

Mark Scheme (Results)

Summer 2018

Pearson Edexcel IAL
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	Indicative content	Mark
1 (a)	Understanding of income inequality/reference to Lorenz curve or Gini coefficient index • Changes in wages of different groups including e.g. training and skills: wage differential between unskilled and skilled workers has been increasing; minimum wage increasing slower than average earnings • Education: the earnings of those with certain qualifications have increased more than others • Disproportionate increase in earnings of top 1% as a result of e.g. incomes of the asset-rich have increased relative to the asset-poor; exploitation of tax loopholes • Tax rates, e.g. rise in expenditure taxes such as VAT and/or cut in taxes on incomes and wealth • Macroeconomic policies, e.g. privatisation that contributes to concentration of ownership of assets • Globalisation: the demand for, and wages of, the unskilled workers have decreased relative to those of highly skilled workers in developed economies • Immigration, e.g. of unskilled workers putting downward pressure on wages for those on low incomes • Monopoly power of firms (especially TNCs) / the monopsony power of firms e.g. supermarkets over suppliers • Pensions: especially amongst the elderly; ending of final salaries pension schemes • Power of trade unions – decline in union density	

	• Reduction in out-of-work benefits / reduction of in-work benefits • Technological change • Increasing levels of discrimination NB Candidates could consider this question in a developing country context and may, therefore, consider other factors such as corruption, level of GDP per capita, industrialisation ***Evaluative comments could include:*** • *Prioritisation of the most significant factor(s) (with justification)* • *Changes in inequality over time, e.g. discussion if the rise is significant over 28 years* • *Consideration of what is actually being measured e.g. gross incomes or personal disposable income* • *Data might be either inaccurate or unreliable* • *This takes no account of the changes in the distribution of wealth* • *Unemployment rate may be more significant than level of skills and education or than state benefits* • *Globalisation has helped to reduce inequality through greater economic integration across national borders* • *The significance of a cause will be different in different countries e.g. depending on policies to redistribute income* • *Differences may be explained by lifestyle rather than more obvious factors above* **NB Award a maximum of 12 marks (Level 4) if candidates do not refer to a country in the answer**	**(15)**

Question Number	Indicative content	Mark
1 (b)	Policies to reduce **income inequality** might include: • Increase in progressiveness of tax system e.g. by introducing more tax bands; increasing tax free allowance *But: Progressive tax increases may cause increase in number of tax exiles; increase in tax evasion and avoidance; fall in tax revenues (using Laffer curve analysis); does not address the underlying cause of income inequality* • Increasing means-tested benefits (not universal benefits) *But: Administrative costs associated with means-testing may be high; inflation may mean that the benefits might not increase in real terms; can also act as a disincentive to work* • Increasing the National Minimum Wage *But: Increase in the NMW might result in higher unemployment and a rise in inequality; wages and unearned incomes of those in highest income brackets might increase at faster rate; has no impact on the unemployed, students, pensioners, etc.* • Improvements in education and training for those without qualifications *But: much depends on quality and relevance of these improvements* • Measures to reduce unemployment, for example reflationary fiscal policy *But: wages may still be below benefits; could have inflationary consequences* • Reduction in incentives to have large families e.g. reduction in child benefits *But: could result in fall in working population in the long run* • Increase in taxes on unearned incomes e.g. rental and dividend income	

	• Reduction in taxes on expenditure or other regressive taxes *But: might lead to reduction in government revenue and less spending on measures which could reduce inequality* • Improvements in state provision of public services such as healthcare, education, social housing *But: this might have a relatively insignificant effect in developed countries, as this provision is already extensive* • Restrictions on immigration • Measures which increase the power of trade unions --- Policies to reduce **wealth inequality** might include: • Increase in inheritance tax *But: Wealth inequality may not fall if asset prices are increasing rapidly* • Introduction of/an increase in wealth tax • Increase in stamp duty on house or share prices which will reduce demand for these assets and so reduce their prices ***Other evaluative comments could include:*** • *Prioritisation of policies discussed* • *Different factors more or less important for different countries* **NB Award a maximum of 20 marks (Level 4) if the candidates do not refer to a developed country in the answer** **NB Award a maximum of 20 marks (Level 4) if the candidates do not refer to both income and wealth inequality in their answer**	**(25)**

Question Number	Indicative content	Mark
2 (a)	• Reduce the danger of crowding out (can be seen as two separate points): ○ Less resource crowding out – availability of resources and opportunities for the private sector for investment and job creation ○ Less financial crowding out – less public sector borrowing, reducing the demand for loanable funds and reducing interest rates • Size of public sector already too large according to some economists – waste and inefficiency • More efficient allocation of resources – public sector is non-profit and is less efficient than the profit making private sector • Greater possibility of borrowing at low interest rates (and maintain their credit rating) • Low productivity in the public sector – e.g. may be due to higher bureaucracy, lack of incentives, inefficient management practices, etc. • Reducing fiscal deficit (structural or cyclical) and national debt • Opportunity to reduce taxes • Reduce possibility of government failure ***Evaluative comments could include:*** • *Job losses might be quite extensive* • *Reduction in both quantity and quality of public services which could further reduce productivity, e.g. less spending on education and healthcare, infrastructure, etc. shifting AS left; fall in AD and less injections: its impact on circular flow* • *Income distribution might become more uneven if cuts in welfare benefits are implemented* • *Reduction in productive capacity in the long run if investment is cut* • *Depends on areas in which public expenditure is being cut and on the size of the multiplier* • *Danger that public expenditure cuts might cause a recession and cause fiscal deficit to rise* • *Lower taxes might increase incentives* **NB Award a maximum of 12 marks (Level 4) if a candidate does not refer to a developed country or countries in their answer.**	**(15)**

Question Number	Indicative content	Mark
2 (b)	Understanding / definition of indirect taxes Candidates may use an AD/AS diagram to show the likely effects Effects include impact on: • Income distribution: people on low incomes affected more; it might be argued that VAT is regressive especially in relation to energy, food *But: some research suggests that the overall effect of VAT in the UK is mildly progressive if focused on very expensive goods* • Price level: could cause a decrease in price level; inflation would only result if increase in VAT results in a wage-price spiral *But: impact on individual goods and services will depend on the PED* • Incentives to work: a higher VAT rate would cause a fall in real incomes. This could increase incentives to work if people wish to maintain their standard of living. *But: there may be no impact on incentives if there is no change in income tax rates; impact might be very limited* • Tax revenues: these would increase if demand for goods and services affected are price inelastic *But: if the tax rise causes a recession, overall tax revenues will fall.* • Living standards: fall in real incomes *But: other things may not be equal, e.g. wages may be rising faster than prices* • The circular flow of income: taxes are a leakage *But: may be offset by an increase in an injection* • FDI flows: may act as a deterrent as prices of finished goods would be higher *But: if goods are aimed at export markets, this may not be significant*	

	• Public finances: budget deficit may fall *But: danger that a fall in AD would reduce tax revenues* • Unemployment likely to increase *unless offset by changes in other components of AD* • Rise in indirect taxes will lead to fall in the level of consumption, which would reduce growth and tax revenues *But: the two percentage points increase might not be significant; depends on the new tax rate* • Fall in the level of externalities / consumption of demerit goods which would improve health and the environment - so government would need to spend less money on them, improving public finances • Increase in smuggling/black market activity/tax avoidance reducing tax revenue and worsening finances • Prices will increase above marginal cost, so resulting in allocative inefficiency	**(25)**

Question Number	Indicative content	Mark
3 (a)	Analysis should include: • Meaning of economic growth contrasted with economic development ○ Economic growth relates to changes in real GDP (positive economic concept) ○ Economic development relates to the improvements in economic welfare (a normative concept) which could be measured by HDI • Growth important to improve development because more tax revenue available for: ~health so helping to increase life expectancy ~education so helping to increase school enrolment rates and literacy rates ~improvements to infrastructure so helping to improve access to clean water, electricity ~ improvements to housing • Growth associated with increased employment leading to rising incomes which may be spent on education, health and housing ***Evaluative comments could include:*** Economic growth might not lead to development if: • Increased inequality results • There is no reduction in absolute poverty • There is no improvement in civil liberties, human rights and democracy • The extra income is spent on defence • No improvement in female empowerment • Growth is unsustainable causing development gains to be reversed if resource(s) are exhausted • Growth is unbalanced leading to a dual economy with development for some but not for most • Other appropriate factors may be more important **NB Candidates may take either perspective as analysis and use reverse arguments for evaluation** **NB Award a maximum of 12 marks (Level 4) if a candidate does not refer to a developing country or countries in their answer.**	**(15)**

Question Number	Indicative content	Mark
3 (b)	Analysis of monetary policy in a specific developed country: Interest rate transmission mechanism – i.e. the impact on components of AD and links to growth: o consumption; o investment; o net trade via exchange rate changes This can be represented by an AD/AS diagram Discussion of asset purchases (Quantitative Easing) and transmission mechanism: o Central Bank purchase of government bonds from commercial banks, thereby increasing the supply of credit; o Causing an increase in the price of bonds and fall in yields (or interest rate, paid to investors). o Allows the bank achieve the ultimate aim of asset purchases – to reduce yields on long-term government debt For e.g. the UK: • Monetary Policy Committee of the Bank of England cut its base interest rate to 0.25%; • A new Term Funding Scheme to reinforce the cut in the interest rate is passed on to both households and firms; • The purchase of up to £10 billion of UK corporate bonds; • An expansion of the asset purchase scheme for UK government bonds of £60 billion, taking the total of these asset purchases to £435 billion ***Evaluative comments could include:*** • *Interest rates already very low and little scope to reduce them further* • *Interest rate policy is ineffective if business and consumer confidence is low* • *Time frame: monetary policy does not usually have an immediate effect on behaviour e.g. people with fixed mortgage rates; traders who have fixed term contracts – less impact on growth* • *Limited evidence that asset purchases has led to increased lending to businesses and growth* • *It is argued that asset purchases has resulted in increased asset and commodity prices / inflation*	

	• *Investors will have to pay more to get the same income and this becomes less attractive to foreign investors, restricting long term growth prospects* • *No guarantee that credit easing will result in an increase in the overall level of lending by banks* • *Primary role of the monetary policy is to control inflation and meet its inflation target* • *Some countries do not have an independent monetary policy e.g. members of eurozone* • *E.g. in UK, investors rejected the bank's attempt to buy about £1.2 billion-worth of long-dated gilts, in spite of receiving prices well above market levels* • *Expansionary policy may increase inflation; this may reduce business confidence and growth* <u>Consideration, analysis and evaluation of at least one alternative policy, i.e. fiscal policy or supply side policies.</u> *Analysis of fiscal policy:* e.g. Cuts in income taxes: • Increase in disposable income • Impact on consumption, aggregate demand, real output and employment *But:* • *Tax cuts may be used to repay debts or to increase savings or to purchase imports* • *Difficult to implement for countries with huge budget deficits and national debts* • *Danger of credit rating downgrade* *Analysis of supply side policies:* e.g. Cuts in state benefits: • Increase incentives for the unemployed to seek work or for inactive people to seek employment • Will help to increase productivity *But:* • *if aggregate demand is very low, then supply side policies will be ineffective* • *danger of increased inequality* **NB: Award maximum of 20 marks (Level 4) if the candidates do not refer to any developed country in their response**	**(25)**

Question Number	Answer	Mark
4 (a)	Knowledge: A free trade area comprises of a group of member countries which agree to abolish or severely limit the internal trade barriers/ tariffs and quotas on trade between member countries (2) Application (1+1 marks): • NAFTA lowers trade barriers between the USA, Canada and Mexico (1) / • Supporters of NAFTA claim that it has helped the US economy by opening up export markets. (1) 2 marks for knowledge; 2 marks for application / data reference	**(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		Mark
4 (b)		**(16)**
Knowledge, application and analysis – indicative content		
	Understanding of protectionism / restrictions on free trade or types of restrictions, e.g. tariffs, quotas etc. • To protect domestic employment in its industries – "millions of jobs have been lost" / "keep jobs and wealth inside the USA" • To protect essential or strategic industries – "free-trade policies were responsible for the collapse of much of the US manufacturing industry" • To prevent dumping by other countries – "The Chinese Government has been accused of using the protectionist measures of dumping" • To improve the US balance of payments position: they currently have a large current account deficit (use of Figure 1) – "disadvantages of globalisation have outweighed benefits, for example, by bringing in cheap consumer goods into the country" • To protect geriatric industries so they have time to rationalise and restructure – "coal mines have been closed" • To protect infant/sunrise industries: perhaps the US firms need time to grow to gain economies of scale to be able to compete effectively - "more than 50 000 factories and coal mines have been closed" • To help to maintain a diversified industrial base: cut risks by protecting against exogenous shocks • To raise tariff revenue for the US government • Retaliation – "trade war with China" • Ethical or political grounds	

Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the economic case for protectionism 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 unclear.

2	4-6	Understanding and explanation of the economic case for protectionism. 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 economic case for protectionism 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 different reasons • Significance of the size of protectionist policies • Significance of the most important reason; the manufacturing industry is relatively large as a proportion of the US economy, so the effects on trade balance, employment and economic growth are likely to be significant • Consideration of the extent to which the manufacturing industry is part of an essential/strategic industry for the US • Consideration of the extent to which the coal industry is part of a geriatric industry for the US • Tariff revenue is a very small proportion of total government revenue in US; this is more likely to be a reason in developing economies • Short run vs long run impact - "trade wars would also hurt firms that heavily depend on Chinese imports and businesses for whom China has become a significant export market." • Credit for reason against protectionist policy – e.g. "trade war with China would mean high prices for US consumers and higher inflation."	

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
4 (c)	**Knowledge and analysis of 2 reasons (up to 6 – 2 reasons x 3 marks each):** Identification of a policy (1) + development (up to 2): Effects of policies could include: • Currency manipulation – lowering the value of the currency to make the exports relatively cheaper and imports relatively expensive, thereby reducing price competitiveness of imports on the domestic market; reduces consumer surplus due to higher import prices • Subsidies to domestic producers – these reduce the production costs of the domestic firms, allowing them to lower their prices below those of imported goods; may lead to distortion of comparative advantage; less incentive for domestic producers to become efficient • Dumping – reducing the prices of their goods below cost of production of firms in other countries reduces price competitiveness of domestic goods on domestic market; could lead to increased inequality **Application from Extract 1:** "The Chinese Government has been accused of using the protectionist measures of dumping, currency manipulation and paying unfair subsidies to its manufacturers." (2)	**(8)**

Question Number		Mark
4 (d)		**(12)**
Knowledge, application and analysis – indicative content		
	Understanding of infrastructure: the network of utilities/physical structures, e.g. roads, airports, schools, hospitals, bridges, tunnels, highways • Will generate more employment directly through construction – "we will put millions of our people to work as we rebuild it." • Developing roads and highways will bring workers close to employment markets and better healthcare and education facilities, it is key to reducing poverty • Infrastructure spending leads to multiplier effects: can help create an industrial base which will attract businesses and employ more labour. These workers would buy more goods and consumption/AD rises • FDI could increase if infrastructure improves, can lead to wider economic benefits, such as higher tax revenue, productivity, exports and greater GDP • Raises people's access to basic resources required for living, and when infrastructure is of good quality, it can lead to lower costs of living which can in turn help increase access to home ownership • Infrastructure investment can generate wealth through increased returns on private assets, which reflects into an improvement in living standards • Helps raise total factor productivity through fall of transaction and other costs, thereby allowing more efficient use of conventional productive inputs	

Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of explanation the potential benefits of investment in infrastructure to the US economy 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 explanation potential benefits of investment in infrastructure to US economy. 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 the potential benefits of investment in infrastructure to the US economy 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		
	• Size of investment needed is significant - "spend $1 trillion dollars on infrastructure over the next 10 years"; opportunity cost • Increase in budget deficit and national debt – "he announced plans to increase national debt in order to spend" (use of Figure 2) • Time lags and implementation lags – "planning infrastructure projects takes time, so it is not clear how quickly growth from this investment would become evident." • Depends on quality of infrastructure projects as no details of infrastructure projects were provided	

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	Answer	Mark
5 (a)	Knowledge: Relative poverty - earning a low amount in the context of a country /earning less than 60% of median income (accept 40% to 70%) (1) Absolute poverty - not being able to afford a basic bundle of goods and services necessary for survival /earning less than fixed amount per day PPP $1.90, accept between $1 and $2 (1) Application (1+1 marks): • Decline in relative poverty from 50% in 1998 to 30% in 2013 (1) / • Absolute poverty fell to a record low, from 21% in 1998 to 5.4% in 2015 (1) 2 marks for knowledge; 2 marks for application / data reference	**(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
5 (b)	**Knowledge and analysis of 2 reasons (up to 6 –2 reasons x 3 marks each):** Identification of reason (1) + development (up to 2): Reasons could include: • Venezuelan Government printing more money fuelling inflation (purchasing power parity PPP) – "Venezuela has the world's highest inflation rate of 482% and rising." • Current account deficit – "Venezuela's current account recorded a significant deficit of over $4 billion as the price of oil fell 50%." • Loss of confidence in Venezuela / state of the economy – "massive foreign debt" • Falling demand for Venezuelan assets – "selling foreign assets at a huge discount" **One application from Figure 2:** For e.g. • Value of dollar at around 200 bolivar in 2015 / • Value of dollar at over 800 bolivar in 2016 (2)	**(8)**

Question Number		Mark
5 (c)		**(12)**
Knowledge, application and analysis – indicative content		
	• Tax revenues are heavily dependent on oil and this will therefore fall – "Oil provides 59% of fiscal revenues" • Budget deficit will rise – "increasing fiscal deficit, forecast to be 20% of GDP in 2020"; it may lead to tax rises / fall in government spending • Export earnings are dependent on oil and will therefore fall - "oil accounts for 96% of exports" • Variations in oil price has major repercussions for economic growth; Figure 1: economic growth has fallen from 5% in 2012 to -8% in 2016 • Worsening of current account position – "current account worsened significantly. It recorded a deficit of over US$4 billion in 2016." • Venezuela will have to "diversify its exports to reduce its exposure to oil price fluctuations" • Deterioration in Venezuela's terms of trade • If low oil prices persist, could lead to uncertainty and undermine investment in new exploration • Oil related transportation costs will directly fall, leading to low cost of living and low inflation rate	

Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of likely effects of the 'collapse of international oil prices' with limited explanation. 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 likely effects of the 'collapse of international oil prices'. Material is often 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 likely effects of the 'collapse of international oil prices' 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 effects • Short run and long run considerations • Significance of the effects is going to be large as Venezuela is heavily reliant on exports of oil – "a major source of foreign currency" • Venezuela might gain future revenues from TNCs who bring in FDI – "The government could create special conditions to transnational companies willing to relocate to Venezuela" • Venezuela may have stored up foreign exchange reserves/reliance of sovereign wealth funds - "The country's gold reserves have been used" • Diversification may not be beneficial if Venezuela does not have a comparative advantage in all other sectors • No impact on inflation – "Venezuela has the world's worst inflation rate of 482% and rising" due to the government "printing money" • As oil prices rise, data on the years after 2016 would be useful (inadequate data)/there could be inaccuracies in data available **Answers may be represented by an accurately labelled AD/AS diagram**	

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.

GradeMax

Question Number		Mark
5 (d)		**(16)**
Knowledge, application and analysis – indicative content		
	• Inflow into Venezuela's financial account of balance of payments • Long term improvement on the current account of Balance of Payments if exports rise (a rise in its foreign currency earnings) – "It recorded a deficit of over US$4 billion in 2016." • Economic growth and lower unemployment: it is an injection into the circular flow; AD/AS analysis and have multiplier effect on GDP – use of Figure 1 • Increased tax revenue to government will help reduce fiscal deficit – "forecast to be 20% of GDP in 2020" • Development of new infrastructure by TNCs - "best solution to access external resources and develop new sectors in economy" • TNCs bring new methods of production working practices / Productivity and technology transfer • Could help closing the country's savings gap • Could help closing the country's foreign exchange gap	

Level	Mark	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible economic benefits of the promotion of FDI by Venezuelan Government 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 possible economic benefits of the promotion of FDI by the Venezuelan Government. 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 possible economic benefits of the promotion of FDI by the Venezuelan Government 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.

GradeMax

Evaluation – indicative content		
	• Prioritisation of the above factors • Negative impact on current account of Balance of Payments - no issue of "inability to repatriate profits" if "special conditions" created for TNCs • Tax avoidance/evasion schemes could be used by TNCs, which may not reduce the budget deficit – "Venezuela is now the ninth most corrupt country in the world" • FDI may not increase significantly due to state of Venezuela – "ranked Caracas, Venezuela's capital, as world's most violent city" and continues to have "high levels of crime" • Impact on the economy might be small (if there is little value added due to restrictions) - "one of the most difficult places to start-up and operate a business. It ranks 186 out of 189 countries in the World Bank's Doing Business index." • TNCs may exert political influence, e.g. on tax policies, tackling "threats to private property rights" • Increased dependence of economy on decisions made by managers overseas. This is significant if the investment is withdrawn in the future which could lead to further economic/social disruption • Increased competition for domestic producers who may not be able to compete • Poorly paid employment and low skilled jobs if TNCs bring their own managers/skilled workers • Domestic firms might not benefit if technologies are protected by patents	

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.

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.

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