GradeMax



Mark Scheme (Results)

October 2018

Pearson Edexcel IAL
In Economics (WEC04)
Paper 01 Development 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.

Mark scheme: WEC04/01

****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/globalisation • As a result of globalisation, inward migration of low skilled workers may depress wage rates and widen the wage gap between the skilled or semi-skilled workers/unskilled workers may experience reduction in their wages • Skilled workers can earn higher wages as there will be a rise in global demand for their services • Labour who are mobile and who have the skills can move from declining to expanding industries; whereas those who lack the skills and mobility are likely to face structural unemployment • Businesses may gain greater profits as they are able to locate to low cost countries, and because they can now able to sell in larger markets ***Evaluative comments could include:*** <u>*Globalisation may not increase income inequality:*</u> *• The incomes of developing economies may rise if developed economies buy imports from developing economies. With greater incomes these developing economies buy goods from developed economies* *• Wage rises in developing economies may put less downward pressure on wages in developed nations* *• Growth leads to rise in tax revenue which may be spent on increasing incomes of low income groups* *• It may encourage governments to raise spending on education and training. As human capital rises, unemployment could decline and income inequality would reduce significantly* **NB Candidates may take either perspective as analysis and use the reverse arguments for evaluation** **NB Award maximum of 12 marks (Level 4) if**	

	a candidate does not refer to more than one country in their answer	**(15)**

Question Number	Indicative content	
1 (b)	Understanding of income inequality • A fall in the economy's marginal propensity to consume, and hence domestic consumption and aggregate demand likely to fall • Decrease in the size of the multiplier effect, as the economy's marginal propensity to save and hence marginal propensity to withdraw will rise • This is likely to lead to lower levels of economic growth in the economy • Falling economic growth may lead to worsening in public sector finances • A decrease in aggregate demand may lead to less demand pull inflationary pressures in the economy • A fall in the trade deficit, as falling consumption is on both domestically produced and imported goods and services • The redistribution of spending from goods and services / changes in expenditure patterns within the economy • If the increase in income inequality is achieved through lower levels of progressive taxation and/or lower transfer payment, this may create incentive effects, increasing the incentive to work / causing less capital and/or less labour flight • Less equal access to / years of education • More variation in life expectancy in the economy • More emigration from the economy and/or less immigration into the economy ***Evaluative comments could include:*** *• Prioritisation of factors* *• Significance: question says 'significant' increase, so any effects are likely to be fairly large* *• Higher savings ratio in the economy may reduce a savings gap, increasing investment, and hence potential economic growth* *• Multiplier might not fall if the economy's marginal propensity of tax and marginal propensity to import fall more than the marginal propensity to save rises* *• The effects on growth and employment depend on to what extent demand changes for domestically produced goods as opposed to imports* *• Effect on inflation depends on the level of spare capacity in the economy* *• All other things may not be equal, e.g. changes in the exchange rate may cause greater effects on the trade balance etc.*	**(25)**

Question Number	Indicative content	Mark
2 (a)	Understanding of debt relief/economic development *Case for debt relief:* • Could use saved repayments to reduce absolute poverty – help reduce child and maternal mortality • Increase the level of human capital – through resources provided for education, healthcare that would increase productivity and FDI • Can fill in the savings gap – can be used to invest in capital, which would not be possible due to a low levels of savings to finance investment • Could fill in the foreign exchange gap – may be used to import vital capital equipment; prospects for higher economic growth and jobs in the future • Can use funds for investment in infrastructure – essential for industrialisation as it is an injection into the circular flow / increase mobility of labour • Can promote entrepreneurship – help establish new businesses and lead to higher development • Could help conserve environment/environmental sustainability, e.g. debt for nature swaps *Case against debt relief:* • Dependency theory – reinforces the dominance of debt relieving countries over developing countries • Dependency culture – countries can become dependent and will not pursue macroeconomic policies to become independent / moral hazard • Corruption – might not reach those for whom it's intended / may be diverted to government officials • May be less effective than introduction of policies to reduce protectionism in developed countries • IMF and World Bank conditions attached to debt relief – may include cuts in food subsidies to reduce government spending or removal of import controls which could harm the countries development • Many developing countries cannot have the debts written off if their income per capita is too high (to meet the IMF and World Bank criteria) • Some countries do not qualify for cancellation if their debts were seen as sustainable • Proportion of debt relief could be relatively small • Takes long time to agree a debt relief programme **NB Award a maximum of 12 marks (Level 4) if a candidate does not refer to a developing country or countries**	**(15)**

Question Number	Indicative content	Mark
2 (b)	• Assets cannot be easily exchanged or given a market value because no one owns them or has the right to exchange them • No incentive for people to invest in assets and give people possessions against which to borrow so that they might become entrepreneurs • Those who use or own the assets will have no incentive to 'add value' to these assets because they cannot realise any 'capital gain' • Can lead to emergence of large hidden markets and the suppression of formal business activity • Substantial capital is inactive as the developing world entrepreneurs will be unable to convert their assets into working capital • There is no incentive to develop the land and it does not encourage any development, innovation, conservation, and discovery of new resources • Misuse/over-use of scarce resources, which is made worse by the moral hazard problem *But:* *• Governments can grant the property rights over scarce resources in attempt to protect them from misuse and over-use* *• Property rights can also be extended by creating laws to protect physical and intellectual property; owners can police the use of their property and penalise those who misuse it* *• Property rights can be secured by formalising the informal economy via allocating property rights to those living and working in the informal economy* Other constraints include: • Savings gaps – low savings, low investment, limited capital accumulation, low growth/income; can be caused by factors such as lower incomes, debt repayments, capital flight, absence of FDI *But: savings gaps may be filled by aid, FDI, debt cancellation, microfinance, borrowing from IMF / World Bank* • Primary product dependency *But: it could be the most significant constraint on growth in light of recent falls in commodity prices / some countries have grown on the basis of their primary products*	

	• Inadequate provision of credit and banking *But: microfinance schemes have been made available to help low income families* • Weak human capital *But: developed economies demand workers with low human capital for unskilled work* • Corruption; civil wars; poor governance *But: corruption can be solved through cultural/ attitude change; civil wars could be only a short term issue* • Poor infrastructure *But: less of a constraint for resource-rich African LDCs who are benefiting from foreign investment in return for commodities* • Foreign currency gap • Capital flight ***Other evaluative comments could include:*** • *Prioritisation of factors* • *Different factors more or less important for different countries* • *Discussion of significance of other constraints identified above* • *Economic growth is usually constrained by a combination of factors; difficult to conclude that one is more important than another* **NB: Candidates might agree or disagree with absence of property rights is most significant constraint, but should use the counter points as evaluation.** **NB: Award maximum of 20 marks (Level 4) if the candidates do not refer to any developing countries in their response**	**(25)**

Question Number	Indicative content	Mark
3 (a)	• Rising national debts imply fiscal deficit – caused by recessions in many countries *But: it will be less of a concern if the fiscal deficits are cyclical rather than structural* • Rising national debts could lead to inflationary pressures if due to discretionary fiscal policy *But: Some countries like Greece and Italy faced deflation even when its debts were high / inflation will be unlikely as debts were caused by recession following the financial crisis* • Higher interest payments represent a big cost to future generations: less money will be available for spending on social services; high opportunity cost of interest payments *But: inflation might erode the real value of debt* • A higher national debt implies increased interest payments – danger of financial crowding out *But: interest rates are currently low, so this issue may not be significant* • Reduction in the country's credit rating and higher future borrowing costs *But: may not be an issue if it is financed internally* • Rising national debts lead to loss of confidence in the currency (euro, in case of eurozone countries) that may cause a fall in its value • Possibility of the need to seek assistance from the IMF or the EC / ECB in the case of eurozone countries with associated conditions • Loss of confidence in markets leading to FDI fall ***Evaluative comments could also include:*** • *If the debt has been used to fund investment in health/education/infrastructure, the country might see long term benefits* • *If amount of borrowing increase is less than growth in the medium term each year, then the level of debt as a percentage of GDP will fall.* **N.B Candidates may take either perspective as analysis and use reverse arguments for evaluation i.e. they can argue that national debt is or is not a cause of concern**	**(15)**

Question Number	Indicative content	Mark
3 (b)	• Trade creation: An analysis based on the law of comparative advantage; specialisation and more trade. Increase in allocative efficiency *But: imports may increase more than the exports causing a deterioration in the current account of the balance of payments; trade diversion* • Benefits to domestic firms: increased production so that they can benefit from economies of scale. Economy may benefit from increased employment *But: domestic firms may be unable to compete with goods from member countries and go out of business causing a rise in unemployment* • Benefits to consumers: lower prices; increased consumers' surplus; more choice *But: in the case of a customs union, there would be trade diversion from low cost producers outside the bloc to high cost producers inside the bloc* • Greater weight in trade negotiations *But: Germany is strongest participant in EU and may be able to dictate terms to suit themselves* • Access to large / potentially lucrative EU market *But: domestic firms would face large unrestricted competition from the world's most powerful TNCs* • Increase in competition: could lead to reduction in x-inefficiency *But: inefficient producers within the bloc can be protected from efficient ones outside the bloc* • Increase in innovation / transfer of ideas: leading to an increase in dynamic efficiency • Increase in world GDP / rising incomes / falling unemployment ***Evaluative comments could include:*** • *Prioritisation of factors* • *Significance of factors over time* • *Different benefits for different countries* • *This is a very large trading bloc, so any likely benefits may be very large*	**(25)**

Question Number	Answer	Mark
4(a)	Knowledge: • Surveillance and data collection; e.g. monitoring of economic performance / financial developments (1) • Provision of policy advice; aimed especially at crisis prevention, e.g. to reduce the fiscal deficit (1) • Monetary co-operation between countries (1) • Stabilisation; e.g. to stabilise exchange rate (1) • Financial assistance; e.g. lending to countries with balance of payments difficulties, provide temporary financing and to support policies aimed at correcting underlying problems, debt relief (1) • Loans to low-income countries aimed especially at poverty reduction (1) • Technical assistance in its areas of expertise (1) • The development of standards and codes of good practice in its areas of responsibility (1) Application (1+1 marks): • The IMF praised the UAE's diversification efforts (1) / • The IMF has suggested that the UAE carry out changes to its macroeconomic policies (1) 2 marks for knowledge; 2 marks for application / data reference	**(4)**

Question Number		Mark
4 (b)		**(16)**
Knowledge, application and analysis – indicative content		
	Understanding / definition of indirect taxes. Candidates may use an AD/AS diagram to show the likely effects. • Rise in indirect taxes will lead to fall in the level of consumption, which would reduce economic growth, fall in living standards and increase unemployment – "the IMF cut its next year's forecast for the country's economic growth from 2.6% to 2.4%" / Figure 1 *But: the increase might not be highly significant; unemployment unlikely to increase unless offset by changes in other components of AD* • Public finances may improve – use of Figure 2	

	But: there is a danger that a fall in AD would reduce tax revenues; "decreasing Government spending" could be more effective in improving public finances • Tax revenues: these would increase if demand for goods / services affected are price inelastic – "The Government expects to earn over $3.3 billion in revenue, or around 1% of the country's GDP" *But: if the tax rise causes a recession, the overall tax revenues for the UAE will fall; uncertainty re: tax revenue as it's an estimate* • Incentives to work: a higher VAT rate would cause fall in real incomes. This could increase incentives to work if people wish to maintain standard of living *But: there may be no impact on incentives if there is no change in income tax rates; corporation tax may have more impact – "considering proposals to introduce corporation tax"* • Income distribution: people on low incomes will be affected more; can be argued that VAT is regressive *But: research suggests that the overall effect of VAT is progressive if focused on expensive goods* • Price level: in the short run, could lead to inflation if an increase in VAT results in a wage-price spiral – "inflation rate is expected to increase from 2.8% in 2017 to 4.8% in 2018." *But: impact on individual goods and services in the UAE will depend on the PED* • FDI flows: may act as a deterrent as prices of finished goods would be higher in the UAE *But: if the goods are aimed at export markets, this may not be highly significant for the UAE* • Fall in the level of externalities / consumption of demerit goods which would improve health and the environment - improving public finances *But: there are "some industries exempted" and level of externalities may not fall* • Increase in smuggling/black market activity/tax avoidance: reduces revenue and worsens finances	

Level	Mark	Descriptor
Level 0	0	A completely inaccurate response.
Level 1	1-3	Shows some awareness of likely macroeconomic effects of the introduction of VAT on the UAE economy. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is unclear.
Level 2	4-6	Understanding and explanation of likely macroeconomic effects of the introduction of VAT on the UAE 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.
Level 3	7-8	Clear understanding and explanation of the likely macroeconomic effects of the introduction of VAT on the UAE 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
• See above

Level	Mark	Descriptor
Level 0	0	No evaluative comments
Level 1	1-3	For identifying evaluative comments without explanation / one evaluative comment with explanation
Level 2	4-6	For evaluative comments with limited explanations
Level 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 benefit (1) + development (up to 2): • Will generate more employment in construction and the tourism industries – "A construction boom would support local manufacturing industries that produce construction materials" • "Major road and rail developments" will bring the workers close to employment markets, and better healthcare and education facilities • Infrastructure spending leads to multiplier effect: can help create an industrial base which will attract more businesses and employ more labour. Workers would buy more goods and consumption/AD rises – "1 million residents will arrive over the next three years" • Helps raise total factor productivity through fall of transaction and other costs, thereby allowing more efficient use of the conventional productive inputs - "that congestion costs the UAE almost $790 million through wasted fuel and time" • FDI could increase if infrastructure improves, can lead to wider economic benefits, such as higher tax revenue, productivity, exports and greater GDP – use of Figure 1/Extract 1 • Raises people's access to the basic resources required for living, and when infrastructure is of good quality, it can lead to lower costs of living • Infrastructure investment can generate wealth through increased returns on private assets, which reflects into an improvement in living standards **One application from Extract 1:** "transportation infrastructure improvements are needed to keep the country's population mobile" (2)	**(8)**

Question Number		Mark
4 (d)		**(12)**
Knowledge, application and analysis – indicative content		
	• "improving access to finance for new businesses and small and medium enterprises" - development of alternatives to the traditional bank finance, e.g. private equity, leasing and factoring would perhaps reduce some financing constraints • "increasing competition" - product market reforms including lowering the barriers to entry, reducing all administrative burdens/bureaucracy, simplifying the regulations and privatisation/deregulation. Can raise productivity by increasing firms' incentive to reduce inefficiency and improving the allocation of factors of production • "promoting innovation" - key for productivity gains and could be supported through high R&D spending, developing high tech industries. Policies can include R&D subsidies which would not otherwise be started due to risk and cost involved; will attract FDI • "creating the right incentives for entrepreneurship" - entrepreneurship is best encouraged with stronger institutions and a supportive financial environment. Create more free trade zones that "enable foreign firms to trade without paying any customs duties" to increase the attractiveness of FDI	

Level	Mark	Descriptor
Level 0	0	A completely inaccurate response.
Level 1	1-3	Shows some awareness of structural reforms, other than infrastructure improvements, that could help the UAE 'diversify the economy away from oil' 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.
Level 2	4-6	Understanding and explanation of the structural reforms, other than infrastructure improvements, that could help the UAE 'diversify the economy away from oil'. 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 3	7-8	Clear understanding and explanation of the structural reforms, other than infrastructure improvements, that could help the UAE 'diversify the economy away from oil', 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		
	• Most policies involve significant costs and have implications for its public finances – use of Figure 2; opportunity cost involved • May still not attract entrepreneurs/SMEs: o "There is no bankruptcy law that protects directors of failing businesses" o "International businesses that set up companies in the UAE can own only 49% of them" – impact on profitability o "Cutting energy subsidies" will increase rate of inflation in short term, with an immediate price rise in commodities – adds to costs • Risk of funding inefficient new small and medium enterprises – leading to misallocation of resources; encourage inefficiency • Privatisation may lead to unemployment, closure of factories; loss of economies of scale if industry is broken up; undervaluation of industries sold • Repatriation of profits could lead to worsening of the income balance component of current account of balance of payments and represents a leakage from the circular flow • "Only a few cities in the county have free trade zones, where complete foreign ownership is allowed" – most likely to deter FDI	

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

Question Number		Mark
5 (a)	Knowledge: Features include - • Flexible / useful instrument of economic adjustment to external shocks (1) • Reduced need for currency reserves (1) • No need for international management of exchange rates, like the IMF (1) • No need for frequent intervention by the central bank/government (1) • Greater independence and freedom for domestic monetary policy (1) • Greater insulation from other countries' economic problems (1) • Higher volatility / uncertainty (1) • Lack of discipline and stability (1) • Encourage speculative movements of 'hot money' (1) Application (1+1 marks): • Extract 1: a floating Australian dollar (1) / • Extract 2: depreciating Australian dollar against other currencies could also have reduced any incentives for foreign skilled workers to move to Australia (1) 2 marks for knowledge; 2 marks for application / data reference	**(4)**

Question Number	Answer	Mark
5 (b)	**Knowledge and analysis of 2 reasons (up to 6 –2 reasons x 3 marks each):** Identification of effect (1) + development (up to 2) <u>Deregulation of financial markets:</u> • Encourages entrepreneurship: makes it possible for an entrepreneur to create any business as there are no government obligations that have to be met – increases risk taking and rewards, attracting FDI • Helps the markets become more efficient. Firms can focus on their strategies instead of focusing on ensuring they have fulfilled all of their obligations under the regulations • Firms are allowed to determine their operational processes with minimal governmental intervention allowing them to buy new properties and access new markets without regulatory red tape <u>Deregulation of labour markets:</u> • Firms will become more efficient and competitive. Flexible labour markets help to keep costs down for Australian firms • With increased labour productivity there could be an increase in output and exports. There could be a lower rate of natural unemployment and lower rate of inflation • May encourage inward investment: TNCs may be attracted to invest in countries with a more flexible labour market, creating jobs in the first place **One application from Extract 1:** • "Much of the success is due to reforms that were put in place in the 1980s and 1990s, which have made the Australian economy more flexible" (2) **NB Award maximum of 5 marks if a candidate does not refer to both deregulations of labour and financial markets in their answer.** **NB Candidates should refer to how these have helped Australia avoid recession to obtain full 3 marks per point (may be implicit or explicit)**	**(8)**

Question Number		Mark
5 (c)		**(12)**
Knowledge, application and analysis – indicative content		
	• Generated more employment in the mining, tourism and education sector: derived demand – "the mining sector employs nearly 2% of the workforce"; increase per capita incomes (Fig 1) • Generated more exports and increased revenue for firms as they contribute "50% of its total export earnings" – "China accounts for about 35% of Australian exports" • Led to an increase in economic growth; (may use AD/AS diagram) – "growing demand for iron ore, coal and other minerals from China has improved Australia's national income" • Less reliance on its resource base allowing the country to diversify its service sector in tourism and education - "There are over 90 000 Chinese international students studying in Australia" • Increase in FDI: inflows into financial account – "Australia is the second most popular location for Chinese investment"	

Level	Mark	Descriptor
Level 0	0	A completely inaccurate response.
Level 1	1-3	Shows some awareness of the economic benefits of 'the rapid growth and industrialisation of China' on Australia's economy 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.
Level 2	4-6	Understanding and explanation of the economic benefits of 'the rapid growth and industrialisation of China' on Australia's economy. 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.
Level 3	7-8	Clear understanding and explanation of economic benefits of 'the rapid growth and industrialisation of China' on Australia's 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		
	• Prioritisation of factors discussed • Benefits didn't last for long as China is "reallocating investment in manufacturing industries to the service sector." • "The depreciation of the Chinese currency is also likely to have a negative impact on the Australian economy." – Australian goods become relatively expensive and demand for the country's exports of iron ore, coal and minerals could fall • Service sector will not contribute to Australia's economy as China's growth is slowing: demand for education may fall as it is income elastic • Chinese companies might repatriate profits back to China – this is an outflow from the investment income component of Australia's current account of BOP • There remains possibility of Australia becoming too reliant on China to the extent that an economic shock or downturn in China may have a magnified effect on Australia's economy	

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

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Question Number		Mark
5 (d)		**(16)**
Knowledge, application and analysis – indicative content		
	• Lower consumption and AD grows slowly - "fall in net migration would reduce the growth in demand for goods and services" / "lowers demand for new houses"; firms revenues and profits lower • A rise in skills shortages and rise in production bottlenecks / not enough labour for construction that creates shortage of houses – "This has led to lower availability and use of foreign labour" • Could imply a smaller working population, which could lead to higher wages and may not attract FDI – "discourages business to invest" • Lower foreign income, for e.g. tuition fees from foreign students – "There are over 90 000 Chinese international students studying in Australia." • The production of goods and services slows; the output may grow slower than population, lowering per capita incomes – use of Figures 1 & 2 • Lower tax receipts for the Australian government, causing less spending in other areas (e.g. training) leading to a worsening of government finances • May not increase the rate of technical progress of Australia, therefore decreasing AS / a leftward shift in the PPF and lower real output – "significantly reduce the annual rate of economic growth" • Decrease in filling of job vacancies in Australia	

Level	Mark	Descriptor
Level 0	0	A completely inaccurate response.
Level 1	1-3	Shows some awareness of the economic costs of fall in net migration to Australian economy 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.
Level 2	4-6	Understanding and explanation of the likely economic costs of fall in migration to the Australian 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.
Level 3	7-8	Clear understanding and explanation of the likely economic costs of fall in net migration to the Australian economy 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		
	• Prioritisation of the above costs • Short run versus long run considerations, e.g. Australian dollar may get stronger which attract more migrants – "depreciating Australian dollar … reduced any incentives for foreign skilled workers to move to Australia" • A benefit of a fall in net migration would be that jobs will become available for domestic workers – "immigrants are taking jobs from local workers" • Less pressure on housing, environment, transport and public services – "A shortage of housing, which many people blame on migration, has seen house prices double in Australia's main cities" • Net migration to Australia is significant due to a "fall in birth rates": the government should attract a younger skilled workforce to service needs of the ageing population, else costs could be high • Figures 1 and 2 indicate that per capita incomes and net migration have been steadily rising and is also expected to continue to rise • Significance of the costs discussed, e.g. costs are likely to be higher if a large percentage are young workers, which could help reduce dependency ratio – a fundamental issue for government budget • Depends on whether migrants actually come to find jobs and work or they remain economically inactive or unemployed: if they do not work, less effect on Australia's economy • Depends on skills and qualifications of migrants / impact on wages depends on whether migrants are skilled or non-skilled: economic costs may not be significantly high if most migrants are low skilled; less impact on real output • Depends on the reason for fall in net migration: is it for economic or political reasons? / depends whether net migration into Australia is temporary or permanent	

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