GradeMax



Mark Scheme (Results)

October 2017

Pearson Edexcel International Advanced Level in Economics (WEC03)
Paper 01 Business Behaviour



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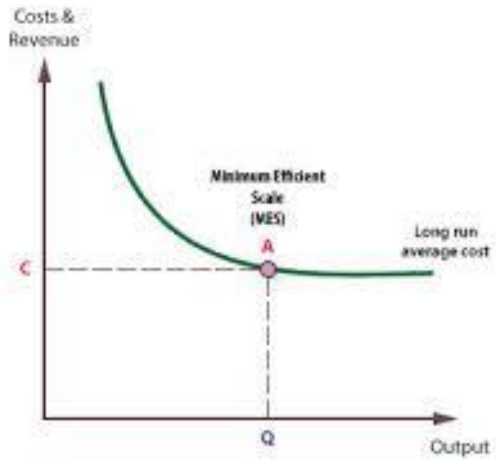
October 2017
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General Marking Guidance

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

Section A: Essay questions

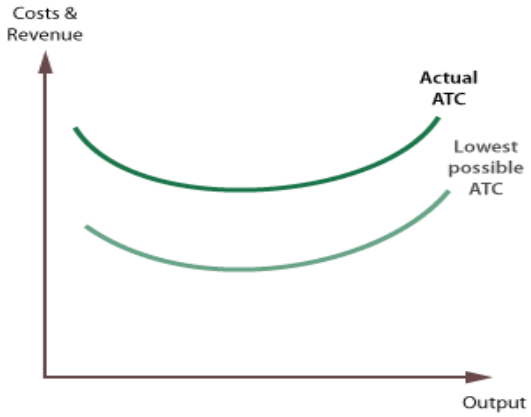
NB: Use levels based mark scheme (20 marks) to mark this section.

Question Number	Answer	Mark
1	**Indicative content** • size of business - may be based on market share, value of capital, annual revenue, number of employees etc. • Definitions of efficiency – productive (lowest point of AC), allocative (p=MC) and dynamic (technical) • a small firm is less likely to benefit from economies of scale than a large firm • Examples and explanations of economies of scale - technical, marketing, financial, managerial, risk bearing - Technical: more efficient use of floor space (e.g. large supermarkets), capital investment - Marketing: advertising economies. More choices of media - Managerial: more specialist managerial staff - Purchasing: bulk buying • a large firm may be operating at minimum efficient scale and hence achieve productive efficiency DIAGRAM OF MES & ECONOMIES OF SCALE  • Natural monopolies likely to operate further along the LRAC if the market is broken up into smaller firms will operate at a higher AC and therefore be less efficient • MES will apply particularly where efficiency depends on high levels of capital investment/high levels of output	

- A large firm may be making super normal profits in the long run and may invest in R&D and hence achieve dynamic efficiency.

Evaluation

- A large firm may become complacent if it has monopoly power due to high barriers to entry and lack of competitive pressure. Therefore it is not prepared to invest in R & D so may not be dynamically efficient
- A large firm may become X inefficient. X efficiency is likely to arise when a firm operates in a highly competitive market, where managers are motivated to produce as much as possible. Diagram to show the large firm is not operating on lowest possible ATC.

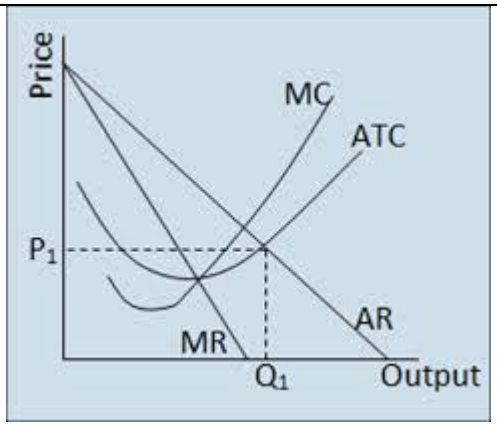


- Divorce of ownership and control in a large firm. This may cause problems of control and co-ordination and lead to diseconomies of scale. The principal agent problem
- A small firm can offer specialised products/service which a large firm may not be able to do
- A small firm in a highly competitive industry maybe more likely to equate price and marginal cost (allocative efficiency)
- It will depend on the type of market structure - a small firm operating in a perfectly competitive market will achieve allocative and productive efficiency in the long run (but is unlikely to be dynamically efficient). A large firm is likely to be operating in a oligopoly or monopoly market - less likely to achieve allocative efficiency and productive efficiency but may achieve technical/dynamic efficiency
- Overall judgement as to whether efficiency is more or less likely to occur for a large firm

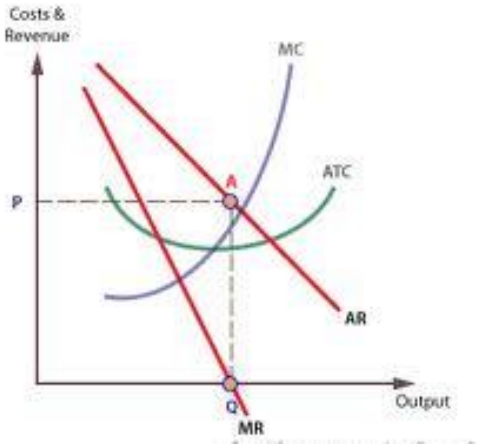
Candidates may take either perspective for KAA and the reverse perspective for evaluation.

(20)

Question Number	Answer	Mark
2	**Indicative content** • Explanation of barriers to entry - artificial barriers: e.g. branding; pricing policies - predatory & limit pricing; exclusive contracts; promotional methods; patents - natural or structural barriers: e.g. economies of scale; high R&D costs; high set up costs; asymmetric information • Many of these barriers are likely to be sunk costs (define & explain) • Reduction of barriers will make the market more contestable • Explanation of a contestable market – where there are fewer, if any, barriers to entry and exit • The number of firms can vary from one (a monopoly) to many • The internet has tended to lower start up costs and increased accessibility of global markets • Deregulation would also impact on the degree of contestability • A market where the internet has impacted on entry barriers - e.g. music (digital formats), retailing (online selling), financial (online banking) IMPACT ON A FIRM'S BEHAVIOUR a more contestable market may cause incumbent firms to, for example: - Lower prices - Increase output - Improve quality of products/services - Innovate (more dynamic efficiency) - Firms behave as if the market is highly competitive because of the threat of new entrants - Firms may aim for sales maximisation. Firms may decide to earn normal profits (AC = AR) rather than profit maximisation	



Firms may decide to aim for revenue maximisation



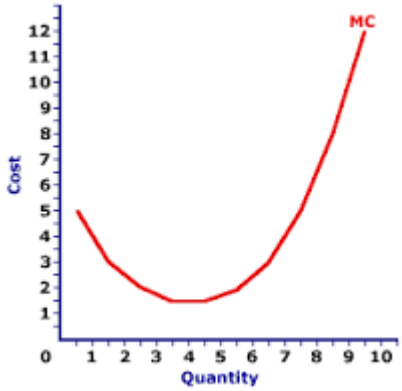
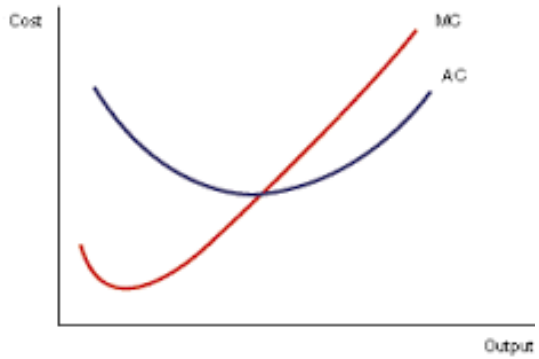
Revenue maximisation where MR = 0

- Some firms may decide to exit the market
- Firms may increase branding to protect against new competitors

Evaluation

- Distinction between short run and long run – hit and run entry may mean that contestability is unsustainable in the long run
- Depends on the size of the incumbent and new firms – contrast behaviour of small and large firms when faced with more contestability
- Impact may vary according to new entrants' reputation (new entrants may already be established firms which may have diversified into a new market - so could pose more of a threat)
- Depends on the extent of the reduction in entry barriers - e.g. the removal of a patent is likely to pose more of a threat than a minor reduction in start up costs

(20)

Question Number	Answer	Mark
3	**Indicative content** Explanation of diminishing marginal productivity (DMR) – as successive units of the variable factor(s) are added to at least one fixed factor, output is rising at a slower rate Concept applies only in the short run Explanation of various costs, which may include – marginal cost, average total cost, average variable cost, average fixed cost, total cost. Analysis of the impact of DMR on cost curves may include: • DMR starts to occur once MC begins to increase e.g. after the production of the 4th unit in the diagram  • Relationship between ATC and MC  • A rising MC will cause AC to rise once MC = AC at the minimum value of AC • Total costs will be rising at an increasing rate • Rising average variable costs	

	DMR causes MC to rise which will therefore cause AVC & ATC to rise Explanation: In order to continue to raise output by a given amount increasingly more units of the variable factor(s) need to be employed – hence a rising MC **Evaluation** • Diminishing marginal returns is a **short run concept** -in the long run all factors are variable • In the long run the firm may achieve economies of scale Impact on the business may be reduced when: • Fixed costs form a high proportion of total cost – continued falling of AFC as output rises counteracts any rise in MC, AVC • How relevant is the assumption of DMR? Firm may continue to achieve increasing or constant returns until a relatively high level of output is reached (falling MC) • A business may be able to offset the impact of DMR through sourcing its inputs from more than one country • A business may have factories/plant in different low-cost locations – raising output to meet changing demand but still at a low marginal cost • Rising productivity of labour, capital and/or land may offset tendency for DMR to occur	**(20)**

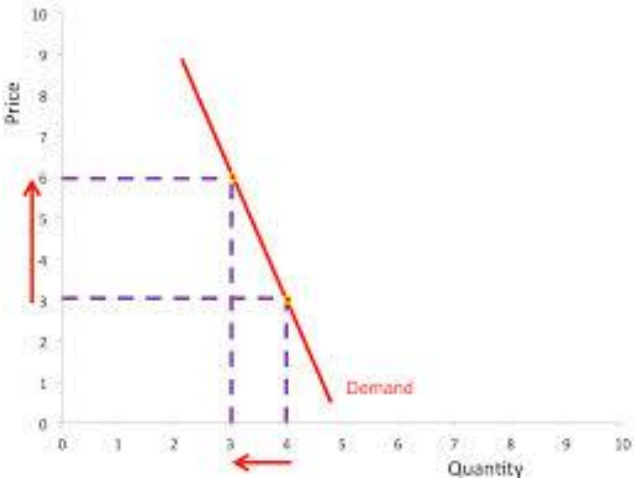
Question Number	Answer	Mark
4	**Indicative content** • Define monopsony power - where there is one buyer, (or one dominant buyer), and many sellers • Examples of government measures to restrict monopsony power: - Setting a minimum price for suppliers to large supermarkets - Increasing the powers of the competition authorities e.g. tightening up competition laws to weaken powers of monopsonist - regulating profits of monopsonist - opening up the monopsony market to more competition IMPACT ON BUSINESS BEHAVIOUR OF MONOPSONIST • Higher purchasing costs to obtain goods from suppliers leading to lower profit margins • More regulation of profits - Reduced producer surplus, and lower profit for monopsonist • Monopsonist may look to cut costs in other ways - e.g. wages, overheads, downsizing • Monopsonist may be able to pass on higher costs to consumers in form of higher prices • Monopsonist may look to become more efficient **Evaluation:** • Depends on the effectiveness of government policies - powers of enforcement, positive and negative effects • Lower profits of monopsonists (e.g. supermarkets), may lead to a fall in investment in R & D and a consequent reduction in quality and new product development • Monopsonist may choose alternative suppliers – possibly from other economies where government controls are less stringent. In which case policies are counter-productive • May harm the relationship built up between suppliers and monopsonist	

	• Limits to the powers of national governments – if monopsonists are very powerful in the market. In this case there may be little impact on business behaviour • Limits to the powers of national governments – if supermarket businesses source supplies from other countries • Possibility of regulatory capture & government failure, so monopsonists are not adversely affected • Information failure governments may not have access to relevant information/reluctance of firms to provide the government with relevant information • Value of PED - if demand for monopsonists' goods is relatively inelastic, higher cost likely to be borne by consumers • Short run/long run distinction – removing market power from monopsonists may take time to have any significant impact – e.g. time lag before new firms are established. Is support for suppliers sustainable in the long run?	**(20)**

Section A Questions: Performance Criteria for Mark base 20		
Level 0	0	• No rewardable material
Level 1	1-4	• Displays knowledge presented as facts without awareness of other viewpoints • Demonstrates limited understanding with little or no analysis • Attempts at selecting and applying different economic ideas are unsuccessful • Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
Level 2	5-8	• 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 • Material presented has a basic relevance but lacks organisation, but is generally comprehensible. Frequent punctuation and/or grammar errors are likely to be present which affects the clarity and coherence of the writing overall.
Level 3	9-12	• 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 • Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
Level 4	13-16	• 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 • Material is presented in a generally relevant and logical way, but this may not be sustained throughout. Some punctuation and/or grammar errors may be found which cause some passages to lack clarity or coherence.

Level 5	17-20	• 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 and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Section B: Data response

Question Number	Answer	Mark
5(a)	**Knowledge and Application (up to 4 marks)** **Knowledge** - up to 2 marks • Define price elasticity of demand – the response of QD to a change in price (1) OR Formula for PED % change in QD/% change in P (1) • Define elastic demand - the proportionate (%) change in QD is more than the proportionate (%) change in P (1) • **and** inelastic demand - the proportionate (%) change in QD is less than the proportionate (%) change in P (1) • Reward accurate diagram - steep gradient to demand curve - rise in price, QD falls by a smaller % (2). Accept numerical example (2)  **Application** – up to 2 marks • Demand for branded goods is likely to be more price inelastic (less price elastic) because it increases consumer trust in the product (1+1) • Apple customers will pay more for brand name because of its reputation/image (1+1)	**(4)**

Question Number		Mark
5(b)		**(12)**
Knowledge, application and analysis – indicative content		
	• Define non price methods – a strategy aimed at gaining sales, market share, profits which does not involve price competition • Examples may include –branding - convenient locations -quality of product/service -promotional offers -advertising -patents -product innovation • Non-price competition is more likely to occur in oligopolistic and monopolistic competition **Benefits to consumers** • Consumers may prefer to buy branded goods e.g. 'members of the Apple family' • Non-price competition may involve improvements to product quality and product development which can benefit consumers (may apply to medicines, Apple products) • After sales service (may apply in the case of Apple products), • Promotional offers (e.g. loyalty cards for Starbucks' customers) • Advertising can increase consumer knowledge about products and benefits of consuming • Convenient locations (Starbucks, local stores etc.)	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the benefits to consumers of non-price competition. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of the benefits to consumers of non-price competition with some application to context. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of the benefits to consumers of non-price competition with effective application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Evaluation - indicative content		
	• Higher prices - examples of Apple and Starbucks • Imperfect information (asymmetric) as a result of marketing - example of branded medicines • The high costs of advertising and promotion could be diverted into improving product quality and product development • Firms may collude with rivals on a non-price basis – divide up the market, exclusive deals etc. • By raising barriers to entry, non-price competition may dissuade other firms from entering the market **Candidates may take either perspective for KAA and the reverse perspective for evaluation**	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number		Mark
5(c)		**(12)**
Knowledge, application and analysis – indicative content		
	Define price discrimination (third degree) – where a firm is charging different prices to different users for the same product/service • Conditions necessary for Price Discrimination: -monopoly power -different PED's for different consumer groups -supplier is able to split, and maintain the separation of the distinct consumer groups (no switching between consumers). Apply to extracts - e.g. geographical barriers; right-hand drive cars not supplied by foreign showrooms for UK consumers • References to price differences - e.g. 51.6% more for an Opel Astra where demand is inelastic • Inelastic demand means that car showrooms are charging more for the same vehicle in some countries e.g. in UK 52 out of 81 car models were more expensive • Lower prices where demand is relatively elastic can increase market share • REWARD MARKS FOR RELEVANT DIAGRAMS - showing separation of markets	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the conditions necessary for price discrimination. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of the conditions necessary for price discrimination with some application to context. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of the conditions necessary for price discrimination with effective application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Evaluation - indicative content		
	• Depends on the extent to which firms can maintain the 3 conditions necessary for price discrimination to apply • Car manufacturers are charging higher prices to UK consumers because of the need for right-hand drive cars (higher cost of production) • The ability to price discriminate will be diminished where governments and other bodies such as the European Commission clamp down on such practices. Firms may face fines or other penalties • there may be public/media/consumer/pressure group opposition which may tarnish the image of firms and mean that firms choose not to price discriminate • lots of car manufacturers so perhaps market power not so significant • Brexit may make it easier to conduct price discrimination against UK consumers • this is not strictly price discrimination as the cars have different specifications e.g. right – hand drive - so not the same product • New firms may enter the market and undercut on prices charged in inelastic markets • Lack of price transparency/exchange rate fluctuations	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number		Mark
5(d)		**(12)**
Knowledge, application and analysis – indicative content		
	Benefits to consumers • Some consumers, e.g. those buying cars in the UK, will be paying lower prices • Overall an increase in consumer surplus and fall in producer surplus • Greater price transparency - prices will be clearer and less confusing for consumers • It would encourage a greater degree of fairness and not be dependent upon where a consumer happens to live within the EU • It may prevent firms from using profits from PD to carry out predatory pricing, which can adversely affect consumers in the long run	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the potential benefits to consumers of government intervention to restrict price discrimination. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of the potential benefits to consumers of government intervention to restrict price discrimination with some application to context. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of the potential benefits to consumers of government intervention to restrict price discrimination with effective application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Evaluation – Indicative content		
	• It would depend on whether government intervention is strong enough to affect firms' pricing policies. Car manufacturers and car rental companies appear to have been carrying out price discrimination practices with little impact from EU governments thus far • Some consumers may end up paying higher prices (those with elastic demand) • Difficult for government to end the practice as firms may be able to identify other cost factors that justify price difference e.g. right-hand drive, labour costs, exchange rates • May lower profits of firms and act as a disincentive to invest - less choice and decline in quality • May stop firms from cross-subsidising certain products/services e.g. loss-making rail services **Candidates may take either perspective for KAA and the reverse perspective for evaluation.**	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number	Answer	Mark
6(a)	**Knowledge and Application (up to 4 marks)** **Knowledge** – up to 2 marks • Definition of labour productivity - output per worker (1) • Formula: Total Output/Number of workers (1) • A measure of the average efficiency of the workforce (1) • Any other valid definition up to 2 marks **Application** – up to 2 marks • Brazil's labour productivity has fallen from Jan. 2012 - Dec. 2015 (1) • It fell from an index of 180 to 100 (1) • It fell by approx. 44.4% (2) • Labour productivity was at its peak at the start of 2012 (1) and was at its lowest point at the end of 2105 (1) • The trend in labour productivity suggests that unit labour costs are rising (1) which reduces firms' competitiveness (1) • Any other valid application point up to 2 marks	**(4)**

Question Number		Mark
6(b)		**(12)**
Knowledge, application and analysis – indicative content		
	Types of government measures to increase competition may include; • action against companies accused of price fixing - legal action, fines, bans • action to reduce/remove corruption • a more transparent and competitive method of tendering for contracts • tougher laws against collusion Possible impact of a range of measures may include: • Lower prices - e.g. for construction and maintenance contracts • Lower profits for construction firms • Lower costs for the Brazilian Government • This may result in lower taxes or increased government spending on other areas of public expenditure e.g. health, education • May reduce inflationary pressures in the economy if government spending is less • A more competitive market • Increased economic efficiency of firms in order to win contracts	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the likely impact of measures to increase competition. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of the likely impact of measures to increase competition with some application to context. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of the likely impact of measures to increase competition with effective application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Evaluation – indicative content		
	• Impact will depend on how extensive the government measures are and how businesses respond to those measures, e.g. how competitive is the reformed tendering process, what level of fines is imposed? • Costs of enforcing regulations and laws may outweigh potential benefits • Measures may have a damaging effect on some firms' profits and cause some businesses to exit the market • Length of time taken to enact measures • Possibility of regulatory capture and government failure especially if corruption still pervades	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number		Mark
6(c)		**(12)**
Knowledge, application and analysis – indicative content		
	International competitiveness – the extent to which a country's products /services are demanded on world markets Indicators that Brazil is **less** internationally competitive: - fell to 75th place out of 140 economies and on most competitive measures - weak macroeconomic performance -comparatively low levels of government spending on education per student -falling labour productivity - large fiscal deficit - high tax rates and confusing tax system - rising inflationary pressures - high interest rates - inadequate infrastructure Business Response: • reduction in capital investment - high cost of loans and possible lower confidence in Brazilian economy • reduction in training programmes for workers - concerns over future economic prospects and sales/revenue and profits are falling cut back on employment - lower productivity of labour, less competitive, Brazilian businesses losing market share, inflationary pressures • businesses may downsize - look to sell off parts of their businesses and disinvest • TNCs, in particular, may decide to relocate to other more internationally competitive economies • indulge in tax avoidance schemes and transfer pricing (TNCs) due to complex tax system	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of how businesses may respond to a change in an economy's international competitiveness. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of how businesses may respond to a change in an economy's international competitiveness with some application to context. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.

3	7-8	Clear understanding of how businesses may respond to a change in an economy's international competitiveness with effective application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Evaluation – indicative content		
	Brazil is showing signs of becoming **more** internationally competitive: - labour productivity showing)early signs of improvement - Brazil's large market size (7th out of 140 economies) -high level of technological readiness especially ICT -improvements in air transport and infrastructure albeit from a very low position -falling exchange rate - 1BRL = US$0.47 July 2013 to 1BRL = US$0.28 July 2016 -falling index of export prices - from 157 (July 2014) to 114.8 (June 2016) - fall in wage costs - possible fall in unit wage costs if wages are falling faster than the fall in labour productivity Businesses may respond in a **more positive** way • greater opportunities for exporting as export prices are more competitive (will depend on PED for exports) • expand as Brazil has one of the world's largest markets • employ more labour as wage costs are falling • increase training of workers to improve productivity and competitiveness • invest in ICT • some businesses may not be affected by the changes and continue with their future plans (may possibly relate to size and nature of the business) **Candidates may take either perspective for KAA and the reverse perspective for evaluation.**	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number		Mark
6(d)		**(12)**
Knowledge, application and analysis – indicative content		
	• Greater levels of spending on education and training to improve per capita level -to raise investment in human capital and improve productivity levels. Should also result in reduction in unit labour costs • Develop a clearer less confusing tax system - should increase investment levels • Reduce interest rates which are currently very high - to boost investment and consumer spending • Increase spending on Brazil's infrastructure - to reduce transport costs especially of exports • Encourage growth of the private sector; deregulation, privatisation, tax breaks - to increase efficiency and lower business costs • Offer incentives to foreign investors - to encourage more FDI • Protectionist measures; subsidies to domestic producers, import controls - to protect new industries	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of government policies to improve international competitiveness. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of the impact of government policies to improve international competitiveness with some application to context. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of government policies to improve international competitiveness with effective application to context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

Evaluation – indicative content		
	• Brazilian Government is already committing a high proportion of spending to education. Further increases could take many years to become effective and may prove very expensive for the Government • There is already a large fiscal deficit. More government spending will tend to raise this deficit at least in the short term. • Success in attracting FDI is partly dependent on the relative attractiveness of other economies • Lower interest rates may be inflationary, which is already rising • Levels of investment will depend on longer term confidence in the economy – incentives may be insufficient/ineffective where confidence in the economy is low • Opportunity cost of government spending – more on education/infrastructure may mean less for business sector (at least in the short run) • Time lags of policies – e.g. tax breaks may be more effective in the short term but investment in education/health may have more long term impact • FDI disadvantages e.g. transfer pricing, negative environmental impact • Protectionist policies may result in inefficiencies and reduce competitiveness	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

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