

INTERNATIONAL A-LEVEL

ECONOMICS

EC04

Unit 4 Economic Development and the Global Economy

Mark scheme

January 2026

Version: 1.0 Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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International A-level Economics mark scheme

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in question 13 more weight should be given to AO3 than to AO1 and AO2. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 10 marks

Question	Part	Marking guidance	Total marks
01		Which one of the following combinations of policies might form part of a market-based strategy to promote economic development? Answer: C (Privatisation and deregulation)	1 AO1 = 1

Question	Part	Marking guidance	Total marks										
02		<table><tr><td></td><td>Terms of trade</td></tr><tr><td>January 2025</td><td>109</td></tr><tr><td>February 2025</td><td>113</td></tr><tr><td>March 2025</td><td>107</td></tr><tr><td>April 2025</td><td>98</td></tr></table> <p>Which one of the following statements is correct?</p> <p>Answer: A (Between January 2025 and February 2025, the average price of the country's exports rose relative to the average price of its imports.)</p>		Terms of trade	January 2025	109	February 2025	113	March 2025	107	April 2025	98	1 AO2 = 1
	Terms of trade												
January 2025	109												
February 2025	113												
March 2025	107												
April 2025	98												

Question	Part	Marking guidance	Total marks
03		Which one of the following is the main reason why the money supply of a country usually includes bank deposits but does not include shares? Answer: B (Bank deposits can be used to pay for goods and services but shares cannot.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
04		All other things being equal, which one of the following will happen if the country's exchange rate depreciates by 20%? Answer: C (Increase, Decrease)	1 AO3 = 1

Question	Part	Marking guidance	Total marks
05			1 AO2 = 1

Question	Part	Marking guidance	Total marks
06		<p>Price</p> <p>The government gives domestic firms a subsidy of VX for each product supplied, shifting the domestic supply curve from S_d to S_s. Before the subsidy was introduced, there were no restrictions on international trade. The subsidy will</p> <p>Answer: B (increase the quantity sold by domestic firms from OQ_1 to OQ_2.)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
07		<p>Which one of the following is a weakness of using real GDP per head to measure changes in a country's living standards over time?</p> <p>Real GDP per head does not take into account changes in the</p> <p>Answer: A (distribution of income.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks
08		<p>Firms in the country experience a fall in the profits they receive from the assets they own abroad. At the same time, the government buys planes from a foreign firm.</p> <p>All other things being equal, which one of the following diagrams shows the effect on the country's exchange rate of these two events?</p> <p>Answer: D</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
09		<p>The model of comparative advantage shows that free trade benefits countries as a result of</p> <p>Answer: D (specialisation.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance				Total marks																												
10		<table><tr><th rowspan="2">Country</th><th rowspan="2">Human Development Index (HDI)</th><th>Health indicator</th><th colspan="2">Education indicators</th></tr><tr><th>Life expectancy at birth (years)</th><th>Expected years of schooling</th><th>Mean years of schooling</th></tr><tr><td>Australia</td><td>0.946</td><td>83.6</td><td>21.1</td><td>12.7</td></tr><tr><td>Canada</td><td>0.935</td><td>82.8</td><td>16.0</td><td>13.8</td></tr><tr><td>France</td><td>0.910</td><td>83.2</td><td>16.0</td><td>11.7</td></tr><tr><td>Ireland</td><td>0.950</td><td>82.7</td><td>19.1</td><td>11.7</td></tr></table>				Country	Human Development Index (HDI)	Health indicator	Education indicators		Life expectancy at birth (years)	Expected years of schooling	Mean years of schooling	Australia	0.946	83.6	21.1	12.7	Canada	0.935	82.8	16.0	13.8	France	0.910	83.2	16.0	11.7	Ireland	0.950	82.7	19.1	11.7	1 AO2 = 1
		Country	Human Development Index (HDI)	Health indicator	Education indicators																													
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		It can be concluded from Table 3 that																																
Answer: D (Ireland had a higher Gross National Income (GNI) per capita than Australia.)																																		

Section B

Total for this section: 10 marks

Question	Part	Marking guidance	Total marks
11	1	<p>State the two ways in which a buffer stock is used to stabilise the price of a primary commodity.</p> <p>Award 1 mark for each point given</p> <ul style="list-style-type: none"> • buying the commodity (to stop the price falling below the floor) • selling the commodity (to prevent the price rising above the ceiling) 	<p>2</p> <p>AO1 = 2</p>

Question	Part	Marking guidance	Total marks																
11	2	<p>Between 2015 and 2025, the total income in the country's export markets increased from \$640bn to \$896bn.</p> <table><tr><td></td><td>Income elasticity of demand</td></tr><tr><td>Primary product</td><td>0.24</td></tr><tr><td>Manufactured product</td><td>1.75</td></tr></table> <p>Calculate the difference between the percentage change in the volume of exports of the primary product and the percentage change in the volume of exports of the manufactured product between 2015 and 2025.</p> <p>Give your answer to the nearest whole percentage point.</p> <p>Calculation:</p> <p>Percentage change in income = $[(896 - 640) \div 640] \times 100$ = 40%</p> <p>The difference in the percentage change in the volume of exports = $(1.75 - 0.24) \times 40\%$ = 60.4%</p> <p>Answer = 60% (to the nearest whole percentage point)</p> <p>Alternative valid methods should be rewarded, for example:</p> <p>Percentage change in the volume of the primary product = 40% $\times$ 0.24 = 9.6%</p> <p>Percentage change in the volume of the manufactured product = 40% $\times$ 1.75 = 70%</p> <p>The difference in the percentage change in the volume of exports = 70% - 9.6% = 60.4%</p> <table><tr><th>Response</th><th>Max 2 marks</th></tr><tr><td>For the correct answer to the nearest whole percentage point (with or without working): 60%</td><td>2 marks</td></tr><tr><td>For the correct answer but not rounded to the nearest whole percentage point: 60.4%</td><td rowspan="3">1 mark</td></tr><tr><td>OR</td></tr><tr><td>For the correct answer but rounded the wrong way: 61%</td></tr><tr><td>OR</td><td></td></tr></table>		Income elasticity of demand	Primary product	0.24	Manufactured product	1.75	Response	Max 2 marks	For the correct answer to the nearest whole percentage point (with or without working): 60%	2 marks	For the correct answer but not rounded to the nearest whole percentage point: 60.4%	1 mark	OR	For the correct answer but rounded the wrong way: 61%	OR		2 AO1 = 1 AO2 = 1
	Income elasticity of demand																		
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OR																			
For the correct answer but rounded the wrong way: 61%																			
OR																			

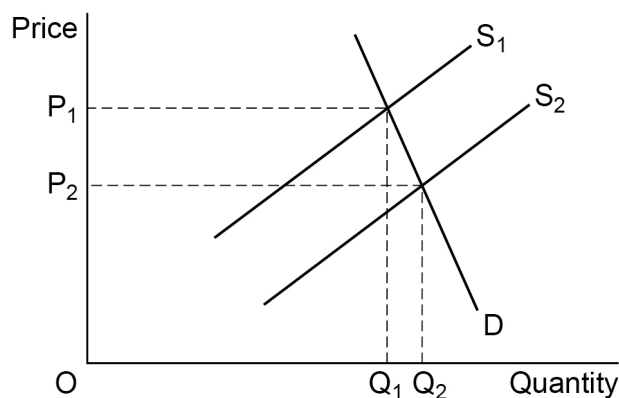
		<p>For the correct answer but with missing/incorrect units: eg 60, \$60</p> <p>OR</p> <p>For a correct method throughout but the wrong answer, with the % sign and rounded to the nearest whole percentage point</p>		
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Question	Part	Marking guidance	Total marks
11	3	<p>The cost of producing a primary product falls due to technological change. The price elasticity of demand for the product is inelastic.</p> <p>Explain, using a demand and supply diagram, the effect of the change in technology on the total revenue earned from the sale of the product.</p>	<p>6</p> <p>AO1 = 2 AO2 = 4</p>

Level	Marks	Descriptor
2	4–6	<ul style="list-style-type: none"> Shows good knowledge and understanding of the effect of the change in technology on the total revenue earned from the sale of the product. Includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.
1	1–3	<ul style="list-style-type: none"> Shows some limited knowledge of the effect of the change in technology on the total revenue earned from the sale of the product. May include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.
	0	No creditworthy material

Indicative content:

The expected diagram shows a rightward shift (increase) in supply with a lower total revenue at the new equilibrium price.



The area $(P_1 \times Q_1)$ should be greater than $(P_2 \times Q_2)$

Acceptable labels include:

Vertical axis: Price or P but not Price level or PL.

Horizontal axis: Quantity, Q or Output but not Real GDP or National income

An example of an acceptable explanation:

The improvement in technology and the fall in the cost of production make it more profitable to produce the product. This causes a rightward shift in the market supply curve. In the diagram, the increase in supply leads to excess supply at the original price of P_1 , causing the price to fall to P_2 . Since the demand for the primary product is inelastic, the fall in price leads to a smaller percentage increase in the quantity sold. Total revenue is calculated by price times quantity sold. The inelastic demand means that the percentage increase in the quantity sold is not large enough to compensate for the percentage fall in price. Therefore total revenue falls, from $(P_1 \times Q_1)$ to $(P_2 \times Q_2)$.

Credit valid alternative content.

MAXIMUM FOR QUESTION 11: 10 MARKS

Section C

Total for this section: 45 marks

Question	Part	Marking guidance	Total marks
12	1	<p>Extract A shows the growth in the labour force and the growth in real GDP in Japan.</p> <p>Explain why the growth in the labour force is likely to affect the growth in a country's real GDP.</p>	<p>4</p> <p>AO1 = 1 AO2 = 1 AO3 = 2</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes reasonable application of relevant economic principles to support the response. Includes well-focused analysis with a clear, logical chain of reasoning.
1	1–2	<ul style="list-style-type: none"> Shows some limited knowledge and understanding of relevant economic terminology, concepts and principles. May include some application of relevant economic principles to the question. May include some attempted analysis but the analysis is not adequately developed and/or may be confused.
	0	No creditworthy material

Indicative content:

- meanings of real GDP, short-run growth and long-run growth
- explanation that labour is a factor of production
- explanation that an economy's potential output (LRAS) is determined by the supply of factors of production and their productivity
- explanation that an increase in the labour force leads to an increase in an economy's potential output facilitating an increase in both short-run (actual) and long-run (potential) economic growth
- explanation of why an increase in the labour force in employment is likely to lead to an increase in aggregate demand and therefore the growth in real GDP.

Note: Some students may support their answer with a diagram, but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
12	2	<p>To what extent do the data suggest that the growth in the labour force affected the growth in Japan's real GDP between 2016 and 2023?</p> <p>Use the data in Extract A to support your answer.</p>	<p>4</p> <p>AO1 = 1 AO2 = 1 AO4 = 2</p>

Examiners are reminded that AO1, AO2 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> Includes sound evidence that indicates the extent to which the growth in the labour force affected the growth in Japan's real GDP. Includes a supported judgement concerning the extent to which the growth in the labour force affected the growth in Japan's real GDP.
1	1–2	<ul style="list-style-type: none"> Includes some limited evidence that indicates the extent to which the growth in the labour force affected the growth in Japan's real GDP. May attempt a judgement concerning the extent to which the growth in the labour force affected the growth in Japan's real GDP.
	0	No creditworthy material

Indicative content:

- over the period the average annual rate of growth in the labour force is 0.61% and the average annual rate of growth in Japan's real GDP is 0.51%
- between 2016 and 2018 and in 2022 and 2023 both the labour force and real GDP grew
- in 2020 the labour force and real GDP both fell by the greatest amount, –0.21% and –4.1% respectively
- the highest rate of growth in the labour force is in 2018, 1.73%, but the highest rate of growth in Japan's real GDP is in 2021 at 2.6%
- from one year to the next, there is not a consistent, direct relationship between the growth of the labour force and the growth in real GDP in Japan, only in the period 2019 to 2021 was there a direct relationship, eg in 2019 the growth of the labour force fell from 1.73% to 0.96% and the growth of real GDP fell from 0.6% to –0.4%
- between 2017 and 2018, the growth in the labour force increased from 0.83% to 1.73% whereas the growth of real GDP fell from 1.7% to 0.6%
- in 2021, the labour force fell by 0.03% whereas real GDP increased by 2.6%, the largest rate of growth over the period
- between 2022 and 2023, the growth in the labour force was constant at 0.34% whereas the growth in Japan's real GDP increased from 1.0% to 1.9%
- importance of aggregate demand as a significant determinant of the rate of growth in real GDP in any particular year and that this may be affected by, for example, consumer and producer confidence, government spending, interest rates, the exchange rate and the growth of Japanese export markets
- identification of other factors that might affect the relationship, eg the global pandemic in 2020 and 2021, a rise in the labour force doesn't necessarily mean that more people are in work
- students are likely to conclude that there is some evidence to support the view that the growth in the Japanese labour force influenced the growth in real GDP over the whole period but that in the short run, the relationship is inconsistent and not very strong
- students may reasonably conclude that, from one year to the next, other factors, such as fluctuations in aggregate demand, are likely to be more important.

Credit valid alternative content.

MAXIMUM FOR QUESTION 12: 8 MARKS

Question	Part	Marking guidance	Total marks
13		<p>Extract C (lines 3–4) states: ‘Japan’s current account balance increased from a surplus of 2% of GDP in 2022 to a surplus of around 3.4% of GDP in 2023.’</p> <p>Explain factors that may have caused the surplus in the Japanese balance of payments on current account to increase between 2022 and 2023.</p>	<p>12</p> <p>AO1 = 3 AO2 = 3 AO3 = 6</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	9–12	<ul style="list-style-type: none"> Is well organised and develops one or more of the key issues that are relevant to the question. Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes good application of relevant economic principles and/or good use of data to support the response. Includes well-focused analysis with a clear, logical chain of reasoning. May include a relevant diagram that is accurate and used appropriately to support their explanation.
2	5–8	<ul style="list-style-type: none"> Includes one or more issues that are relevant to the question. Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. Includes reasonable application of relevant economic principles and/or data to the question. Includes some reasonable analysis but it might not be adequately developed and may be confused in places. May include a relevant diagram to support their explanation.
1	1–4	<ul style="list-style-type: none"> Is very brief and/or lacks coherence. Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. Demonstrates very limited ability to apply relevant economic principles and/or data to the question. May include some very limited analysis but the analysis lacks focus and/or becomes confused. May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.
	0	No creditworthy material

Indicative content:

- explanation of what is meant by balance of payments, balance of payments on current account, current account surplus
- explanation that, other things being equal, the surplus is likely to increase if the value of exports of goods and/or services rises or the value of imports of goods and/or services falls
- why the surplus may increase if there is an improvement in primary and secondary income balances

- explanation of how changes in the exchange rate might cause the surplus to increase
- the significance of the price elasticities of demand for exports and imports
- explanation of why an increase in the growth in the world economy is likely to lead to an increase in the demand for Japanese exports
- the significance of the income elasticity of demand for Japanese exports
- how low inflation in Japan compared to other countries may lead to an increase in the surplus
- how low confidence and consumer spending might have led to a fall in the demand for imports in Japan
- explanation of how supply-side factors can affect the competitiveness of Japanese goods and services at home and abroad, eg improvements in technology affecting the quality of products
- how changes in monetary policy and interest rates may have caused an increase in the Japanese current account surplus
- how changes in trade restrictions might cause the surplus to increase
- explanation of why falling commodity and energy prices may lead to an increase in the surplus
- explanation of factors that might have led to an improvement in the primary income balance, eg increased earnings on overseas assets owned by Japanese residents
- explanation of factors that might have led to an improvement in the secondary income balance, eg a reduction in spending on overseas aid by the Japanese government
- use of data from **Extracts B** and **C**
- use of the student's own knowledge about the Japanese and world economy to explain factors that may have contributed to the increase in the surplus.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
14		<p>Extract C (lines 11–12) states: ‘Monetary policy can support the growth and development of the economy but it is only part of the solution.’</p> <p>Assess the contribution that monetary policy can make to promoting economic growth and development in Japan.</p>	<p>25</p> <p>AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
3	11–15	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren’t well-supported by arguments and/or data.
2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.

1	1–5	A very weak response that: <ul style="list-style-type: none"> includes little relevant knowledge and understanding of economic terminology, concepts and principles includes application to the given context which is, at best, very weak includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- explanation of short-run growth, long-run growth, economic development
- explanation of monetary policy and the various instruments of monetary policy
- recognition that monetary policy is carried out by the Japanese central bank (Bank of Japan)
- analysis of how interest rates can affect aggregate demand and increase short-run growth
- evaluation of the effectiveness of interest rates in increasing short-run growth
- analysis of the contribution that low interest rates might make to increasing long-run growth and development, eg by reducing the cost of financing investment, affecting asset prices and the distribution of wealth
- evaluation of the effectiveness of interest rates in increasing long-run growth and development
- assessment of the role low interest rates have played in affecting growth and development in Japan, perhaps using the data in **Extract B**
- analysis and evaluation of how other monetary instruments can affect growth and economic development, eg the exchange rate, variable reserve ratios, quantitative easing and forward guidance
- analysis of the interrelationship between the various monetary instruments, eg interest rates and the exchange rate
- analysis and evaluation of various factors that may have affected the effectiveness of monetary policy in promoting growth and development in Japan, eg the collapse in asset prices, consumer and producer confidence, demographic factors, labour immobility, globalisation and foreign competition, government support for uncompetitive firms
- analysis of how fiscal policy can be used to increase aggregate demand and increase short-run economic growth
- evaluation of the advantages and disadvantages of using fiscal policy to increase growth, eg can directly increase aggregate demand, leads to a growing national debt
- analysis and evaluation of the interrelationships between monetary and fiscal policy and how this might have affected the effectiveness of monetary policy in promoting growth and development in Japan
- analysis and evaluation of the use of fiscal measures to improve the supply-side performance of the economy and the effects on growth and development
- analysis and evaluation of other supply-side policies that could be used to affect growth and development, for example: changing the retirement age, changing policies relating to workers' rights
- an assessment of the likely effectiveness of monetary policy compared to other policies that might be used to promote growth and development
- use of data from the extracts to support the evaluation of the effectiveness of monetary policy in increasing short-run growth, long-run growth and development in Japan
- an overall assessment of the contribution that monetary policy can make to promoting economic growth and development in Japan.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

Section D

Total for this section: 25 marks

Question	Part	Marking guidance	Total marks
15		<p>The Gini coefficient is the most commonly used measure of inequality. According to the World Bank, in 2022, Costa Rica had a Gini coefficient of 47.2 and its GDP per head was US\$13 365, whereas Bangladesh had a Gini coefficient of 33.4 and its GDP per head was US\$2 688.</p> <p>Discuss whether policies aimed at reducing inequality in the distribution of income are likely to help the economic development of a less economically developed country (LEDC).</p>	25 AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	Sound, focused analysis and well-supported evaluation that: <ul style="list-style-type: none"> is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response includes well-focused analysis with clear, logical chains of reasoning includes supported evaluation throughout the response and in a final conclusion.
4	16–20	Sound, focused analysis and some supported evaluation that: <ul style="list-style-type: none"> is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response includes some well-focused analysis with clear, logical chains of reasoning includes some reasonable, supported evaluation.
3	11–15	Some reasonable analysis but generally unsupported evaluation that: <ul style="list-style-type: none"> focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response includes some reasonable analysis but which might not be adequately developed or becomes confused in places includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	6–10	A fairly weak response with some understanding that: <ul style="list-style-type: none"> includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely includes some limited application of relevant economic principles to the given context and/or data to the question includes some limited analysis but it may lack focus and/or become confused includes some evaluation which is weak and unsupported.

1	1–5	A very weak response that: <ul style="list-style-type: none"> includes little relevant knowledge and understanding of economic terminology, concepts and principles includes application to the given context which is, at best, very weak includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- meanings of income, inequality, economic development, less economically developed country
- explanation of ways in which the degree of inequality in the distribution of income can be measured
- an equitable distribution of income as an indicator of economic development
- the difference between equality and equity and the relevance to economic development
- the significance of the 'inequality Kuznets curve'
- analysis and evaluation of policies that could be used to reduce inequality in the distribution of income, eg progressive taxes, welfare benefits, free or subsidised state provision of merit goods such as education and health care, wage controls, legislation to enhance workers' rights, state subsidies for essential goods such as food and energy
- analysis and evaluation of arguments that support the view that such policies help to promote the economic development of LEDCs:
 - how poverty and inequality mean that the economic potential of the country's population is not adequately exploited
 - how policies to reduce inequality can lead to improvements in the productivity of workers, eg through better education and training, through better health
 - the view that inequality in both income and wealth can result from the exploitation of power and corruption
 - how policies to redistribute income could lead to an increase in aggregate demand and help to promote growth and economic development
 - the view that progressive taxes generate more revenue for the government and can be used to finance the provision of public and merit goods, helping to promote economic development in LEDCs
 - the moral argument that a high level of inequality is unfair and is a characteristic of an economy that is not economically developed
- analysis and evaluation of arguments against the view that such policies help to promote the economic development of LEDCs:
 - the view that a high degree of inequality is necessary to provide incentives for effort and enterprise, particularly in a market economy
 - the view that inequality is necessary to bring about an efficient allocation of resources
 - the 'trickle-down effect', the view that those with high incomes create wealth, providing income and employment for others
 - the view that policies that reduce inequality are likely to lead to talented people with skills and abilities, needed for economic development, emigrating
 - the view that high, progressive taxes may lead to tax evasion and tax avoidance, perhaps linked to the Laffer curve
 - how the rich are likely to save a high proportion of their income and that savings can be used to finance investment that is needed to promote growth and economic development
- analysis of the various reasons why a country's income may be unequally distributed and the significance of this for economic development
- assessment of the view that whether policies aimed at reducing inequality are likely to help the economic development of a LEDC depends on the degree of inequality and the extent to which it is reduced

- assessment of the view that whether policies aimed at reducing inequality are likely to help the economic development of a LEDC depends on the nature of the policies
- evidence from the experience of LEDCs to support the arguments presented
- an overall assessment of whether policies aimed at reducing inequality in the distribution of income are likely to help the economic development of a less economically developed country.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
16		<p>Globalisation means that firms and workers in more economically developed countries (MEDCs) have to compete with those in lower-cost countries. This has led to the collapse of some industries, structural unemployment and growing inequality in some MEDCs.</p> <p>Assess the view that globalisation has been damaging for more economically developed countries (MEDCs).</p>	<p>25</p> <p>AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
3	11–15	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.
1	1–5	<p>A very weak response that:</p> <ul style="list-style-type: none"> • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.

	0	No creditworthy material
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Indicative content:

- meanings of globalisation, more economically developed country (MEDC)
- explanation that globalisation has involved: trade liberalisation, increased competition, increased movement of people between countries, fewer restrictions on the movement of capital, the integration of international capital markets, the growth of TNCs
- reasons for globalisation, such as: lower transport costs, cheaper and more efficient communications, removal of restrictions on trade and capital flows
- analysis and evaluation of the benefits of globalisation for MEDCs
 - ability to exploit the benefits of specialisation and trade, as illustrated by the principle of comparative advantage
 - specialisation and larger markets allowing for the exploitation of economies of scale
 - larger markets generating exports that contribute to the balance of payments
 - the growth in exports as an injection into the circular flow of income and having a multiplier effect
 - increased competition from LEDCs and other MEDCs promoting improvements in efficiency, lower costs and lower prices for consumers
 - the ability to outsource production to low-cost countries
 - inward investment from TNCs contributing to economic growth and creating jobs
 - greater variety of products and more choice for consumers
 - transfers of technology improving dynamic efficiency
 - inward migration of labour to fulfil jobs in sectors of the economy with skill shortages
 - outward investment by domestic TNCs creating an inflow of profits from abroad
 - inward flows of interest and dividends from financial investments abroad
- analysis and evaluation of the costs of globalisation for MEDCs
 - the bankruptcy of domestic firms that lose out to foreign competition
 - structural unemployment caused by the decline of traditional industries
 - regional inequality resulting from the decline of industries that had been concentrated in certain parts of the country
 - increased dependence on other countries for strategically important products such as steel
 - increased government spending, a growing budget deficit and national debt resulting from having to support declining industries, regions and the structurally unemployed
 - increased imports as a withdrawal from the circular flow of income with a reverse multiplier effect
 - increased imports contributing to a growing balance of payments deficit and possibly a depreciation in the external value of the currency
 - the effect of a depreciation in the currency on the terms of trade and living standards
 - inward investment from footloose TNCs leading to dependence and exposure to the consequences of the firm moving abroad
 - increased vulnerability to developments in the global economy, for example: the Asian crisis, the global financial crisis, rising commodity and energy prices
 - inward migration leading to housing shortages and pressure on services such as health care and education
- discussion of whether there has been a shift towards deglobalisation in recent years
- evidence from MEDCs to support the arguments presented
- an overall evaluation of the view that globalisation has been damaging for MEDCs.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

Assessment Objectives Grid

	AO1	AO2	AO3	AO4	Total
Section A					
01	1				1
02		1			1
03	1				1
04			1		1
05		1			1
06		1			1
07	1				1
08		1			1
09	1				1
10		1			1
Section B					
11.1	2				2
11.2	1	1			2
11.3	2	4			6
Section C					
12.1	1	1	2		4
12.2	1	1		2	4
13	3	3	6		12
14	4	3	9	9	25
Section D					
15 and 16	4	3	9	9	25
Unit total	22	21	27	20	90