GradeMax



Mark Scheme (Results)

January 2021

Pearson Edexcel International Advanced Level
In Economics (WEC14/01)
Unit 4: Developments in the global economy

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January 2021
Publications Code WEC14_01_2101_MS
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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.

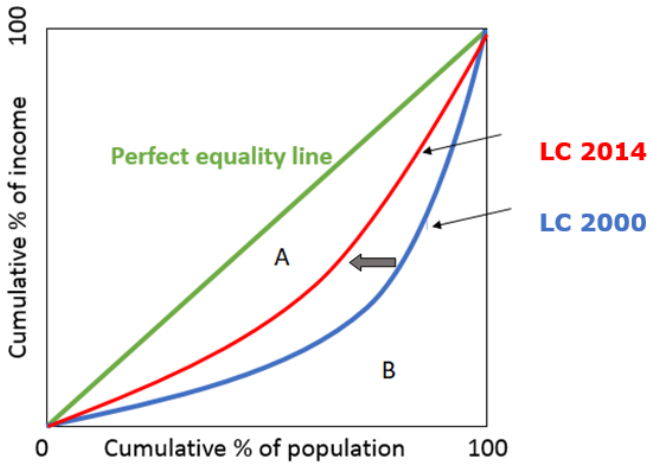
Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	**–**	**The only correct answer is D** ***A*** *is not correct because there will be an increase in money supply* ***B*** *is not correct because there will be an increase in economic growth* ***C*** *is not correct because there will be a decrease in unemployment*	**(1)**
2	**–**	**The only correct answer is A** ***B*** *is not correct because this is related to industrialisation* ***C*** *is not correct because this is related to the current account position of the BOP* ***D*** *is not correct because this is related to primary product dependency*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because import prices rise and export prices fall* ***B*** *is not correct because this relates to the fiscal position and not balance of payments* ***D*** *is not correct because this is due to a fall in interest rates*	**(1)**
4	**QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes. **QS7:** Make calculations to convert money to real terms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because pay growth not adjusted for inflation was not the lowest in 2009* ***C*** *is not correct because there was an increasing rate of inflation between 2016 and 2017* ***D*** *is not correct because there was disinflation between 2012 and 2014*	**(1)**

5	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because this will increase India's international competitiveness* ***B*** *is not correct because this will increase India's international competitiveness* ***D*** *is not correct because this will increase India's international competitiveness*	**(1)**
6	**QS1:** Calculate, use and understand ratios and fractions. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because this will happen when the opportunity cost for producing both goods for both the countries are the same/have identical PPFs* ***B*** *is not correct because Country A does not have a comparative advantage over Country B in the production of both the goods* ***C*** *is not correct because Country A has an absolute advantage over Country B in the production of both goods*	**(1)**

Section B

Question Number	Answer	Mark
7 (a)	**Application 2** Quantitative skills assessed: **QS2** Calculate, use and understand percentages, percentage changes and percentage point changes. 1 mark for calculation of high-income: High-income advanced countries: 80% (71% + nine percentage points) **(1)** 1 mark for calculation of middle-income: Middle-income developing countries: 14% (22% - eight percentage points) **(1)** **N.B. Award 1 mark for each correct answer regardless of working** **N.B. Award 1 mark for correct answers without the percentage sign**	**(2)**

Question Number	Answer	Mark
7 (b)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for knowledge of the Lorenz curve: • Correctly-labelled axes **(1)** • Correctly-labelled original Lorenz curve **(1)** **Application** Up to 2 marks for application: • Gini coefficient fell from 0.44 in 2000 **(1)** to 0.36 in 2014 **(1)**  **Analysis** Up to 2 marks for explanation of impact of a fall in Gini coefficient on income inequality: • Correct drawing of the new Lorenz curve **(1)** • Decrease in income inequality/more equal income distribution **(1)** • The new Lorenz curve shows a higher proportion of total income is earned by a given percentage of the population at the lower income levels **(1)** / **or** a lower proportion of total income is earned by a given percentage of the population at higher income level **(1)**	**(6)**

Question Number	Answer	Mark
7 (c)	**Knowledge 2, Application 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for understanding of relative poverty, e.g.: • When an individual earns less than 60% (accept 50%) **(1)** of the median income of the country they live in **(1)** • Situation where individuals lack minimum amount of income needed in order to maintain the average standard of living **(1)** in the country in which they live **(1)** **Application** Up to 2 marks for application to relative poverty, e.g.: • 23% of the population in 1985 to 30% in 2016 **(1)** • One in seven people living in advanced economies remains in relative poverty after taxes and transfer payments **(1)**	**(4)**

Question Number	Answer	Mark
7 (d)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for knowledge of two causes, e.g.: • Discrimination - gender **(1)** • Discrimination - age **(1)** • Place of residence **(1)** • Wage differentials **(1)** • Household debt **(1)** • Globalisation **(1)** • Automation **(1)** **Analysis** 1 mark for linked explanation of any two of the above causes, e.g.: • Discrimination on gender/age could lead to a lack of opportunities and may result in lower wages for certain groups of the society **(1)** • Residents of urban areas are usually associated with having greater incomes and hence can access higher quality educational institutions than those in rural areas **(1)** • Wage differentials between unskilled and skilled workers have been increasing/minimum wage rising slower than average earnings **(1)** • Household debt reallocates money from the highly indebted middle-income households to the financial sector, where it is circulated to the highest-earning employees/managers/shareholders **(1)** • Globalisation has led to a fall in demand for unskilled workers relative to those of highly skilled workers in advanced economies **(1)** • Automation/technological change has made the skills of workers in certain industries obsolete leading to structural unemployment **(1)**	

	Application Up to 2 marks for application to sources, e.g.: • The top 1% of income earners almost doubled its share of total pre-tax income from 6% in 1980 to 11% in 2014 **(1)** • Women still earn only $0.84 for every $1 men earn **(1)** • Young people have lower earnings and wealth than older people **(1)** • Urban residents are more likely to have higher level of education than rural residents **(1)** • Since 2005 real disposable incomes have fallen / costs of housing, healthcare and education have risen faster than the average price level **(1)** • Household debt has also risen from 87% of disposable income in 1995 to 123% in 2017 **(1)** • Slow growth of real wages and the increased use of automation **(1)** **Evaluation** Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • Significance will be different in different advanced economies **(1)**, but wages appear to be the most significant factor **(1)** • Data might be inaccurate/unreliable **(1)** as level of income inequality changes quickly over time **(1)** • Positive discrimination **(1)** increases the financial returns for certain groups through more employment, such as women **(1)** • Despite higher levels of education they still suffer lower earnings – women and younger people **(1)**	**(8)**

Question Number	Indicative content
7 (e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, application and analysis (8 marks) – indicative content** Policies include: • Increasing means-tested benefits (not universal benefits), e.g. income support, housing benefit – helps those families in greatest need • Ending residential segregation – segregation by income, particularly isolation of low-income households correlates with reduced levels of upward mobility • Improvements in education and training for those without qualifications help increase skills and human capital, raises productivity and employability • Improvements in state provision of public services such as healthcare and social housing will assist lower income households • Reducing discrimination will allow for equal opportunities in employment and lead to higher wages/living standards for those underrepresented groups • Increasing minimum wages – higher wages for the lowest-paid workers has the potential to help people out of poverty and increase real incomes • Increase in progressiveness of tax system, e.g. by introducing more tax bands; increasing tax free allowance – this will provide more economic support for the working poor: 'a reconsideration of how economic gains are shared.'

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (6 marks) – indicative content • Increased complexity and cost of running welfare, risk of poverty trap from withdrawal of income-related benefits; this does not address main causes of inequality such as low pay or skills gaps • Depends on the quality of education and training programmes in place; workers may not take up jobs in which they are educated and trained and productivity is likely to remain low • State provision might have a relatively insignificant effect in the advanced economies, as this provision is already extensive • Increase in the NMW might result in higher unemployment and increase in inequality; wages and unearned incomes of those in highest income bracket might increase at faster rate; has no impact on the unemployed or students • Progressive tax increases may cause increase in number of tax exiles and/or increase in tax evasion and avoidance: fall in tax revenue (using Laffer curve analysis). It could also reduce incentive to work • Some of the gender/age gap may reflect cultural norms • Time lag and implementation lag issues	

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question Number	Indicative content
8	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, application, analysis (12 marks) – indicative content** Definition or understanding of terms of trade • Price of exports falls relative to price of imports. This improves the trade balance, meeting the objective of balance of payments equilibrium on current account • Improving the trade balance may increase the aggregate demand in the country, leading to higher economic growth, and/or falling unemployment, particularly in the export industries • Inflation in the economy is likely to rise, as both demand-pull and cost-push (imported raw material) inflationary pressures increase • If there is falling unemployment, this is likely to have a positive effect on the government budget balance as transfer payments falls (automatic stabilisers) and tax revenue rises • Higher rates of economic growth may have negative effect on environment, as non-renewable resources are used more leading to external costs / larger negative production externalities • Higher rates of economic growth might have a large negative effect on income inequality as high returns accrue to the owners of the factors of production **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country in their answer** **N.B. Award positive effects as KAA and negative as evaluation (or vice versa)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Effect on current account depends on the PED for a country's imports and exports; current account on balance of payments has two other components, which may move in the opposite direction • Relatively expensive imports may lead to fall in SRAS, offsetting the positive effects on economic growth; changes in the other components of AD might compensate for this, and unemployment does not fall • Inflation depends on the level of spare capacity in the economy, the size of the multiplier effect, and all other things being equal • Cyclical budget deficit may be more damaging than structural budget deficit; it's dependent on how long terms of trade fall for and how big the fall is	

	• For most developed countries, growth has a positive effect on environment, as improved green technology is developed, and energy intensity falls • The size of the change in terms of trade – in the case of Cambodia (fell by 31%), it is significant	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question Number	Indicative content
9	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, application and analysis (12 marks) – indicative content** Definition or understanding of economic development and aid • Money could be used to reduce absolute poverty; this will help lower child and maternal mortality, increasing HDI • Reduction of inequality and relative poverty as GNI per capita incomes would increase significantly • Increase level of human capital – through resources provided for education; increase in the mean years of schooling would increase standard of living • Can fill in the savings gap that can be used to invest in capital, which would not be possible due to low levels of savings to finance investment • Can fill in the foreign currency gap which may be used to import the necessary capital equipment. This will increase prospects for higher economic growth and employment and therefore greater living standards in the future • Can use funds for investment in infrastructure; essential for industrialisation as investment is an injection into the circular flow of income. This would increase the mobility of labour allowing access to employment, education and healthcare • Promote entrepreneurship which will help establish new businesses and lead to higher development through higher incomes • Countries could use saved interest repayments to reduce absolute poverty. This will help reduce child and maternal mortality. • The aid often comes with advice to help make it more effective **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Dependency culture could arise as developing countries are likely to become dependent on aid. They are unlikely to pursue sound macroeconomic policies to become independent, leading to moral hazard. • Dependency theory usually reinforces the dominance of donor countries over developing countries • Corruption in developing countries means that funds might not reach those for whom it's intended/may be diverted to government officials • IMF and World Bank have conditions attached to aid. This may include cuts in food subsidies to reduce government spending, or removal of import controls which could harm the countries' development	

	• Danger of tied aid/aid fatigue/wrong type of aid leading to an inefficient allocation of resources as aid distorts market forces • Proportion of aid could be relatively small and might not have a significant impact on the country's economic development. Recently the aid given to relatively rich developing countries has been greater than that given to poorer developing countries • Aid in the form of concessionary loans involves interest repayments and hence carries an opportunity cost; less spending on education and health • The advice given with the aid may not be best suited to the local context • The size of the aid given – in the case of Yemen (an increase of almost 200%), it is significant

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question Number	Indicative content
10	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, application, analysis (12 marks) – indicative content** Definition or understanding of public expenditure as a proportion of GDP • If public expenditure on infrastructure/education/healthcare is reduced, then the productive potential of the economy will decrease and aggregate supply may fall • Government spending is a component of aggregate demand and an injection into the circular flow of income; a reduction in public expenditure could lead to a negative multiplier effect leading to lower economic growth • Unemployment is likely to rise as there will be less demand for labour (derived demand), thus reducing average incomes • Income inequality increases as austerity measures may reduce transfer payments thereby not meeting the objective of greater income equality • Lower quality/quantity of public services implies less access to these goods and hence and standard of living is likely to fall • Less financial and resource crowding out as the government will not have to finance its spending through borrowing (lower interest rates), and there will be more factors of production available to the private sector • There is likely to be less inflationary pressures as aggregate demand decreases • Government budget balance may improve/less borrowing required/the economy may be able to begin to repay national debt • Increase in economic efficiency because of greater role for the private sector **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer** **N.B. Award positive effects as KAA and negative as evaluation (or vice versa)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Significance depends on how much public expenditure decreases by, and how great a component of aggregate demand it was to start with • The impact on real output depends on the size of the multiplier effect as the effects might be negligible if the multiplier is low • Public expenditure may still be rising, it may be that GDP is increasing at a faster rate than the rate of government spending • Effects on the real output, employment and inflation depends on the level of spare capacity in the economy • Budget position also depends on the tax revenues; if tax revenue also falls, government objective of budget balance may not improve	

	• Less crowding out could mean aggregate demand does not fall; private investment and consumption could potentially increase • It depends on what areas of spending are cut: if spending on benefits/transfer payments is cut, individuals may have more of an incentive to work, leading to a decrease in unemployment • The size of the change in public expenditure – in the case of Spain (from 48.1% to 41.3%), it is significant	
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

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