

Mark Scheme (Results)

Summer 2012

GCE Economics (6EC04)
Paper 01

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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.

Mark scheme: 6EC04 JUNE 2012

****SECTION A: ESSAYS – PLEASE USE DETAILED MARKING CRITERIA WHICH ARE TO BE FOUND AT THE END OF THIS MARKSCHEME****

QUALITY OF WRITTEN COMMUNICATION:

Quality of written communication (QWC) is assessed in **both parts of the essays and in parts (d) & (e) of the data response questions** and should be assessed on the candidate's ability:

- To present an argument and conclude on the basis of that argument
- To organise information clearly and coherently
- To use economics vocabulary appropriately
- To use grammar, spelling and punctuation appropriately

FOR ALL QUESTIONS: No mark scheme can cover all possible responses. Therefore, reward analysis which is relevant to the question even if this is not specifically identified in the mark scheme.

Question Number	Answer	Mark
<p>1 (a)</p>	<p>Effects include:</p> <ul style="list-style-type: none"> • Cost push inflationary pressures – AD/AS analysis showing leftward shift in AS curve for manufactured goods <i>But increased costs might be offset by increased productivity or efficiency gains</i> • Danger of wage price spiral and rising inflationary expectations <i>But.. monetary policy might help to keep inflation under control</i> • Lower growth – AD/AS analysis <i>But... if the rise in commodity prices is caused by rapid world growth, then the impact on growth might be limited</i> • Possibility of increased unemployment <i>But not so likely if increased global demand is the cause of higher commodity prices</i> • Impact on the trade in goods balance <i>Differential effects depending on whether the country is a net importer or exporter of commodities. In the UK's case, there is likely to be an adverse effect on the trade in goods balance but countries exporting commodities will see a rise in their terms of trade and will benefit from increasing export revenues (assuming demand is price inelastic)</i> • Impact on income distribution • Impact on real incomes and consumption <p><i>N.B. If analysis is related to just one country i.e. no reference to the global economy then 14/20</i></p> <p>Also for evaluation:</p> <ul style="list-style-type: none"> • <i>Impact will be different on commodity producers compared with commodity importers</i> • <i>different effects before and after the financial crisis</i> <p>(Synoptic element: reference to inflation, growth, unemployment and AD/AS analysis (unit 2) and use of Economist's tool-kit in analysis and evaluation and in approach to question)</p>	<p>(20)</p>

Level	Mark	Descriptor
Level 1	1-7	Identification of points which are largely irrelevant
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question Number	Answer	Mark
1 (b)	<p><i>N.B Answers may discuss reflationary or deflationary demand-side policies but if there is no reference to context of the question 'i.e. rising commodity prices and to slow economic growth' then award a maximum of 21/30 (top of level 3)</i></p> <p>Candidates must use at least two macroeconomic policies (fiscal, monetary, and supply side). If only one of the above discussed up to 21/30 – top of level 3.</p> <p>Policies include: Monetary policy: discussion of transmission mechanism; AD/AS analysis <i>Evaluation:</i></p> <ul style="list-style-type: none"> • <i>consideration of whether it is appropriate to target inflation or asset prices;</i> • <i>adverse effects on other variables of changing interest rates e.g. on exchange rate;</i> • <i>time lags;</i> • <i>Negative impact on growth and employment</i> • <i>Inappropriate to raise interest rates when inflation is caused by cost push factors</i> <p>Supply side policies: discussion of those which impact on the price level i.e. measures to increase competition and productivity; transmission mechanism; education and training <i>Evaluation: some policies will have implications for public finances; time lags</i></p> <p>Fiscal policy: discussion of transmission mechanism; AD/AS analysis</p>	(30)

	<p><i>Evaluation: ineffective if consumers reduce savings following a rise in taxes; very blunt instrument – adverse impact on other variables e.g. unemployment.</i></p> <ul style="list-style-type: none"> • In the case of oil, governments might react by cutting the tax on petrol <p>(Synoptic elements: reference to analysis introduced in unit 2 e.g. monetary, fiscal and supply side policies; use of Economist's tool-kit in analysis and evaluation and in approach to question)</p>	
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Level	Mark	Descriptor
Level 1	1-11	Identification of points which are largely irrelevant
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question Number	Answer	Mark
2 (a)	<p>A wide range of factors may be considered. For example:</p> <ul style="list-style-type: none"> • Primary product dependency <i>But less of an issue if prices of primary products are rising; some countries have developed on the basis of specialisation in primary products</i> • Savings gap <i>But could be offset by FDI or aid;</i> • Foreign exchange gap <i>But could be offset by debt cancellation</i> • Protectionism by developed economies <i>But WTO active in bringing about a reduction in tariffs</i> • Debt <i>But could be offset by debt cancellation</i> • Rapid population growth: creating a high dependency ratio <i>But: larger markets will be created in the future and larger workforces</i> • Poor education and health care • Poor/inadequate infrastructure; land-locked countries • Corruption; poor governance • Political instability; Civil war • Disease e.g. AIDS <p><i>Other evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>Prioritisation of factors</i> • <i>Problem of defining economic development precisely</i> • <i>Some problems may be of a short term nature only</i> <p><i>N.B. If there is no reference to economic development (either explicitly or implicitly) then award a maximum of 14/20 (top of level 3)</i></p> <p>(Synoptic element: analysis of price fluctuations of primary products (unit 1) and use of Economist's tool-kit in analysis and evaluation and in approach to question)</p>	(20)

Level	Mark	Descriptor
Level 1	1-7	Identification of points which are largely irrelevant
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question Number	Answer	Mark
2(b)	<p>Case for debt cancellation:</p> <ul style="list-style-type: none"> • To reduce absolute poverty: no more interest payments on debt • More resources available for health care leading to increased life expectancy • More resources for education leading to increased school enrolment and higher literacy rates • To provide resources for investment: multiplier effects: link to increased growth and more resources for health, education... • Effective as an immediate way to fill savings gap • Helps to fill foreign exchange gap enabling LEDCs to buy capital equipment; oil etc • Opportunity cost of debt servicing • More resources for public services <p><i>However:</i></p> <ul style="list-style-type: none"> • <i>Danger of corruption: money saved not spent e.g. to improve health and education</i> • <i>Misuse of money saved e.g. for defence purposes</i> • <i>Creation of a dependency culture</i> • <i>Moral hazard</i> • <i>May be used to generate political influence</i> <p>Case for trade liberalisation:</p> <ul style="list-style-type: none"> • LEDCs have access to markets in developed countries: increased exports and higher GDP, the proceeds of which may be used for health, education, improved access to clean water • Increased competition might promote increase efficiency in LEDCs • Incentive for multinationals to establish production plants in the country so contributing to industrialisation • Consumers benefit from lower prices and more choice • More efficient use of resources – based on law of comparative advantage leading to increased growth • Enables LEDCS to become less dependent on aid • Use of tariff diagram to illustrate impact of cut in tariffs e.g. on 	(30)

	<p>consumer surplus, producer surplus, welfare gains</p> <p><i>However:</i></p> <ul style="list-style-type: none"> • <i>Domestic firms in LEDCs may be unable to compete with TNCs from developed economies</i> • <i>Infant industries may be unable to survive</i> • <i>Monopsony power of TNCs might result in exploitation of resources of LEDCs</i> • <i>Environmental arguments against free trade</i> • <i>Problems of overspecialisation</i> • <i>Dumping by developed countries</i> <p><i>Other evaluative comments:</i></p> <ul style="list-style-type: none"> • <i>It could be argued that without individual freedom, democracy and the rule of law, economic development is not possible</i> • <i>Difficulty of defining economic development precisely</i> <p><i>N.B. If there is no reference to economic development (either explicitly or implicitly) then award a maximum of 21/30 (top of level 3)</i></p> <p>(Synoptic elements: reference to concepts introduced in unit 1 e.g. negative externalities and from unit 3 e.g. monopsony; use of Economist's tool-kit in analysis and evaluation and in approach to question)</p>	
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Level	Mark	Descriptor
Level 1	1-11	Identification of points which are largely irrelevant
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question Number	Answer	Mark
3(a)	<p><i>N.B. Candidates may take either perspective as analysis and use the reverse arguments for evaluation i.e. might argue that TNCs are or are not the main cause of globalisation. However, there must be some consideration of TNCs in the answer, otherwise maximum 14/20.</i></p> <p>Meaning of globalisation: increased economic interdependence between countries e.g. increased trade as a % of GDP; more FDI; capital market liberalisation. Comment on increased significance of transnational companies as major cause of globalisation e.g. growth of offshoring and outsourcing by multinationals resulting from factors such as:</p> <ul style="list-style-type: none"> • Reduction in transport costs • Reduction in communication costs • Low labour costs • Regulations (health & safety and environmental) less stringent than in developed economies • Capital market liberalisation <p>Other factors causing globalisation (These may be regarded as evaluation or further analysis):</p> <ul style="list-style-type: none"> • Reduction in trade barriers linked to the work of the WTO; application of law of comparative advantage • Opening up of economies to world market e.g. China; former Communist countries • Economic development in LDCs leading to more demand for foreign goods • Higher real incomes create increased demand for imported goods (depending on value of the marginal propensity to import) • Increase in the number and size of trading blocs <p><i>Other evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>Prioritisation of factors</i> • <i>Critical view of accuracy of measures of trade and world GDP</i> • <i>Application of concepts such as income elasticity of demand and marginal propensity to import</i> • <i>Deglobalisation resulting from financial crisis</i> <p>(Synoptic element: reference to trade (unit 2) and use of Economist's tool-kit in analysis and evaluation and in approach to question)</p>	(20)

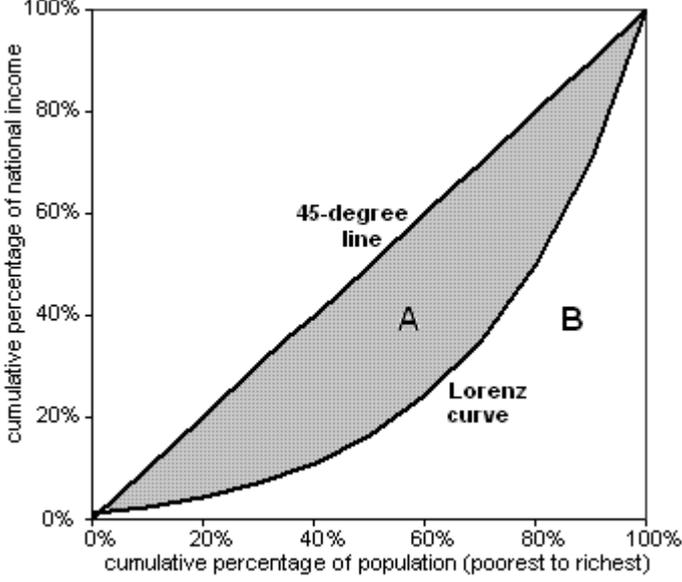
Level	Mark	Descriptor
Level 1	1-7	Identification of points which are largely irrelevant
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question Number	Answer	Mark
3(b)	<p><i>N.B. Candidates may take either perspective as analysis and use the reverse arguments for evaluation.</i></p> <p>Costs of globalisation include:</p> <ul style="list-style-type: none"> • Over-dependence on imports or on exports • Exploitation of labour • Negative externalities from increased trade e.g. increased air freight causing pollution- climate change • Increased inequality between developed economies and LEDCs • TNCs might engage in tax avoidance policies so causing reduction in tax revenues for governments <p>Benefits of globalisation include:</p> <ul style="list-style-type: none"> • Application of the law of comparative advantage: explanation leading to..... • Increased world output; higher living standards; • Reduction in absolute poverty in LDCs • Consumers: Lower prices (increased consumer surplus); more choice • Firms: Larger markets; benefits arising from economies of scale • Technology transfer • Increased tax revenues <p><i>Other evaluative approaches which may be rewarded include:</i></p> <ul style="list-style-type: none"> • <i>Conclusions based on a weighing up of the arguments</i> • <i>Assessment of the significance of the point(s) considered</i> • <i>Prioritisation of the points made supported by reasoned arguments</i> 	(30)

	<ul style="list-style-type: none"> • <i>Consideration of costs and benefits for different countries and different economic agents</i> <p>(Synoptic elements: reference to concepts introduced in unit 1 e.g. consumers' surplus; negative externalities; reference to concepts introduced in unit 3 e.g. economies of scale; use of Economist's tool-kit in analysis and evaluation and in approach to question)</p>	
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Level	Mark	Descriptor
Level 1	1-11	Identification of points which are largely irrelevant
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question No.	Answer	Mark
4(a)	<p>Absolute poverty: insufficient resources to meet basic needs e.g. food, shelter, water, clothing OR measurement of absolute poverty: those living on less than \$1.25 a day (accept \$1 or \$2 a day)</p> <p>Relative poverty: those living below a certain income threshold in a country OR measurement of relative poverty: e.g. the % of the population living below 60% (accept 50%) of the median income</p> <p>Application: Reference to example from Extract 1: e.g. China: fall in absolute poverty (1); rise in relative poverty (1)</p> <p>3 marks for knowledge (2 + 1 or 1 + 2) for definitions) 2 for application/i.e. 2 data references</p>	(5)
Level	Mark	Descriptor
Level 1	1-3	Up to 3 marks for knowledge – see above
Level 2	4-5	Up to 3 marks for knowledge and 2 marks for data references

Question No.	Answer			
4(b)	<p>Lorenz curve diagram : 4 marks awarded as follows: Axis correctly labelled: 1 mark for income and population/households; 1 mark for cumulative % Line of income equality (45° line): 1 mark Lorenz curve: 1 mark.</p>  <p>Explanations: up to 2 marks for any one of the following:</p> <ul style="list-style-type: none"> • Measurement of Gini coefficient: $\text{Area A (between 45°line and Lorenz curve)} \div \text{Area A + B (whole area under 45°line)}$ • Further explanation of diagram (e.g. how a change in inequality would affect the Lorenz curve) and/or Gini coefficient • Explanation of other measures of inequality <p>Application: Specific data reference from Figure 1 e.g. to a specific country and its Gini Coefficient (2)</p>		8	
Level	Mark	Descriptor		
Level 1	1-2	2 marks for knowledge		
Level 2	3-4	2 marks for knowledge; 2 for application (i.e. data reference to a country and its Gini Coefficient in Figure 1)		
Level 3	5-8	2 marks for knowledge; 2 for application (e.g. data reference to a country and its Gini Coefficient in Figure 1) and 4 for analysis (2 for explanation and other 2 marks for diagram)		

Question No.	Answer	Mark
4(c)	<p>Understanding of capitalism - explicit or implicit e.g. private ownership of resources; free enterprise(1)</p> <p>Reasons why inequality is necessary (up to 3 marks for one good point or 2+1 marks):</p> <ul style="list-style-type: none"> • Incentive for entrepreneurs • Profits necessary for investment, R & D • Private ownership of resources • Owners of resources will tend to become richer relative to those who own none • Wage determination through supply and demand for labour • Price mechanism ignores equality/inequality <p>Application e.g. reference to 2 examples of countries e.g. USA & Sweden from the information provided or from own knowledge; or reference to one country including data (2 marks)</p> <p><i>Evaluative comments (up to 4 marks: 2 + 2; 3 + 1) could include:</i></p> <ul style="list-style-type: none"> • <i>Although inequality may be an essential ingredient, the degree of inequality may vary between different capitalist systems</i> • <i>Inequality might be reduced by government policy</i> • <i>Private ownership of resources is a key reason for inequality because these may be used to gain further income</i> • <i>Argument that capitalism is reducing global inequality</i> 	(10)

Level	Mark	Descriptor
Level 1	1-3	1 mark for understanding of capitalism; 2 for application (e.g. reference to 2 examples of countries from the information provided or from own knowledge or reference to one country including data)
Level 2	4-6	1 mark for understanding of capitalism; 2 for application (e.g. reference to 2 examples of countries from the information provided or from own knowledge or reference to one country including data); 3 for analysis.
Level 3	7-10	1 mark for understanding of capitalism; 2 for application (e.g. reference to 2 examples of countries from the information provided or from own knowledge or reference to one country including data); 3 for analysis; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question No.	Answer	Marks
4(d)	<p>Reasons include (up to 5 marks; maximum 2 for identification only):</p> <ul style="list-style-type: none"> • Income gap between rural and urban areas increases as industrialisation takes hold – workers in more productive manufacturing industries earn more than those in less productive agriculture <i>But workers may be exploited and paid low wages i.e. owners of resources are getting richer at the expense of workers</i> • Entrepreneurs and shareholders in these industries benefit from profits <i>But profits may be repatriated to shareholders of TNCs in developed economies</i> • Increased capitalism in developing countries • Corruption • Increased rewards for those producing commodities in high demand • Discrimination • Falling demand for unskilled workers and those of low skills • Differences in qualifications <i>But still possible to become very wealthy without formal qualifications</i> • Increased incomes of the top 1% - bankers' bonuses <i>But now being subject to 50% tax and special taxes</i> • Impact of public expenditure cuts e.g. cuts in benefits; job losses among low paid; benefits and pension increased in line with CPI rather than RPI <i>But more generous public sector pensions have contributed to increased inequality amongst the elderly</i> • The increased inequality is part of a long term trend associated with declining trade union power <i>But: until recently state means-tested benefits have been increasing to reduce inequality</i> • Shift from direct to indirect taxation • Globalisation <p><i>Also for evaluation:</i></p> <ul style="list-style-type: none"> • <i>Changes in factors over time</i> • <i>Differences in causes of income and wealth inequality</i> <p><i>Marks for evaluation (points in italics above): (2 + 3; or 3 + 2; or 2 + 2 + 1)</i></p> <p>Application e.g. reference to 2 relevant examples or use of Gini coefficients (2marks); (Synoptic element: wage determination from unit 1; concept of productivity from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p>	12

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 reasons;
Level 2	3-7	2 marks for identification of 2 reasons; 2 for application (reference to 2 relevant examples or use of Gini coefficients); 3 for analysis of 2 reasons
Level 3	8-12	2 marks for identification of 2 reasons; 2 for application (reference to 2 relevant examples or use of Gini coefficients); 3 for analysis of 2 reasons; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

Question No.	Answer	Marks
4 (e)	<p>For knowledge, application and analysis: 3 x 3 marks or 4 + 5 marks)</p> <p>A range of policies may be considered including:</p> <ul style="list-style-type: none"> • Education: improving access to education for all; government efforts directed especially to those who need it most <p><i>But: much depends on the quality of education; also considerable time lag</i></p> <ul style="list-style-type: none"> • Removal of subsidies- money saved might be used for job creation programmes • promotion of free trade <p><i>But could cause some domestic industries to close down if they are unable to compete</i></p> <ul style="list-style-type: none"> • Measures to eliminate monopolies <p><i>But could result in loss of economies of scale</i></p> <ul style="list-style-type: none"> • Measures to increase the geographical mobility of labour e.g. housing subsidies; increased provision of affordable houses <p><i>But cost of these scheme to the government; implications for taxes</i></p> <p>N.B. Credit discussion of policies not in the extract e.g.</p> <ul style="list-style-type: none"> • increase in means-tested benefits; • more progressive tax system on incomes • wealth taxes • Increased public expenditure • National Minimum Wage <p><i>Also for evaluation:</i></p> <ul style="list-style-type: none"> • <i>Differences in impact of policies on income and wealth inequality</i> <p><i>Marks for evaluation (points in italics above): (3 + 3; or 4 + 2; or 2 + 2 + 2)</i></p>	(15)

	(Synoptic element: immobility of labour from Unit 1; education as a supply side policy from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)	
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Level	Mark	Descriptor
Level	Mark	Descriptor
Level 1	1-4	Identification of one or two arguments with superficial analysis
Level 2	5-9	Identification and analysis of at least two arguments
Level 3	10-15	At least two arguments analysed well with at least one convincing evaluative comment

Question No.	Answer	Marks
5(a)	<p>Budget deficit: government expenditure greater than tax revenues with data reference</p> <p>National Debt: cumulative total of past government borrowing with data reference</p> <p>3 marks for knowledge (2 + 1 or 1 + 2) for definitions)</p> <p>2 for application: 2 data references (one for budget deficit and one for national debt from Figures 1 and 2)</p>	(5)
Level	Mark	Descriptor
Level 1	1-3	Up to 3 marks for knowledge – see above
Level 2	4-5	Up to 3 marks for knowledge and 2 marks for 2 data references

Question no.	Answer	Marks
5(b)	<p>Analysis of any 2 issues arising from weak growth and high unemployment: 2x 2 marks. For example:</p> <ul style="list-style-type: none"> • Rising/high unemployment and the implications of this for public expenditure on benefits • Slow rise in tax revenues from income tax and expenditure taxes • More bankruptcies/ lower profits leading to a fall in corporate tax revenues • Implications for servicing debt • Issues relating to credit rating <p>This implies an increase in the budget deficit and, in turn, an increase in the National Debt (2)</p> <p>Application: Reference to Extract 1 e.g. one data reference to national debt to GDP ratio of Greece, Ireland or Spain (2) or to growth rates (2). Do not credit references to unemployment rates.</p>	(8)

Level	Mark	Descriptor
Level 1	1-2	2 marks for identifying 2 problems
Level 2	3-4	2 marks for identifying 2 problems; 2 for application as indicated above
Level 3	5-8	2 marks for identifying 2 problems; 2 for application as indicated above and 4 for analysis

Question No.	Answer	Marks
5(c)	<p>Reasons include (up to 4 marks; maximum 1 for identification only):</p> <ul style="list-style-type: none"> • Independent monetary policy could be followed by these countries (UK interest rate 0.5%; Euro-zone 1.0% until April 2011) • Currencies of countries outside the Eurozone could (and did) depreciate against other currencies • High unit labour costs in peripheral euro zone countries resulting in a loss in competitiveness • More flexible labour markets • Eurozone growth average brought down by poor performance of weaker economies <p>Application e.g. reference to 2 relevant examples of countries (2 marks)</p> <p><i>Evaluation (up to 4 marks: 2 + 2; 3 + 1) could include:</i></p> <ul style="list-style-type: none"> • <i>Prioritisation e.g. significance of depreciation of currency</i> • <i>Average figure disguises strong performance of economies such as Germany</i> • <i>Situation after 2010 changed: e.g. UK economy had negative economic growth by end of 2011</i> • <i>Membership of Eurozone might be an insignificant factor influencing growth e.g. FDI might be more important</i> • <i>Size of difference in interest rates</i> • <i>Possible long run benefits of Eurozone membership</i> <p>(Synoptic element: economic growth and monetary policy from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p>	(10)

Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of 1 reason; 2 for application (reference to 2 relevant examples of countries)
Level 2	4-6	1 mark for identification of 1 reason; 2 for application (reference to 2 relevant examples of countries); 3 for analysis of 2 issues.
Level 3	7-10	1 mark for identification of 1 reason; 2 for application (reference to 2 relevant examples of countries); 3 for analysis of 2 issues; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question No.	Answer	Marks
5(d)	<p>Policies include: (up to 5 marks; maximum 2 for identification only):</p> <ul style="list-style-type: none"> • Labour market reforms e.g. making easier to hire and fire workers; increasing retirement age; reducing minimum wages; reducing unemployment benefits <i>But: danger of worker exploitation; increased inequality; some countries like the UK are already very flexible</i> • Measures to increase productivity e.g. training, education; investment allowances <i>But: costs are difficult to finance when budget deficits have to be cut</i> • Measures to increase competitiveness in the product market e.g. further privatisations <i>But: most countries have exhausted potential industries to be privatised</i> • Also: measures to increase incentives for FDI e.g. decrease corporation tax <i>But: if confidence is low foreign investment is unlikely to take place</i> • Allow answers suggesting that these countries should leave the euro so allowing currency depreciation <i>But could lead to cost push inflation reducing gain in competitiveness</i> <p><i>Marks for evaluation (points in italics above): (2 + 3; or 3 + 2; or 2 + 2 + 1)</i></p> <p>Application e.g. reference to 2 relevant examples or references from Figure 4 (2marks)</p> <p>(Synoptic element: Supply side policies and concept of productivity from unit 2; wage determination from unit 1. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p>	(12)

Level	Mark	Descriptor
Level 1	1-2	2 marks for identification of 2 policies;
Level 2	3-7	2 marks for identification of 2 policies; 2 for application (e.g. reference to 2 relevant examples or references from Figure 4); 3 for analysis of 2 policies
Level 3	8-12	2 marks for identification of 2 policies; 2 for application (e.g. reference to 2 relevant examples or references from Figure 4); 3 for analysis of 2 policies; 5 marks for up to 3 evaluative points (2 + 3; or 3 + 2; or 2 + 2 + 1)

Question No.	Answer	Marks
5(e)	<p><i>N.B. Candidates may take either side of the argument for analysis and then evaluate by discussing the opposing view.</i></p> <p>For knowledge, application and analysis: 3 x 3 marks or 4 + 5 marks):</p> <p>Arguments for reducing budget deficits quickly:</p> <ul style="list-style-type: none"> • To prevent loss of confidence of purchasers of government bonds (which could result in higher bond yields) and so avoid the need for a bailout • High budget deficits lead to increasing national debts. In turn, the debt servicing payments rise so that the government has less money to spend on public services • Could cause crowding out • Possible inflationary consequences of persistent and high deficits • High debt increases the risk premium on government bonds increasing financing costs <p>Arguments against reducing budget deficits quickly:</p> <ul style="list-style-type: none"> • Danger that austerity measures will cause another recession and then higher budget deficits • Higher taxes might cause disincentive effects so that tax revenues do not rise • Austerity measures may result in rapidly increasing unemployment and the emigration of workers e.g. Ireland: 50 000 people leaving each week • Increased inequality if means-tested benefits are cut • Reduction in quality of public services leading to a fall in productivity <p><i>Marks for evaluation 3 + 3; or 4 + 2; or 2 + 2 + 2)</i></p> <p>(Synoptic element: fiscal policy, inflation and unemployment from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p>	(15)

Level	Mark	Descriptor
Level 1	1-4	Identification of one or two arguments with superficial analysis
Level 2	5-9	Identification and analysis of at least two arguments
Level 3	10-15	At least two arguments analysed well with at least one convincing evaluative comment

Unit 4 Assessment Grid JUNE 2012

Question Number	AO1 Marks	AO2 Marks	AO3 Marks	AO4 Marks	Total marks for question
Section	Knowledge	Application	Analysis	Evaluation	
A					
Qu.1(a)	4	4	6	6	20
Qu.1(b)	6	6	9	9	30
Total	10	10	15	15	50
Qu.2(a)	4	4	6	6	20
Qu.2(b)	6	6	9	9	30
Total	10	10	15	15	50
Qu.3(a)	4	4	6	6	20
Qu.3(b)	6	6	9	9	30
Total	10	10	15	15	50
B					
Qu.4(a)	3	2			5
Qu.4(b)	2	2	4		8
Qu.4(c)	1	2	3	4	10
Qu.4(d)	2	2	3	5	12
Qu.4(e)	2	2	5	6	15
Total	10	10	15	15	50
Qu.5(a)	3	2			5
Qu.5(b)	2	2	4		8
Qu.5(c)	1	2	3	4	10
Qu.5(d)	2	2	3	5	12
Qu.5(e)	2	2	5	6	15
Total	10	10	15	15	50
Combined % (A + B)	20	20	30	30	100

GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04 June 2012

Level	Part (a) Questions: Performance Criteria for Mark base 20	
Level 1	1-7	<ul style="list-style-type: none"> • Displays knowledge presented as facts without awareness of other viewpoints • Demonstrates limited understanding with little or no analysis • Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear • None of the assessment objectives are covered satisfactorily <p><i>Identification of points which are largely irrelevant</i></p>
Level 2	8-10	<ul style="list-style-type: none"> • Displays elementary knowledge of well learnt economic facts showing a generalised understanding together with limited analysis i.e. identification of points or a very limited discussion • Displays a limited ability to select and apply different economic ideas • Evidence presented has a basic relevance <p><i>Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis</i></p>
Level 3	11-14	<ul style="list-style-type: none"> • Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark • Shows some ability to apply economic ideas and relate them to economic problems • Employs different approaches to reach conclusions, presenting evidence with some relevance and coherence <p><i>Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation</i></p>
	11-12	Award in this range for 2 factors and 1 evaluative comment (or 3 factors with no evaluation) which are not well developed/reasoned
	13-14	Award in this range for 2 factors and 1 evaluative comment (or 3 factors with no evaluation) which are well developed and reasoned
Level 4	15-16	<ul style="list-style-type: none"> • Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved • Demonstrates an ability to select and apply economic ideas and to relate them to economic problems • Evidence of some evaluation of alternative approaches leading to conclusions which are presented in a relevant and coherent way <p><i>Typically, answers will consider 3 factors with 1 evaluative point</i></p>
Level 5	17-20	<ul style="list-style-type: none"> • Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of

		<p>issues</p> <ul style="list-style-type: none"> • Demonstrates an outstanding ability to select and apply economic ideas to economic problems • Evaluation is well balanced and critical leading to valid conclusions • Material is presented in a relevant, clear and coherent way with evidence fully and reliably integrated • Excellence is displayed across all assessment objectives <p><i>Typically, answers will consider 3 factors with 2 evaluative points</i></p>
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GUIDELINES FOR MARKING ESSAY QUESTIONS 6EC04 June 2012

Level	Part (b) Questions: Performance Criteria for Mark base 30	
Level 1	1-11	<ul style="list-style-type: none"> • Displays knowledge presented as facts without awareness of other viewpoints • Demonstrates limited understanding with little or no analysis • Attempts at selecting, applying, evaluating and presenting material which are irrelevant and unclear • None of the assessment objectives are covered satisfactorily <p><i>Identification of points which are largely irrelevant</i></p>
Level 2	12-15	<ul style="list-style-type: none"> • Displays elementary knowledge of well learnt economic facts showing a generalised understanding together with limited analysis i.e. identification of points or a very limited discussion • Displays a limited ability to select and apply different economic ideas • Evidence presented has a basic relevance <p><i>Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis</i></p>
Level 3	16-21	<ul style="list-style-type: none"> • Displays knowledge and understanding of economic principles, concepts and theories as well as some analysis of issues i.e. answer might lack sufficient breadth and depth to be worthy of a higher mark • Shows some ability to apply economic ideas and relate them to economic problems • Employs different approaches to reach conclusions, presenting evidence with some relevance and coherence <p><i>Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation</i></p>
	16-18	Award in this range for 3 factors and 1 evaluative comment (or 4 factors with no evaluation) which are not well developed/reasoned
	19-21	Award in this range for 3 factors and 1 evaluative comment (or 4 factors with no evaluation) which are well developed and reasoned

Level 4	22-25	<ul style="list-style-type: none"> • Displays a good knowledge of economic principles, concepts and theories together with an analysis of the issues involved • Demonstrates an ability to select and apply economic ideas and to relate them to economic problems • Evidence of some evaluation of alternative approaches leading to conclusions which are presented in a relevant and coherent way <p><i>Typically, answers will consider 4 factors with 2 evaluative points</i></p>
Level 5	26-30	<ul style="list-style-type: none"> • Displays a wide range of knowledge of economic principles, concepts and theories together with a rigorous analysis of issues • Demonstrates an outstanding ability to select and apply economic ideas to economic problems • Evaluation is well balanced and critical leading to valid conclusions • Material is presented in a relevant, clear and coherent way with evidence fully and reliably integrated • Excellence is displayed across all assessment objectives <p><i>Typically, answers will consider 4 factors with 3 evaluative points</i></p>

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