GradeMax



Mark Scheme (Results)

October 2017

Pearson Edexcel International Advanced Level in Economics (WEC04)
Paper 01 Developments in the Global Economy



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

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

Question Number	Answer	Mark
1 (a)	Understanding of current account deficit • Over-valued currency that may have contributed to the loss of international competitiveness, as the exports become relatively expensive and imports relatively cheaper • Inability to compete with the goods produced by relatively low wage countries • Relocation/offshoring of manufacturing industries to countries with low relative unit labour costs and weak regulations • Relatively low productivity has meant that goods and services are not competitive • Low levels of investment in human capital (lack of investment in education and training), which reduces skill levels relative to trading partners and restricts countries from selling high value exports • High marginal propensity to import • Economies may have experienced a relatively higher rate of inflation • Slowdown in other countries/trading partners • Manufacturing base eroded during period of high exchange rate, e.g. UK's steel industry • A deterioration in other elements of the current account (current transfers and investment income) *Evaluation comments could include:* • *Prioritisation of factors* • *Different factors important for different countries* • *Significance of factors in short run and long run: may be short-term only as when economic growth falls, current account deficits could decrease again* • *Some countries are reshoring as labour costs and transportation costs have been increasing* • *If inflation is similarly high or higher in countries where the imported goods originate from, there is no significant change in price competitiveness* • *These are data for one year only – may not be significant compared to previous years*	**(15)**

Question Number	Answer	Mark
1 (b)	Understanding of current account deficit Analysis could include: • All the current account deficits need to be financed and if they are substantial this can become a significant problem • May cause reduction in reserves and need to borrow from IMF • The lack of international competitiveness may indicate lower economic growth and increasing unemployment • Net leakage from circular flow of income and so could cause a fall in AD, leading to fall in output, employment and income via the multiplier effect • Deficit might cause a depreciation in exchange rate, with possible inflationary pressures • Danger of increased use of protectionist policies by countries with trade deficits • Trade in goods deficit might be quite difficult to finance; may require higher interest rates or sale of assets • Deficit may imply reliance on consumer spending and becoming uncompetitive: structural weakness and uncompetitive manufacturing sector. • Financial crisis led to a downturn in economies of deficit countries - foreign financing used to pay for deficits fell due to lack of confidence *Evaluative comments could include:* • *Current account deficit may be financed by inflows in the financial account* • *The deficit may be relatively small percentage of GDP and therefore manageable* • *May be desirable if trade imbalances are caused by imports of capital goods which would increase the country's productive capacity in the long run* • *Exchange rate might change to bring about correction of Balance of Payments deficit* • *Might be a short term problem only* **NB Candidates may take either perspective as analysis and use reverse arguments for evaluation** **NB Award a maximum of 20 marks (Level 4) if a candidate does not refer to a country or countries in their response**	**(25)**

Question Number	Answer	Mark
2 (a)	• Relative inflation rates: reference to purchasing power parity theory *But: small inflation rate differences might be offset by other factors e.g. stability of the economy* • Relative interest rates: discussion of hot money flows and demand for the currency *But: interest rate is now exhausted as a tool and quantitative easing may play more significant role* • Speculation/expectations play a very important role in relation to all of the above *This could be argued as the most significant factor* • Balance of payments: current account balance; financial account balance. E.g. persistent deficit would lead to a greater supply of currency relative to demand leading to fall in exchange rate *But: current account relatively minor because other capital flows are much more significant* • Relative strength of the economy: euro crisis; sovereign debt crisis *But: in Japan's case, its national debt of 280% has not prevented an appreciation of its currency* • Macroeconomic management: e.g. quantitative easing has caused a depreciation in the value of some currencies *But: underlying strength of the economy may be more important than short term macroeconomic management* • Allow analysis based on government/central bank manipulation of the exchange rate through the buying and selling of the currency *Other evaluative comments could include:* • *Prioritisation of factors* • *Significance of factors in short run and long run* • *Different factors important for different countries*	**(15)**

Question Number	Answer	Mark
2 (b)	Understanding of a depreciation of the currency *Economic impact will depend on extent of the depreciation and whether short or long term* • Improvement in current account of B/P because exports would become more competitive, imports less competitive, improving price competitiveness *But: depends on PED for imports and exports; it will not improve non-price competitiveness* • Increase in net exports and hence, aggregate demand: leading to economic growth and higher living standards *But: other components may offset increase in AD e.g. fall in investment / consumption; depends on size of multiplier effect, spare capacity* • Inflation: depreciation may cause a rise in cost of imported raw materials and finished goods leading to cost push inflation *But: will not be the case if firms cut profit margins or if productivity rises; depends on the extent to which the higher costs are passed on to consumers* • Reduction in unemployment – derived demand *But: may not happen if there is under-employment* • Increase in debt burden for government and for banks with external debts *But: inflation would erode the real value of debt* • More inward FDI and less outward FDI improving the financial account position *But: other factors effect FDI decisions e.g. tax, confidence; repatriation of profits, interest and dividends (outflows from the current account)* • Growth in the country's tourism industry *But: may reduce confidence in the economy, leading to negative economic effects* • Policy implication: increase in interest rates to reverse depreciation/prevent further currency fall *But: this would hinder economic growth and lead to rising unemployment*	**(25)**

Question Number	Answer	Mark
3 (a)	Analysis might include: • Impact on the domestic prices and/or domestic production and imports (could count as 2 points): o Concepts might include consumers' and producers' surpluses. N.B. This analysis should be related to the impact on global economy • Impact on trade patterns: trade diversion away from low cost producers to high cost producers • Impact of resource allocation in global economy • Distortion of comparative advantage across world • Impact of dumping of surpluses • Impact on economies of both the developed and developing countries – for e.g. on o inflation; o inequality; o environment; o employment; o economic growth; o balance of payments (Each of the above points may be analysed as a separate issue) • Allow analysis/evaluation based on subsidies as a form of protectionism *Evaluation comments could include:* • *Impact on the OECD economies will depend on the PED and the PES* • *Also impact on these economies and on global economy depends on amount of subsidy given* • *Such subsidies might encourage the developing countries to diversify into secondary and tertiary industries* • *Disadvantages associated with subsidies might be offset by benefits e.g. reduced dependence on imports; increased food security; less subject to food price fluctuations* **NB Award maximum of 12 marks (Level 4) if candidates do not answer in a global context**	**(15)**

Question Number	Answer	Mark
3 (b)	Understanding of patterns of trade • Reduction in tariffs and other protectionist measures; role of WTO in this process *But: evidence of some increase in protectionism (including competitive depreciations) after the financial crisis* • The collapse of communism led to the opening-up of many former-communist countries, for e.g. China and Eastern Europe *But: increased transport costs and higher wages might slow this process* • Changes in the exchange rate/'currency wars' of recent years; China: currency controls to prevent appreciation of their currency • Increase in foreign direct investment (FDI) which increased manufacturing in developing economies • Changes in comparative advantage: a detailed analysis of the significance of this theory could count as two points e.g. if numerical example or a diagram is included *But: law of comparative advantage is based on unrealistic assumptions e.g. constant costs of production; perfect mobility of resources* • Increase in number and size of trading blocs / bilateral trade agreements • Changes in competitiveness e.g. US & UK loss in low cost manufacturing contrasted with rise in the emerging economies (could count as two points) *But: near-shoring/re-shoring taking place recently* • Many advanced economies have experienced deindustrialisation, with less national output generated by their manufacturing sectors • Relative inflation differentials linking to real exchange rates	

	Other evaluative comments could include: • *Prioritisation of factors* • *Significance of each factor* • *Different impacts more or less important for different economies* • *SR vs LR distinction between likely impact* **NB Award maximum of 20 marks (Level 4) if candidates do not refer to countries in their response**	**(25)**

Section A Part (a) Questions: Performance Criteria for Mark base 15		
Level 0	0	• No rewardable material
Level 1	1-3	• 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	4-6	• 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	7-9	• 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	10-12	• 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	13-15	• 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 is clear and coherent overall.

Section A Part (b) Questions: Performance Criteria for Mark base 25		
Level 0	0	• No rewardable material
Level 1	1-5	• 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	6-10	• 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	11-15	• 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	16-20	• 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	21-25	• 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 is clear and coherent overall.

Question Number	Answer	Mark
4 (a)	Knowledge: Terms of trade as a formula (2): index of export prices x 100 index of import prices OR written explanation: average price of a country's exports relative to the average price of its imports (2) Application (1+1 marks): For e.g. • Between 2000 and 2014, Botswana's terms of trade had **worsened** (1) by around 16% (1) • Other use of the data in Figure 1 (1) 2 marks for knowledge; 2 marks for application / data references	**(4)**

Level	Marks	Descriptor
1	1-2	Up to 2 marks for knowledge or up to 2 marks for application
2	3-4	Up to 2 marks for knowledge and/or up to 2 marks for application

Question Number	Answer	Mark
4 (b)	**Knowledge and analysis of 2 reasons (up to 6 –2 reasons x 3 marks each):** Identification of reason (1) + development (up to 2): Possible reasons could include: • A depreciation of the exchange rate – "Botswana's currency, the pula, depreciated significantly against the US dollar, the British pound sterling and the euro in 2015" • Low relative inflation rates – " Botswana has seen its inflation rate fall from 12.5% in 2008 to 3.1% in 2015" • Lower relative labour costs – "unit labour costs are relatively low in Botswana" • Fall in the price of diamonds as Botswana relies heavily on diamond exports – "diamond prices have fallen by 30%" • Primary product dependency may lead to a worsening of terms of trade over time – Figure 1: Botswana has its terms of trade worsen in each year from 2000 to 2014 • Increased competition in markets of Botswana's main exports / reduced competition in the markets of Botswana's main imports **One application:** 2 marks – For e.g. See above	**(8)**

Question Number		Mark
4 (c)		**(12)**
Knowledge, application and analysis – indicative content		
	"Botswana's real GDP grew by less than 3% in 2016" • Geographical factors - "Botswana is a small, landlocked country" (no access to sea ports) • Primary product dependency - "fall in global demand for diamonds" / "heavy reliance on its diamond exports" • Lack of available workforce - "unemployment is high at almost 18%" / Botswana has a population of "only 2 million people" • Human capital inadequacy - "quality of academic experience has been weak" / "high HIV incidence rate" • Poor infrastructure - "severe water and electricity constraints have meant that manufacturing sector remains weak"	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the factors that may constrain Botswana's economic growth. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is unclear.
2	4-6	Understanding and explanation of the factors that may constrain Botswana's economic growth. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation of the factors that may constrain Botswana's economic growth with appropriate application to context throughout. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• Prioritisation and significance of factors • Different factors will be important at different periods of time • Botswana has the potential for further growth through "non-mining sectors including trade and tourism, as well as financial services" which could boost investment • TNCs might import skilled labour and only create non skilled jobs in Botswana / TNCs may still invest in Botswana as they have low unit labour costs • "Botswana is the world's second-largest diamond producer. Diamonds make up 30% of its GDP and more than 75% of its foreign exchange earnings"; it will continue to attract investment • "South Africa is the main trading partner of Botswana and supplies over 60% of Botswana's imports": if majority of the imports are spent on procuring capital goods, it could stimulate growth • TNCs from foreign countries could improve some infrastructure of Botswana to facilitate its business investment in exchange for its diamonds; may gain from increased inward FDI • Botswana could still have comparative advantage in production of diamonds; through specialisation it will use its resources more efficiently	

Level	Mark	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation/ one evaluative comment with explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number		Mark
4 (d)		**(16)**
Knowledge, application and analysis – indicative content		
	"Tourism contributes about 3.3% of Botswana's GDP" / "Botswana's ministry of tourism believes expansion to 10% is possible" / "64% increase in international air traffic between 2004-2015" Likely economic benefits include: • Important source of foreign exchange as tourists spend on goods and services provided in the local economy; helps fill the foreign exchange gap •Helps attract FDI by TNCs who might invest in infrastructure, hotels and associated services to promote development • Likely to increase AD as a result of FDI inflows and increase in net exports; increases economic growth via the multiplier • Balance of payments improves through the inflows into financial account (FDI) and inflows into current account (from tourists) • Increased employment opportunities as tourism is a labour-intensive industry, so significant jobs may be created – it will support Botswana in reducing its unemployment rate which "has remained high at almost 17.8%" • Increased tax revenues for the government from higher profits, incomes, expenditure by the tourists; revenues may be used to reduce inequality through income redistribution – the "income inequality in Botswana is among one of the highest in the world (0.61)" • Tourism provides an incentive to conserve the environment and preserve its national / cultural heritage; may be a major source of attraction to tourists – Botswana "preserving its heritage sites and implementing hunting bans" • Demand for tourism is likely to be income elastic; industry would prosper during a period of world economic growth as incomes rise	

	• Botswana has found it difficult to improve its manufacturing sector because of "severe water and electricity shortages"; so better option would be to expand its "promising tourist sector" • Less dependence on the decline in diamond export revenues through diversification to tourism sector, a smaller impact on its growth - "Diamonds make up 30% of its GDP, but more than 75% of its foreign exchange earnings" in Botswana	

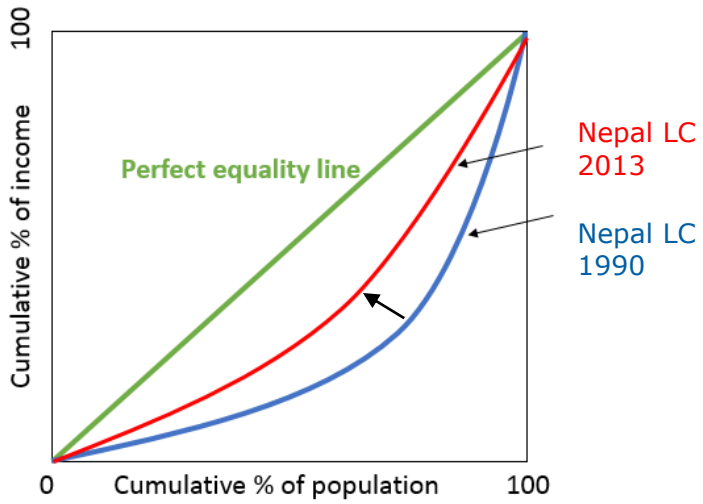
Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of economic benefits of expanding tourism in Botswana with limited development. Material presented is irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding and explanation of the economic benefits of expanding tourism in Botswana. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation of economic benefits of expanding tourism sector in Botswana with appropriate application to context throughout. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• Deterioration in current account of balance of payments – o Profits may be repatriated to foreign shareholders of the TNCs –effects the investment income component o Outflows because of the need to import food/gifts that are demanded by tourists and materials needed for hotels – effects the trade in goods component • Expanding tourism may not be as significant as would be the case if country developed manufacturing • Jobs may only be seasonal: most jobs may be unskilled and low paid, with high skilled and high paid jobs going to most of foreign employees of TNCs • TNCs may avoid paying taxes. Higher tax revenues may also be required to pay for the extra infrastructure and public services needed by tourists • Tourists might cause external costs (e.g. a rise in waste, pollution, water shortages) which could cause the countries to impose restrictions on tourists • As demand for tourism is income elastic, revenues from tourists might fall during a recession – "slow pace of economic recovery in advanced countries" means that demand for tourism might not increase • Not desirable if a country has a comparative advantage in producing primary products or manufactured products • Foreign exchange earnings from tourism may be small as a percentage of GDP as compared to the foreign exchange earnings from diamond exports; effects not as large	

Level	Mark	Descriptor
0	0	No evaluative comments.
1	1-3	For identifying evaluative comments without explanation / one evaluative comment with explanation.
2	4-6	For evaluative comments with limited explanations.
3	7-8	For evaluative comments supported by relevant reasoning.

Question Number	Answer	Mark
5(a)	Knowledge: Absolute poverty – not being able to afford a basic bundle of goods and services necessary for survival, e.g. food, clothing, shelter (2) OR when individuals earn less than a fixed amount per day PPP $1.90 / accept between $1 and $2 (2) Application (1+1 marks): For e.g. • 19 out of 33 economies more than halved their absolute poverty rate (1) • The region remains home to two-thirds of the world's 'extreme' poor (1) • Asia succeeded in reducing share of people living in absolute poverty over the past two decades (1) 2 marks for knowledge; 2 marks for application/ data references	**(4)**

Level	Marks	Descriptor
1	1-2	Up to 2 marks for knowledge or up to 2 marks for application
2	3-4	Up to 2marks for knowledge and/or up to 2 marks for application

Question Number	Answer	Mark
5 (b)	**Knowledge (up to 2 marks)**: • Understanding of income equality (1) • Understanding of Lorenz curve (1) – it is a graphical representation of the relationship between cumulative percentage of income, to cumulative percentage of population • Understanding that the Gini coefficient (1) – measure the area between the Lorenz curve and the line of absolute equality, expressed as a percentage of the maximum area under the line **Analysis of the trends (up to 4 marks):** • The decrease in Nepal's Gini coefficient represents a decrease in income inequality in the country (1) • Diagram to show the Lorenz curve moving inwards/towards the perfect equality line ○ Cumulative percentage of income (1) ○ Cumulative percentage population (1) ○ Original Lorenz curve (1990) (1) ○ New Lorenz curve shifted leftwards (2013) (1)  **Application (2 marks):** Nepal's Gini coefficient decreased by around 5 percentage points between 1990 and 2013 Largest decrease amongst the selected countries / larger decrease than Malaysia and Korea (1)	**(8)**

Question Number		Mark
5 (c)		**(12)**
Knowledge, application and analysis – indicative content		
	"The average Gini coefficient increased from 0.36 in 1990 to 0.40 in 2013 in Asia" Likely causes of income inequality include: • Financial crises / the global financial crisis leading to rising unemployment • Education and social benefits –"largely benefitted higher income groups" • Wage rates – "substantial differences in wage rates, which are greater than in other regions of the world" • Pensions –"are also relatively low in Asia" • Unemployment benefits – "are also relatively low in Asia" • Development of emerging economies, for e.g. China/India within Asia – Figure 1	

Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the likely causes of rising income inequality in Asia with limited explanation. 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 and explanation of the likely causes of rising income inequality in Asia. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and explanation of the likely causes of rising income inequality with appropriate application to context throughout. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• Prioritisation of the above factors • Data might be inaccurate / unreliable • Significance of a cause will be different in different countries in Asia, e.g. will depend on the policies to redistribute income • Changes in the level of income inequality over time • There is no account of changes in the distribution of wealth • Financial crises is only short term, temporary factor and may not have a significant/ long term effect • Depends on the level and the quality of higher education e.g. degree, subject, class • Depends on pension rights in that country • Unemployment rate may be more significant than level of skills and education or than state benefits	

Level	Mark	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation/ one evaluative comment with explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number		Mark
5 (d)		**(16)**
Knowledge, application and analysis – indicative content		
	Policies to reduce income inequality might include: • "Taxes need to be more progressive" – e.g. by introducing more tax bands; increasing tax free allowance • "Improving low-income families access to higher education and adequate health services" – for e.g. improving education and training for those without qualifications • "Better targeting of social benefits" – e.g. raising means-tested benefits and not universal benefits • Microfinance schemes – "broaden coverage of financial services, giving low-income households and small/medium-size businesses access to credit' • "Increase in employment protection legislation" – e.g. encourage use of employment contracts that balance job security and flexibility • "Improving the business environment, simplifying business registration and reducing bureaucracy" – e.g. lowers firms costs and encourages them to set which creates jobs and reduces unemployment • Expansionary policies to increase employment • Subsidies for essential products • Minimum wage: improving the incomes of those on lower incomes	

Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of policies that the Asian countries can implement to reduce income inequality. 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 and explanation of policies that the Asian countries can implement to reduce income inequality. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.

3	7-8	Clear understanding and explanation of policies that Asian countries can implement to reduce income inequality with appropriate application to context throughout. Material presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – indicative content		
	• Progressive tax increases may cause increase in number of tax exiles; increase in tax evasion and avoidance; fall in incentive to work; and fall in tax revenues (Laffer curve analysis) • Education and health services depends on the quality and relevance of these improvements • Administrative costs associated with means testing may be very high. Any inflation in the Asian countries might mean that benefits might not increase in real terms • Questions have been raised on repayment rate, collection methods and accounting practices of the financial institutions/microfinance schemes in Asia • Workforce becomes less flexible if there is a rise in employment protection legislation and if trade union power is increased • Policies to reduce unemployment many not work if wages are still below benefits; these policies may be inflationary which would reducing consumers' purchasing power • Issues with subsidies, e.g. opportunity costs • Minimum wages may have limited effect, e.g. may increase unemployment, little effect on the households	

Level	Mark	Descriptor
0	0	No evaluative comments.
1	1-3	For identifying evaluative comments without explanation / one evaluative comment with explanation.
2	4-6	For evaluative comments with limited explanations.
3	7-8	For evaluative comments supported by relevant reasoning.

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