:** Consumer surplus is the area below the demand curve and above the price line.	AO3	✓
		B	This was the consumer surplus when the market equilibrium was at point X.		
		C	This is producer surplus.		
		D	This is the area of the original consumer surplus that is lost when the price increases.		
24	B	A	This is an assumption often used in economics – that all other things remain equal.	AO2	
		B	**Correct:** there is excess demand caused by the price being too low.		
		C	This occurs when individuals are not willing to pay for a good because they believe they can free ride off someone else's consumption – this occurs in the public good case.		
		D	There is no evidence given here of any determinantal impact on third parties resulting from the consumption of the good.		
25	A	A	**Correct:** [(€27,794 - €10,064) x 0.14] + [(€74,517 - €27,794) x 0.30] + [(€110,000 - €74,517) x 0.41] / €110,000 x 100 = (€2,482.20 + €14,016.90 + €14,548.03) / €110,000 x 100 = 28.2%	AO3	✓
		B	This is the rate of tax that the majority of the individual's income falls into but is not the average.		
		C	Incorrectly specifies total income as €157,806. [(€27,794 - €10,064) x 0.14] + [(€74,517 - €27,794) x 0.30] + [(€157,806 - €74,517) x 0.41] / €110,000 x 100 = (€2,482.20 + €14,016.90 + €34,148.49) / €157,806 x 100 = 32.1%		
		D	This is the marginal rate of tax.		
26	B	A	This will only occur if the scarce resources are not allocated correctly.	AO1	
		B	**Correct:** there are insufficient resources to meet all wants and needs, meaning individuals will		

Q	Key		Rationale	AO	Quantitative skills
			have to make choices.		
		C	This is a disadvantage of specialisation.		
		D	This is the free-rider problem that occurs in the public good case.		
27	A	A	**Correct:** Because demand is elastic for a price rise and inelastic for a price fall, revenue will fall when a firm changes its price.	AO3	
		B	Demand is price inelastic for a price fall so firms will see their revenue fall if they decrease price.		
		C	Demand is price elastic for a price rise so firms will see their revenue fall if they increase price.		
		D	A firm's revenue will change if it changes its price.		
28	D	A	The Gini-coefficient is a measure of income inequality, not pollution.	AO3	✓
		B	The Gini-coefficient is a measure of income inequality, not pollution.		
		C	The distribution of income becomes more equal as the Gini coefficient gets closer to zero.		
		D	**Correct:** The distribution of income becomes more unequal as the Gini coefficient gets closer to one.		
29	B	A	Charities seek to maximise the welfare of their beneficiaries – profit does not come into the equation.	AO1	
		B	**Correct:** A public limited company has a number of stakeholders with different objectives, making profit satisficing likely – a minimum level of profit will be achieved to please shareholders, whilst attention will also be focused on pleasing other stakeholders through meeting their objectives.		
		C	Public sector firms seek to maximise social welfare.		
		D	A sole trader is likely to pursue profit maximisation – there is no conflict between different objectives so there is no need to engage in satisficing behaviour.		

Q	Key		Rationale	AO	Quantitative skills
30	C	A	A change in the quantity of labour will affect the productive capacity in the economy, which impacts LRAS.	AO3	✓
		B	A change in the quantity of labour will affect the productive capacity in the economy, which impacts LRAS.		
		C	**Correct:** A reduction in net emigration means the size of the labour force will increase, increasing productive capacity and therefore shifting LRAS to the right.		
		D	This shows a reduction in productive capacity, which would occur in a country that previously relied on immigration (i.e. had net immigration).		

Question	Answer	Marks	Guidance
31	**Using the data in Fig 1.1, explain what happened to public sector wages after 2010.** *Award 1 mark for an explanation of what happened to real or nominal wages:* • Public sector wages increased in nominal terms (1) • Real wages fell (1) *Award 1 mark for appropriate use of the data:* • Public sector wages increased by 17.2% in nominal terms (1) • Nominal wages increased by less than the increase in price level of 20.6% (1)	**2** AO2 x 1 AO3 x 1	A simple statement that public sector wages increased or decreased without reference to nominal or real should not be credited. Award 1 mark for correctly calculating that public sector wages have increased by 17.2%, even if the reference to this being a nominal increase is missing. Do not credit the CPI increased at a faster rate of 20.6%, unless there is some reference to this being the price level or the rate of inflation.
32	**Explain, using information in Extract 1, two reasons why the wage elasticity of supply of labour for public sector workers is likely to be inelastic.** • Length of training required in public sector jobs is high (1) meaning there will not be significant increases in labour supply when the wage rate increases because individuals are deterred from undertaking lengthy training (1) • Specific qualifications are required to enter some public sector jobs such as teachers needing a degree (1) meaning there will not be significant increases in labour supply when the wage rate increases because individuals who are not already supplying their labour to the profession may not have the necessary	**4** AO1 x 2 AO2 x 2	Award 1 mark for identification of a reason and 1 mark for the associated explanation. For explanation marks to be awarded a clear understanding of the theory of wage elasticity of supply must be evident.

Question	Answer	Marks	Guidance
	qualifications to switch into the profession when the wage rate rises (1) • Public sector jobs are vocational (1) meaning supply will not respond to a change in wage as individuals supply their labour because of job satisfaction rather than wage (1)		

33	**Evaluate, using an appropriate diagram(s), whether unhealthy food is a demerit good.**
	
	Level 2 (5–8 marks)
	
	Good knowledge and understanding of demerit goods.
	
	Good – strong analysis of whether unhealthy food is a demerit good. **Good analysis** will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. **Strong analysis** will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis.
	
	Reasonable – strong evaluation of whether unhealthy food is a demerit good. **Good evaluation** will weigh up both sides/comparing alternatives but without reaching a supported judgment. **Strong evaluation** should include a supported judgment.
	
	Level 1 (1–4 marks)
		8
		
		AO1 x 1
		AO2 x 1
		AO3 x 2
		AO4 x 4
			Guidance:
			• *A number of limited analytical/evaluative points can be awarded up to Reasonable, but to be awarded Good or Strong there needs to be greater depth of explanation.*
			
			• *A relevant and explained diagram is required for the Analysis or Evaluation to be awarded above Reasonable.*
			
			• *Whilst most candidates will start their answer explaining why unhealthy food is a demerit good, the reverse approach is equally valid.*
			
			• *The side of the argument presented first should be credited as Analysis, with the other side credited as Evaluation.*
			
			• *Strong evaluation requires an explained judgement. An explained judgement without Good evaluation can be credited as evaluation.*
			
			Knowledge & Understanding:
			Knowledge & Understanding marks should be awarded for material that is given in the case study:
			   o Unhealthy food adverts affect what children eat in the short and long term.
			   o People already have sufficient information to

Question	Answer	Marks	Guidance

	Limited – reasonable knowledge and understanding of of demerit goods.
	
	Limited – reasonable analysis of whether unhealthy food is a demerit good. **Limited analysis** will have little evidence of reasoning that addresses the question asked. There is a lack of a clear structure. **Reasonable analysis** will have correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis.
	
	Limited evaluation of whether unhealthy food is a demerit good or **no** evaluation.
	
	0 marks
	
	No response worthy of credit.
			make rational decisions.
			   ○ Junk food is available more cheaply than healthy alternatives.
			   ○ Supermarket chains encourage people to buy more than they need because of promotions such as 'buy one get one free'.
			   ○ Consumers have more readily available access to takeaways than ever before.
			
			Analysis and Evaluation requires candidates to go beyond what is given in the case study.
			
			Analysis may include:
			
			• There is information failure because consumers do not realise the harms to their health from consuming unhealthy food.
			
			• This means they overestimate their private benefit of consuming the good, resulting in overconsumption and a welfare loss/allocative efficiency.
			
			• This may be because food isn't always appropriately packaged and marketing campaigns do not adequately highlight the risks to consumers.
			
			• If consumers realised the harm they were doing to their health from consuming this food, they would demand and consume less.
			
			Evaluation may include:
			
			• Whereas there might have been information failure in the past, government regulation of the industry over time (including mandatory food labelling, campaigns for people to eat 5 a day etc) means consumers are now

Question	Answer	Marks	Guidance
			• more aware of the concept of healthy eating.
			• Consumers may still choose to consume unhealthy food even though they know it is not good for them, because the genuine private benefit they derive from consumption justifies that choice.
			• Unhealthy food may be more of a negative externalities of consumption problem – individuals do not take into account the cost to taxpayers of funding NHS treatment for obesity related illness.
34	**Evaluate, using the information in Extract 2, whether economic agents benefit from the food industry becoming more contestable.** **Level 3 (11–15 marks)** **Good** knowledge and understanding of contestable markets. **Good** – **strong** analysis of whether economic agents benefit from the food industry becoming more contestable**. Good analysis** will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis. **Good - strong** evaluation of whether economic agents benefit from the food industry becoming more contestable,	**15** (AO1 x 2 AO2 x 3 AO3 x 4 AO4 x 6)	*Guidance:* • *A number of limited analytical/evaluative points can be awarded up to Reasonable, but to be awarded Good or Strong there needs to be greater depth of explanation.* • *Strong evaluation requires an explained judgement. An explained judgement without Good evaluation can be credited as evaluation.* • *The side of the argument presented first should be credited as Analysis, with the other side credited as Evaluation.* • *Consideration of the impact on more than one economic agent is needed to take the analysis beyond Reasonable.* **Knowledge & Understanding:** Knowledge & Understanding marks should be awarded for material that is given in the case study: o Supermarkets offering special deals to avoid

Question	Answer	Marks	Guidance
	weighing up both sides/comparing alternatives. Strong evaluation should include a supported judgment. *There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.* **Level 2 (6–10 marks)** **Good** knowledge and understanding of contestable markets. **Reasonable** analysis of whether economic agents benefit from the food industry becoming more contestable. There is correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis. **Reasonable** evaluation of whether economic agents benefit from the food industry becoming more contestable. *There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* **Level 1 (1–5 marks)** **Limited – reasonable** knowledge and understanding of contestable markets. **Limited** analysis of whether economic agents benefit from the food industry becoming more contestable. **Limited** evaluation of whether economic agents benefit from the food industry becoming more contestable or **no**		market share being eroded. ○ Arrival of German discounters such as Aldi & Lidl. ○ Online retailers such as Amazon expanding their market share. ○ Reduction in barriers to entry occurring as a result of technological progress – e.g. Uber Eats and Deliveroo. ***Analysis and Evaluation requires candidates to go beyond what is given in the case study.*** **Analysis may include:** • Consumers benefit from lower prices occurring as a result of more potential competition – incumbent firms are less able to exploit consumers and make a supernormal profit because they fear hit and run. This increases consumer surplus. Consumers also benefit from greater choice. • Firms outside the market benefit because it is now easier to enter – if they observe supernormal profit being made, they can easily come into the market. Incumbent firms could even benefit from reduced X-inefficiency, making them more competitive in the global marketplace (could be relevant for supermarkets opening up outlets abroad). • Government has less of a responsibility to regulate the food industry if it is more contestable, because incumbent firms have less opportunity to exploit consumers. **Evaluation may include:** • Consumers may in fact lose out from the price of unhealthy food being lower – when this demerit good is cheaper they consume more of it, which causes them

Question	Answer	Marks	Guidance
	evaluation. *The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.* **0 marks** No response worthy of credit.		health problems. Indeed the wider range of choice may further worsen the information failure. • Incumbent firms can no longer enjoy a supernormal profit in the long run, as entry would occur. This reduces producer surplus for incumbent firms, and is likely to mean in the long run they make only normal profits. • If an increase in contestability increases the consumption of unhealthy food (as it seems to have done), this will result in a market failure of overconsumption. The government will then have to spend more on healthcare or have to regulate in some other way to reduce consumption.
35	**Using the data in Fig. 3.1, calculate the growth rate in GDP per capita in Brazil between 2000 and 2019.** *Award 1 mark for an understanding of how to calculate GDP per capita:* • GDP per capita = GDP / population *Award 1 mark for the correct calculation of GDP per capita in 2000 or 2019:* • 2000 GDP per capita = \$1528bn / 175 million = \$8,789 • 2019 GDP per capita = \$2347bn / 211 million = \$11,123 *Award 1 mark for calculating the growth rate in GDP per capita:* • GDP per capita growth rate = (\$11,123 - \$8,789)/ \$8,789 x 100 = 27%.	**3** AO1 x 1 AO2 x 2	Do not award the second mark where the \$ is missing or units are incorrect. Do not award 27 without a % sign. Accept non-rounded answer between 26.50 and 27.0. Award full marks where the correct answer is present.

Question			Answer	Marks	Guidance
36			**Explain, using the data in Fig. 3.2, in which country exports accounted for the higher proportion of output in 2019.** *Award 1 mark for identifying the correct country:* • Germany *Award up to 2 marks for supporting calculation:* • $1993bn / $3959bn x 100 (1) = 50.3% (2)	3 AO2 x 2 AO3 x 1	Credit answers which use any value in the range of $1950bn to $1999bn for Germany's exports (49.3% - 50.5%). Award 2 marks for correct answer (in range of 49.3% - 50.5%) with no/incorrect working. Award 1 mark for the statement that Germany's exports account for nearly half of GDP where calculation is missing and/or incorrect.

Question	Answer	Marks	Guidance

37	**Evaluate, using the information in Extract 3, the extent to which emerging economies gain more from international trade than developed economies.**
	
	Level 3 (11–15 marks)
	
	Good knowledge and understanding of international trade.
	
	Good – strong analysis of how emerging economies might gain more from international trade than developed economies. **Good analysis** will be in the form of developed links. These links are developed through a chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct and linked to the analysis. **Strong** analysis will have **consistently** well-developed links through a **coherent** chain of reasoning which addresses the question. Any relevant diagram(s) are predominantly correct with no significant errors that affect the validity of the analysis. Any diagrams must be integral to the analysis.
	
	Good - strong evaluation of the extent to which emerging economies gain more from international trade than developed economies, weighing up both sides/comparing alternatives. Strong evaluation should include a supported judgment.
	
	There is a well-developed line of reasoning which is clear and logically structured. The information presented is relevant and substantiated.
	
	Level 2 (6–10 marks)
	
	Good knowledge and understanding of international trade.
	
	Reasonable analysis of how emerging economies might gain more from international trade than developed
		15
		
		(AO1 x 2
		
		AO2 x 3
		
		AO3 x 4
		
		AO4 x 6)
			Guidance:
			
			• *A number of limited analytical/evaluative points can be awarded up to Reasonable, but to be awarded Good or Strong there needs to be greater depth of explanation.*
			
			• *An answer which talks generally about the benefits and costs of international trade without applying it to the question cannot be awarded beyond Limited analysis or evaluation.*
			
			• *An answer which talks about the benefits and costs of international trade to emerging economies without comparing to the impacts on developed economies cannot be awarded beyond Reasonable analysis or evaluation.*
			
			• *Strong evaluation requires an explained judgement. An explained judgement without Good evaluation can be credited as evaluation.*
			
			• *The side of the argument presented first should be credited as Analysis, with the other side credited as Evaluation.*
			
			Knowledge & Understanding:
			
			Knowledge & Understanding marks should be awarded for material that is given in the case study:
			
			    o High rates of economic growth are essential to emerging economies to overcome poverty.
			
			    o Brazil's growth occurred because of trade liberalisation.
			
			    o Brazil is one of the world's largest producers of

Question	Answer	Marks	Guidance
	economies. There is correct analysis largely in the form of single links. These address the question **but** are not developed into a clear chain of reasoning. Any relevant diagram(s) may be imperfectly labelled or not linked to the analysis. **Reasonable** evaluation of the extent to which emerging economies gain more from international trade than developed economies. *There is a line of reasoning presented with some structure. The information presented is in the most-part relevant and supported by some evidence.* **Level 1 (1–5 marks)** **Limited – reasonable** knowledge and understanding of international trade. **Limited** analysis of how emerging economies might gain more from international trade than developed economies. There is little evidence of reasoning that addresses the question asked. There is a lack of a clear structure. **Limited** evaluation of the extent to which emerging economies gain more from international trade than developed economies or **no** evaluation. *The information is basic and communicated in an unstructured way. The information is supported by limited evidence and the relationship to the evidence may not be clear.* **0 marks** No response worthy of credit.		soybeans. o The expansion in exports in Brazil has resulted in higher levels of income and a reduction in poverty. o Emerging economies such as Brazil with plentiful natural resources and China with an abundant labour supply have benefited most from international trade. o A number of developed nations such as the UK have suffered from persistent current account deficits. o Price volatility of commodities damages the Brazilian economy. o Emerging economies suffer from the intensive use of their natural resources. ***Analysis and Evaluation requires candidates to go beyond what is given in the case study.*** **Analysis may include:** • Emerging economies have weak domestic demand and so rely on international trade to generate enough demand for firms to keep employment high. This is less important to developed economies who have stronger consumer markets. • Emerging economies rely on the import of sophisticated capital as an input in the production process as they cannot produce it domestically in the way developed countries can do. • Many emerging economies have been able to build up big current account surpluses because of their

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			comparative advantage arising from cheap labour or plentiful land etc. Developed economies have seen their comparative advantage eroded, often coinciding with structural unemployment.
			• MNCs play a crucial role in emerging economies in training workers and building infrastructure. This is more relevant in emerging economies because of weak education systems and insufficient government funds to invest in infrastructure.
			Evaluation may include:
			• Terms of trade are often weighted in favour of the more powerful developed nations, meaning they stand to gain more from the trade than emerging economies.
			• The Prebisch-Singer hypothesis shows the terms of trade for some emerging economies is declining over time as the relative price of primary sector products is falling in comparison to the price of more sophisticated capital goods.
			• Export led growth is not sustainable for emerging economies – once their finite resources are depleted developed countries will move on to trade with a different country, whilst the emerging economy could be left with nothing.
			• Trade liberalisation has led to financial outflows from emerging economies towards 'safe haven' developed economies. These leakages have made it harder to carry out domestic investment.

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