GradeMax

Pearson

Mark Scheme (Results)

October 2025

International Advanced Level in Economics
WEC14/01

Unit 4: 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

Question Number	Quantitative skills assessed	Answer	Mark
1	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because this is the role of the WTO, not the IMF* ***C*** *is not correct because this is the role of NGOs, not the IMF* ***D*** *is not correct because this is the role of the World Bank, not the IMF*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because an increase in unit labour costs is likely to reduce Latvia's international competitiveness* ***C*** *is not correct because a reduction in spending on healthcare services is likely to reduce Latvia's international competitiveness* ***D*** *is not correct because stricter regulation of product markets is likely to reduce Latvia's international competitiveness*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because lower shipping costs are likely to decrease production costs for businesses* ***C*** *is not correct because global inflationary pressures will decrease due to lower costs of production for businesses* ***D*** *is not correct because there are likely to be changes in the patterns of world trade*	**(1)**
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because the central bank would buy the Nigerian naira* ***B*** *is not correct because this would further depreciate the naira against the US dollar* ***D*** *is not correct because the central bank would sell US dollars*	**(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 relates to public finances* ***B*** *is not correct because primary income is a component of the current account* ***D*** *is not correct because this relates to a current account deficit*	**(1)**
6	**QS4** Construct and interpret a range of standard graphical forms. **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 shift the Lorenz curve away from the line of perfect equality* ***B*** *is not correct because this will shift the Lorenz curve away from the line of perfect equality* ***C*** *is not correct because this will shift the Lorenz curve away from the line of perfect equality*	**(1)**

Section B

Question	With reference to Figure 1, calculate the change in India's real GDP growth rate between 2020 and 2021. You are advised to show your working. **Answer**	**Mark**
7(a)	**Application 2** Quantitative skills assessed: **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • 9.69% – (−5.78%) **(1)** • 15.47 percentage points **(1)** **NB** Award 2 marks for correct answer (15.47pp / 15.5pp) **NB** Award only 1 mark for 15.47 / 15.47%	**(2)**

Question	With reference to Figure 2, explain what is meant by 'rate of inflation'. **Answer**	**Mark**

7(b)	**Knowledge 2, Application 2** Quantitative skills assessed: **QS2**: Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **QS10**: Distinguish between changes in the level of a variable, and the rate of change. **Knowledge** Up to 2 marks for understanding rate of inflation, e.g.: • Percentage **(1)** rise/change in the price level/*average* prices of goods and services the economy **(1)** **Application** Up to 2 marks for application to Figure 2, e.g.: • Between 2019 and 2022, the annual rate of inflation increased **(1)** by 1.88 percentage points **(1)** • Between 2024 and 2025, the forecast rate of inflation is expected to fall **(1)** by 0.27 percentage points **(1)** • India's inflation rate decreased from 6.65% in 2022 **(1)** to 4.37% in 2024 **(1)** • The highest rate of inflation was in 2022 / the lowest rate of inflation is expected to be in 2025 **(1)**	**(4)**
Question	With reference to Extract A, examine **two** external shocks that could constrain India's rate of economic growth in 2025. **Answer**	**Mark**
7(c)	**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 and analysis** Up to 2 marks for identifying two constraints and 1 mark for each linked development, e.g.: • Threat of protectionism by the USA **(1K)** would reduce India's export-led growth / lower exports to the USA as they become more expensive if tariffs are introduced on India's goods and services **(1AN)** • Rising commodity prices **(1K)** will increase cost of production for businesses in India, increasing export prices / reducing the value of exports making goods less internationally competitive **(1AN)** • Supply chain shocks **(1K)** will result in a severe shortages of raw materials causing production delays / increases costs for transportation/businesses in India **(1AN)**	

	Application Up 2 marks for application to Extract A, e.g.: • India is a net exporter of goods / it would negatively impact its export industries, especially IT and pharmaceuticals **(1)** • India is a net importer of commodities / increase the country's rate of inflation **(1)** • Frequent natural disasters, such as cyclones and flooding / and transport disruptions arising from poor road and rail infrastructure **(1)** **Evaluation** Up to 2 marks for evaluative comments (2+0 or 1+1): • The USA may not implement protectionist policies, **(1)** hence this may not constrain India's economic growth **(1)** • Commodity prices are volatile **(1)** and may fall in the future **(1)** • Supply chain bottlenecks may incentivise businesses to source raw materials domestically/protect strategic industries **(1)** hence reducing dependence on other countries **(1)** • India is "well placed" to respond to external shocks in the global economy / India had $676 billion of foreign exchange reserves / fastest real GDP growth rate **(1)** therefore economic growth may not be affected by much **(1)** • It is difficult to identify one external shock that would have a big impact **(1)** it is likely to be a combination of external shocks that would significantly constrain India's economic growth **(1)**	**(8)**

Question	With reference to the last paragraph of Extract B, analyse **two** likely effects of a decrease in the base interest rate on the Indian economy. **Answer**	**Mark**
7(d)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two likely effects and up to 2 marks for linked explanations showing the effects of a decrease in the base interest rate, e.g.: • Increase in consumption/reduction in savings **(1K)** may result in higher inflation **(1AN)** • Increase in investment **(1K)** may result in higher economic growth/employment **(1AN)** • Increase in net trade **(1K)** may result in an improvement in current account **(1AN)**	

	Application Up to 2 marks for application to Extract B, e.g.: • In January 2025 the base rate of interest in India was 6.5% **(1)** • The central bank reduced the rate to 6.25% in February 2025 to 6% in April 2025 / by 0.25 percentage points **(1)** • India's central bank has a target rate of inflation of between 4% to 6% **(1)** • Accurately drawn and labelled diagram showing an increase in Aggregate Demand **(1)**	**(6)**

Question	With reference to the information provided, discuss the supply-side policies that the Government of India plans to introduce to increase the country's rate of economic growth **and** economic development. **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. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (8 marks) – indicative content** • Definition/understanding of supply-side policies • Accurately drawn and labelled diagram showing an increase in LRAS • "Improve the skills of its young workforce" – greater levels of, or more targeted, spending on education and training will increase skills/reduce skills gap and raise human capital, increasing productivity levels, which will increase India's economic growth. Makes workers more employable and increase their per capita incomes, hence economic development: may refer to Figure 1 • "Encourage greater innovation" – increases productivity, leading to lower cost per unit and export prices; new technologies, processes and business models can make industries more efficient and internationally competitive, attracting more FDI in India and resulting in greater potential output. As quality of goods/services increases, living standards will rise: 'economists forecast that per capita incomes will increase by $2 000' • "Investment in infrastructure" – developments to infrastructure through improved transport links and communications will encourage more trade and lead to increased efficiency; reduces transport costs and time hence increases productive capacity of the Indian economy. More jobs will be created increasing income per person, therefore economic development

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- "Cut the high costs of bureaucracy" – lowers the administrative costs for and greater profitability for businesses; greater investment in innovation leading to improvements in productivity and attracting more FDI. Will result in job creation, increasing living standards: 'Simplify the process of obtaining finance for domestic businesses and transnational companies'

N.B. Award maximum of Level 2 if a candidate does not refer to both economic growth and economic development in their answer

N.B. Award maximum of Level 2 for supply-side policies not mentioned in the information provided

</td></tr>
<tr><th>Level</th><th>Mark</th><th>Descriptor</th></tr>
<tr><td></td><td></td><td></td></tr>
<tr><td></td><td>0</td><td>No rewardable material.</td></tr>
<tr><td>Level 1</td><td>1–3</td><td>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.</td></tr>
<tr><td>Level 2</td><td>4–6</td><td>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.</td></tr>
<tr><td>Level 3</td><td>7–8</td><td>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.</td></tr>
<tr><td></td><td colspan="2">

Evaluation (6 marks) – indicative content

- Interventionist policies could increase public expenditure that may have an opportunity cost/have an adverse effect on India's public finances: "The Government set aside a capital expenditure budget of Rs15 trillion for 2025."
- Impact on India's economic growth will depend on the magnitude of the investment in skills and infrastructure
- Significant time lags/implementation lags are involved with these policies
- Government spending can also increase resource/financial crowding out
- Effectiveness of policies in achieving long-term economic growth
  - Improve the skills of its young workforce: it depends on the quality of the education and training programmes; workers may not take up jobs that they have been educated and trained in
  - Encourage greater innovation: success is often uncertain and may take time to materialise, making it risky; lack of skilled workforce
  - Investment in infrastructure: depends on the quality of infrastructure projects undertaken by the government

</td></tr>
</table>

	○ Cut the high costs of bureaucracy: less regulatory oversight may lead to inadequate monitoring and control over business practices

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	In 2023 New Zealand's deficit on the current account of the balance of payments was $27.8 billion. In the same year, Canada's deficit on the current account of the balance of payments was $17.8 billion. Evaluate the possible causes of a current account deficit. Refer to a developed country of your choice in your answer. **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. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (12 marks) – indicative content** • Understanding/explanation of current account deficit • Identification of the components of the current account Causes of a current account deficit may include: • Overvalued/strong currency that may have contributed to the loss of international competitiveness as exports become relatively expensive and imports become relatively cheap • Relatively low productivity means that goods and services are not competitive as export prices would be high due to higher cost per unit of producing goods and services • Low levels of investment in human capital (lack of investment in education and training), that reduces skill levels relative to trading partners and restricts countries from selling high value exports

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Relocation/offshoring of manufacturing industries to countries with low relative unit labour costs and weak regulations as countries are unable to compete with goods produced by relatively low-wage Far East nations
Economic growth leads to high marginal propensity to import as people have more disposable income to consume; this increases imports
A relatively high inflation rate, that makes exports less competitive and imports more competitive
Slowdown in economic growth in other countries/trading partners will reduce their demand for imports and therefore they will buy less of a country’s exports
Deterioration in other elements of the current account (current transfers and investment income)
An increase in protectionism/trade barriers by trading partners

N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer
</td></tr>
<tr><th>Level</th><th>Mark</th><th>Descriptor</th></tr>
<tr><td></td><td>0</td><td>No rewardable material.</td></tr>
<tr><td>Level 1</td><td>1–3</td><td>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.</td></tr>
<tr><td>Level 2</td><td>4–6</td><td>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.</td></tr>
<tr><td>Level 3</td><td>7–9</td><td>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.</td></tr>
<tr><td>Level 4</td><td>10–12</td><td>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.</td></tr>
<tr><td></td><td colspan="2">Evaluation (8 marks) – indicative content</td></tr>
</table>

	• Different factors are important for different countries: e.g. UK has a negative current account balance due to its lower productivity whereas the USA has a strong exchange rate compared to its trading partners • Significance of factors in short-run and long-run: may be short-term only, as when economic growth falls, current account deficits could fall again • Some businesses are returning back/reshoring as labour and transport costs have been increasing in low-income countries. Likely to improve the current account performance in the future • If inflation is similarly high or higher in countries where imported goods originate from, there is no significant change in price competitiveness • Depends on the marginal propensity to import: if the marginal propensity to import is high, then the increase in income due to economic growth will have a larger effect on the current account deficit, since it indicates that imports will vary closely with changes in income • The data provided is for one year only – may not be significant compared to previous years; there is inadequate data to draw conclusions • It is not the overall size of the current deficit that is significant, but how much it is as a percentage of GDP

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	In 2024 there were 10 new joint ventures between local South Korean businesses and transnational companies. Evaluate the likely benefits to a country of joint ventures between local businesses and transnational companies as a means of promoting *economic development*. Refer to a country of your choice in your answer. **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.

QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Knowledge, Application, Analysis (12 marks) – indicative content

- Understanding of joint ventures
- Understanding of economic development

Benefits may include:

- Allows sharing of costs with TNCs – could gain internal economies of scale thus reducing cost of production and export prices, leading to economic growth: this will raise government revenue for investment in human capital/infrastructure
- Local businesses could gain access to resources including technology, human capital and finance – investment in R&D/innovation allows for economic development by improving access to the internet
- Risks are shared, as businesses contribute a portion of the resources needed, lowering financial burden of R&D. The risk of the product and the project failing and having negative impact on profits is lower - businesses will usually undertake more investment in technology and infrastructure, leading to economic development
- Access to newer/wider geographic markets, customer bases and larger distribution networks: increasing output and exports, hence increased employment, incomes and standard of living
- Increase in allocative efficiency – new range of products, lower price and higher quality, making goods attractive in export markets: high demand for exports, hence increased employment, incomes and standard of living
- An increase in government tax revenues that could be spent on health and education, so improving HDI and therefore economic development
- Positive externalities – other local businesses benefit from skill transfer as workers move to their businesses, capital transfer, multiplier effects as workers of the joint ventures spend money in the wider economy leading to higher living standards

N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country in their answer

N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development 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

- Depends on the number and size of the joint ventures taking place – 10 in one year is quite significant and therefore impact on economic development is likely to be large
- Impact depends on the industries that experience a rise in joint ventures and their contribution to the country's GDP
- If joint ventures use large quantities of capital rather than labour, then the improvements in employment/skills/incomes will not be achieved
- It takes time and effort to build business relationships with TNCs; if there are conflicting business objectives it may not enable growth and development, leading to businesses reducing their investment
- Diseconomies of scale – communication and coordination issues may arise; costs increase, and export prices may rise, leading to lower exports
- Success of joint ventures with TNCs depends on business objectives – may not allow businesses to invest in R&D, thus restricting economic development
- A joint venture is only a temporary arrangement with TNCs: once this ends, investment may decrease and hence economic development may not be sustained for a longer time period due to reduced infrastructure/technology spending
- Any extra tax revenues generated from joint ventures may not be used to promote economic development e.g. they may be used on defence
- If tax incentives are offered to the joint venture/TNC this is likely to reduce the tax revenues earned and the ability to improve health and education

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	In 2024 the Government of Guinea decreased the top rate of income tax from 40% to 35%. Evaluate the likely macroeconomic effects of a decrease in the top rate of income tax on a developing country of your choice. **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. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Understanding of income tax/direct tax • Impact on incentives to work: could act as an incentive for Guinea's citizens to take higher paid jobs; more overtime hours worked and/or more promotion opportunities sought by high income earners • Tax revenues: these might be expected to decrease (reference to Laffer curve analysis); increase the country's fiscal deficit and worsen Guinea's public finances • Could cause a decrease in tax evasion (illegal) and tax avoidance (legal); could also lead to a decrease in the number of tax exiles • Reduced income equality: if less tax is collected, then less funds will be available to redistribute incomes to the low-income households, therefore this will increase income inequality • Impact on AD and economic growth, unemployment, and inflation: can be represented by an AD/AS diagram; reference to the multiplier • Worsening of trade balance: decrease in the top rate of income tax would cause a rise in disposable income for top earners and this increases expenditure on imports • Increase in FDI flows: entrepreneurs or senior managers from TNCs would see an increase in their disposable income, assuming they are based in the country for which the FDI was destined **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer** **N.B. Allow negative effects as the KAA and positive effects as evaluation (and 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.
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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

- Depends on the extent of the incentive effects of the decrease in income tax; high income earners in Guinea might not work harder to increase their living standards
- Reference to Laffer curve analysis; impact on tax revenues depends on the overall impact on AD and on economic growth
- Depends on the extent of reduction in tax evasion and tax avoidance; income tax is not the only factor influencing a person's decision on where to live
- Depends on how tax revenues are used by Guinea's Government
- Other fiscal changes may offset the impact of this decrease in the top rate of income tax
- Depends on the elasticity of the LRAS curve/level of spare capacity
- Impact depends on whether there are changes in other components of AD
- Depends on taxpayers' marginal propensity to consume/marginal propensity to import; depends on the PED of imports
- Other factors also affect FDI flows and are not just dependent on changes in income tax, e.g. business confidence, rate of economic growth, interest rate
- Overall impact would depend on how many people in Guinea are affected by the top rate of income tax

	• Magnitude of the decrease in the top rate of income tax – five percentage points is considerable, so effects may be 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.