



Mark Scheme (Results)

October 2019

Pearson Edexcel International Advanced
Level

In Economics (WEC04)

Paper 01 Developments in the Global
Economy

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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

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

Question Number	Assess the case for governments in developing countries stimulating economic growth by promoting joint ventures between local businesses and transnational companies. Indicative content	Mark
1 (a)	<p>Understanding of joint ventures</p> <ul style="list-style-type: none"> • Allows sharing of costs with the TNC's – could gain internal economies of scale (financial, risk bearing, marketing, technical, etc.); lowers the cost of production and export prices, therefore leading to export-led growth • Local businesses could gain access to resources including technology human capital and finance – investment in R&D / innovation: often allow growth without having to borrow funds; higher investment leads to greater economic growth • Risks are shared as firms contribute 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 - firms will undertake more investment, leading to more economic growth • Access to newer/wider geographic markets, customer bases and distribution networks; therefore increasing output and exports • Increase in allocative efficiency – new range of products, lower price and higher quality making goods attractive in export markets • Increase competitiveness of the economy: local businesses can achieve external economies of scale – e.g. can benefit from sharing secretarial and administration facilities <p><i>Evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>It takes lot of time and effort to build business relationship with TNCs; if there are conflicting business objectives it may not enable growth: leading to firms lowering their investment</i> • <i>Diseconomies of scale – communication and coordination issues may arise; costs rise and export prices may rise, leading to low exports</i> 	

	<ul style="list-style-type: none"> • <i>A joint venture is only temporary arrangement with TNCs: once this ends investment may fall and therefore economic growth may not be sustained for a longer time period</i> • <i>Depends on the number and size of the joint ventures taking place with TNCs</i> • <i>Success of joint ventures with TNCs depends on business objectives – it may not allow firms to invest, thus leading to lower economic growth</i> <p>NB Award maximum of 12 marks (Level 4) if a candidate does not link to economic growth</p>	(15)
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Question Number	Evaluate strategies, other than promoting joint ventures that a government in a <i>developing</i> country might use to increase <i>economic development</i> .	Mark
1 (b)	<p>Indicative content</p> <p>Understanding of economic development</p> <p>Government strategies include:</p> <ul style="list-style-type: none"> • Protectionist policies • Managed exchange rates • Developing human capital • Improvements in education • Training and apprenticeships • Infrastructure development <p>Candidates may also offer diagrammatic analysis to support their answer/arguments</p> <p><i>Evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>Assessment of the significance of the policies considered in analysis</i> • <i>Prioritisation of the points made that are supported by reasoned arguments</i> • <i>Problems of each of the policies discussed</i> • <i>Contrast on the effectiveness of policy given between different countries</i> • <i>Different countries have different impacts of the policies they implement on development</i> • <i>Cost to governments in terms of worsening fiscal deficits and national debts – at least in the short term</i> <p>NB Award maximum of 20 marks (Level 4) if candidates do not refer to a developing country in their answer</p>	(25)

Question Number	Assess the likely causes of changes in income inequality <i>between</i> countries of your choice. Indicative content	Mark
2 (a)	<p>Understanding of income inequality</p> <p>Possible causes might include, changes in:</p> <ul style="list-style-type: none"> • Globalisation • Labour flight • Skills and training • Government policy: changes in taxes or welfare payments • Civil wars / conflicts • Different levels of infrastructure • Corruption / weak or ineffective institutions • Foreign trade relationships and membership of trade blocs • Different levels of education / qualifications • Sectoral make-up of the economy (including tourism / industrialisation) • Resource endowment (quality and quantity of factors of production) leading to different levels of growth <p><i>Evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>Prioritisation of factors</i> • <i>Significance of factors over time</i> • <i>Different factors will be more important between different economies</i> • <i>It may be difficult to assign exact causes, as many of these factors may be in play at the same time</i> <p>NB Award a maximum of 12 marks (Level 4) if a candidate does not refer to countries in their response.</p>	(15)

Question Number	To what extent are strategic reasons the main cause for imposing restrictions on free trade?	Mark
2 (b)	<p>Indicative content</p> <ul style="list-style-type: none"> • Understanding of protectionist trade barriers • Candidates may draw a tariff diagram, and/or may use AS/AD analysis <p>Strategic reasons are a main cause:</p> <ul style="list-style-type: none"> • Particular product/industry might be of strategic importance to a country, e.g. steel and aluminium • Protectionism may be justified on grounds that it is keeping an industry alive which plays a key part in the economy (due to political or social reasons) • Protect them in time of crisis or war where their supplies are easily cut off (due to military reasons) <p><i>But: it could lead to retaliation from countries on similar grounds as many have previously avoided using this as a reason for protectionism; unlikely that a country which goes to war or in crisis could be cut off from all supplies; countries say that US is using it as an excuse to increase protectionism</i></p> <p>Other reasons for restrictions could include:</p> <ul style="list-style-type: none"> • To protect employment in their industries • To help to maintain a diversified base in the country: reduce risks by protecting it against exogenous shocks • To raise tariff / tax revenue • To prevent dumping by other countries • To protect essential or strategic industries • To manage decline of senile / sunset industries: giving them time to restructure and rationalise • To protect infant / sunrise industries: perhaps firms in the country need time to grow to gain economies of scale to be able to compete • To improve the current account position on the balance of payments <p><i>Evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>Prioritisation of different reasons</i> • <i>Significance of the size of the protectionist measure put in place (tariff of 25% on steel and 10% on aluminium is quite substantial)</i> • <i>Depends if every country has been affected by these restrictions. E.g. Canada exempt</i> • <i>Consideration of extent to which the sectors are part of a strategic industry for the US</i> • <i>Tariff revenue is a very small proportion of total government revenue in the US; this is likely to be important in developing nations</i> 	(25)

Question Number	Assess the view that a structural fiscal deficit is a more serious issue for a country than a cyclical fiscal deficit. Indicative content	Mark
3 (a)	<ul style="list-style-type: none"> • Meaning of structural fiscal deficit: estimate of how large the deficit would be if the economy was operating at a normal, sustainable level of employment and activity • Meaning of cyclical fiscal deficit: usually caused by a deficiency in aggregate demand e.g. when the economy is in recession • Structural deficit could be permanent if no measures are taken to reduce/eliminate it • This would imply continuous fiscal deficits and an increasing national debt • Analysis of problems of a rising national debt include: <ul style="list-style-type: none"> ~ crowding out ~ reduction in credit rating ~ cost for future generations ~ cost implications of servicing the debt ~ danger of increased inflationary pressure • Cyclical deficit likely to be temporary • Cyclical deficit may be necessary to generate economic growth during a recession <p><i>Evaluative comments may include:</i></p> <ul style="list-style-type: none"> • <i>Prioritisation of factors</i> • <i>Significance: structural deficit is a little smaller than the overall deficit. The remaining 'cyclical' part of the deficit would disappear automatically as the economy returns to trend rate of growth</i> • <i>Asymmetric information – it is hard to know precisely what the sustainable level would be, so these estimates are always uncertain</i> • <i>Depends how large either type of deficit is (both in money terms and as a percentage of GDP) and how long they last for</i> • <i>Cyclical deficit might have a long-term effect on the national debt</i> • <i>May require tax rises/cuts in public expenditure</i> • <i>Might not be easy to determine whether debt is structural or cyclical</i> 	(15)

Question Number	Evaluate the likely economic effects of a reduction in public expenditure as a proportion of GDP in Venezuela or another country of your choice. Indicative content	Mark
3 (b)	<ul style="list-style-type: none"> • Understanding of public expenditure • Understanding that substantial fall in the share of GDP accounted for public spending suggests that the level of public spending has fallen <p>Possible effects could include:</p> <ul style="list-style-type: none"> • If spending on infrastructure/education/health is cut, the productive potential of the economy/ aggregate supply may fall • Government spending is a component of AD: could lead to a negative multiplier effect • Possible negative effects on growth, employment, average incomes and standard of living • Income inequality increases as austerity measures may reduce transfer payments • Less productivity in the public sector • Lower quality/quantity of public services • Less inflationary pressures • Less resource and financial crowding out • Government budget balance may improve / less borrowing required / the economy may be able to begin to repay national debt <p><i>Evaluative comments could include:</i></p> <ul style="list-style-type: none"> • <i>Significance depends on how much public expenditure decreases by, and how great a component of AD it was to start with</i> • <i>Size of the multiplier effect</i> • <i>Public expenditure may still rise, it may be that GDP increases at a faster rate</i> • <i>Effects on the real economy depend on level of spare capacity in the economy</i> • <i>If tax revenue also falls, government budget balance may not improve</i> • <i>Less crowding out could mean AD does not fall; private investment and consumption increase</i> • <i>It depends on what areas spending is cut</i> • <i>If spending on benefits/transfer payments is cut, individuals may have more of an incentive to work, leading to a decrease in unemployment</i> <p>NB Award a maximum of 20 marks (Level 4) if a candidate does not refer to Venezuela or another country in their response</p> <p>Candidates may take positive effects as KAA and negative effects as EV (and vice versa)</p>	(25)

Question Number	With reference to the information provided, explain what is meant by <i>absolute poverty</i> . Answer	Mark
4(a)	<p>Knowledge:</p> <p>Absolute poverty – not being able to afford a basic bundle of goods and services necessary for survival, e.g. food, clothing, shelter (2)</p> <p><u>OR</u> when individuals earn less than a fixed amount per day PPP \$1.90 / accept between \$1 and \$2 (2)</p> <p>Application (1+1 marks):</p> <ul style="list-style-type: none"> • farmers to escape from absolute poverty (1) • impact on reducing absolute poverty may not be significant (1) <p>2 marks for knowledge; 2 marks for application / data references</p>	(4)

Question Number	With reference to Figure 1 and Extract 1, evaluate the likely economic benefits of fair trade schemes to developing countries.	Mark
4 (b)		(16)
Knowledge, application and analysis – indicative content		
	<ul style="list-style-type: none"> Higher prices paid to farmers: increasing average incomes and standard of living, and reducing rates of absolute poverty – use of Figure 1, e.g. fair trade income per farmer has increased Guaranteed minimum prices agreed in advance: give producers more confidence, allowing them to plan future output – “give farmers a guaranteed minimum price” Smaller price fluctuations: allowing farmers to be protected from market forces; therefore increased ability to plan future employment and investment – “primary products that are subject to price volatility” / “reduced the risks associated with external shocks” Additional income can be spent on improving the level of human capital, technology or infrastructure. This would increase human development – Figure 1 e.g. income spent on education and health has risen by 4% points / “enabled them to pay for healthcare and education for their children” Helped reduce gender inequality – Figure 1 shows an increase in participation of women More income to improve quality of their products and add value differentiating from other businesses – “this extra income to improve the quality of their products” Fair trade prices can help farmers to diversify into new products: move up the value chain – “develop new products” 	
Level	Mark	Descriptor
Level 0	0	A completely inaccurate response.
Level 1	1-3	Shows some awareness of the likely economic benefits to developing countries of fair trade schemes. Material presented is often irrelevant and lacks clear organisation. Frequent punctuation and/or grammar errors are likely to be present and writing is unclear
Level 2	4-6	Understanding and explanation of the likely economic benefits to developing countries of fair trade schemes. 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 clarity and coherence

Level 3	7-8	Clear understanding and explanation of likely economic benefits to developing countries of fair trade schemes 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
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Evaluation – indicative content		
	<ul style="list-style-type: none"> • High costs of labelling: farmers incur an increase in cost of production; opportunity cost – “farm owners can pay up to €2 000 to apply for certification” • Farmers are often unable to sell all of their harvest as fair trade certified – “the minimum prices for fair trade products are high, sales will be low” • Difficulty in setting a fair trade price – “minimum price of the fair trade products is low ... reduction of absolute poverty will be insignificant” • Depends on how much of the extra money paid by the end consumer reaches the farmers; much may be kept by the retailer • Guaranteeing minimum price provides no incentive to increase quality or diversify into other products • Restrict economic development – “limit economic ... expanding the manufacturing sector” • Distortion of market forces: if fair trade farmers are paid higher prices, it will lead to an increased supply being sold on the global market as it could signal farmers “producers will enter the market”. As demand for primary products is price inelastic, a rise in supply means a large fall in market price, so while minority of fair trade farmers get a higher price, far more receive a lower price • Raises inequality between farmers who sell certified products and those who sell uncertified products • Could create a dependency culture as the farmers become reliant on the extra earnings received 	

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	Analyse two problems the governments of low-income countries might experience when attempting to develop 'their manufacturing sectors' (Extract 1, line 33). Answer	Mark
4(c)	<p>Knowledge and analysis of 2 reasons (up to 6 – 2 reasons x 3 marks each):</p> <p>Identification of issue (1) + development (up to 2):</p> <ul style="list-style-type: none"> • Lack of access to skilled labour: low human capital and low levels of productivity of workforce • Low capital investment: developing countries will have to self-finance or take out large scale loans for building infrastructure required for manufacturing • Increased imports of machines from developed countries that are needed by industries: increases the foreign exchange gap/current account deficit • Lack of comparative advantage in manufacturing sector – less specialisation and trade in the long run <p>One application from Extract 1: “fair trade schemes limit economic development if low income countries are encouraged to focus on producing primary products rather than expanding their manufacturing sectors” (2)</p>	(8)

Question Number	With reference to Extract 2, assess the role of NGOs in promoting economic development.	Mark
4 (d)		(12)
Knowledge, application and analysis – indicative content		
	<p>Understanding of the role of NGOs</p> <ul style="list-style-type: none"> • “Community-based development” – supporting communities in taking control over small scale projects using the skills available and therefore becoming self-reliant • “Sustainable development programmes” – carry out environmentally sustainable projects without compromising the needs of the future generations; balance social, economic and environmental needs • “Microfinance” – allowing poor families with credit to assist them in engaging in productive activities, diversifying their products, reducing their exposure to external shocks: allowing for investment in both technology and infrastructure • “Support local businesses to provide training services” – NGOs may give aid to improve skills and human capital allowing for more productive employment, which improves living standards 	

Level	Mark	Descriptor
Level 0	0	A completely inaccurate response.
Level 1	1-3	Shows some awareness of the role of NGOs in promoting economic 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 role of NGOs in promoting economic development. 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 role of NGOs in promoting economic development 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		
		<ul style="list-style-type: none"> • NGOs not effective in promoting development – only governments can put in place structures to influence living standards of the people • NGOs are criticised for being community biased and are not impartial – blame the governments of richer countries, and the WTO, for the issues faced by developing countries • Scale of economic development may be limited in comparison to the functions performed by the IMF and the World Bank • Some NGOs have very little coordination with the governments of countries where they are operating – wastage and duplication of scarce resources • NGOs spend most of their money on advertising campaigns and administration costs rather than helping people in the developing world
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 that are supported by relevant reasoning.

Question Number	With reference to the second paragraph of Extract 1, explain what is meant by an appreciation of the <i>won</i> . Answer	Mark
5 (a)	<p>Knowledge:</p> <ul style="list-style-type: none"> • Appreciation is when the external value of the <i>won</i> rises in terms of another currency (2) <p>Application (1+1 marks):</p> <ul style="list-style-type: none"> • increased 4% against the US dollar (1) • stronger <i>won</i> will keep inflation low (1) <p>2 marks for knowledge; 2 marks for application / data references</p>	(4)

Question Number	With reference to Figure 1 and Extract 1, evaluate the case <i>against</i> an increase in South Korea's base interest rate in 2017.	Mark
5 (b)		(16)
Knowledge, application and analysis – indicative content		
	<p>"the Bank of Korea raised the economy's base interest rate for the first time in more than six years, from 1.25% to 1.5%"</p> <p><u>Case against:</u></p> <ul style="list-style-type: none"> • Increase in interest rate would attract hot money flows and increase the external value of the <i>won</i>. In turn exports become relatively more expensive and this will reduce (X-M) – restricting growth as South Korea has previously witnessed a steady economic growth due to "increase in the country's exports" • Increase in interest rate will increase firms cost of production and this will limit investment. This would lead to a fall in AD and lower inflation, thereby away from its inflation target of 2% - Figure 1 highlights that inflation has been below target (2014-2017) • Households debt will increase as they will have to repay back more interest on their borrowings – they have taken out loans from "internet-based lenders" • Interest rate has only increased by 0.25% points, might not have much of an effect on the economy • Bank of Korea does not use quantitative easing to support interest rates, so therefore the effects may not be as significant 	

Level	Mark	Descriptor
Level 0	0	A completely inaccurate response.
Level 1	1-3	Shows some awareness of the case against an increase in South Korea's base interest rate in 2017 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 case against an increase in South Korea's base interest rate in 2017. 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 the case against an increase in South Korea's base interest rate in 2017 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.
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Evaluation – indicative content		
	<p><u>Case for:</u></p> <ul style="list-style-type: none"> • “South Korean economy was in a strong position to absorb the higher interest rates”, so would not slow down economic growth and/or inflation: Figure 1 • Increase in interest rate would increase cost of borrowing for households and increase reward for savings; they will reduce borrowing and are likely to reduce their debt – Figure 1 • Increase in interest rate would increase hot money flows and raise the external value of the <i>won</i>. In turn imports become relatively cheaper which will lower firms’ costs of production and allow them to become internationally competitive if they lower price • It would remove any uncertainties related to policy decisions – reducing risks and allowing firms to plan future investment, employment and output 	

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	With reference to the information provided and your own knowledge, assess the macroeconomic effects of an increase in direct taxes, such as capital gains tax, on the economy of South Korea.	Mark
5 (c)		(12)
Knowledge, application and analysis – indicative content		
	<ul style="list-style-type: none"> • Impact on the incentives to work: could act as a disincentive to take higher paid jobs; workers may be less willing to seek promotion / they could work less overtime hours – would not want to purchase another property <p><i>But it depends on the extent of disincentive effects of the higher tax rate as the tax applies to wealthy individuals and areas</i></p> <ul style="list-style-type: none"> • Reduction in FDI flows as it would “reduce the amount of South Korean government stocks and company shares held by foreign investors” <p><i>But does not apply to foreign buyers as “proposed increase in the capital gains tax rate might be delayed”</i></p> <ul style="list-style-type: none"> • Consumption likely to decrease: household debts can be reduced as the interest rate has risen from 1.25% to 1.5% - “could fall substantially if the economy slows and interest rates rise” <p><i>But depends on marginal propensity to consume and how many wealthy individuals are affected by the tax as the country has an ageing population</i></p> <ul style="list-style-type: none"> • Impact on AD and growth, unemployment and inflation – represented by an AD/AS diagram and reference to Figure 1 <p><i>But if savings are reduced to pay for the higher rate of tax, then the effects will be minimal</i></p> <ul style="list-style-type: none"> • Tax revenues/public finances: these might be expected to increase (reference to Laffer curve analysis) <p><i>But depends at what rate of tax that tax revenues are maximised and how high the tax rate would be – “substantial increases in capital gains tax”</i></p> <ul style="list-style-type: none"> • Could cause an increase in tax evasion (illegal) and tax avoidance (legal) <p><i>But depends on powers of tax authorities to collect taxes; extent of tax evasion and tax avoidance</i></p>	

	<ul style="list-style-type: none"> • Might cause an increase in number of tax exiles <p><i>But direct taxes, such as capital gain tax, are not the only factor which influence a person's decision on where to live</i></p> <ul style="list-style-type: none"> • Increased income equality: when the tax system is more progressive, taxes collected to redistribute incomes to the poor will lower inequality <p><i>But depends on how tax revenues are used and whether other fiscal changes offset the impact of higher marginal tax rate</i></p> <ul style="list-style-type: none"> • Improve trade balance as it will lower disposable income and consumption; therefore fall in marginal propensity to import and hence imports 	
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Level	Mark	Descriptor
Level 0	0	A completely inaccurate response.
Level 1	1-3	Shows some awareness of the macroeconomic effects of the increase in direct taxes 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 macroeconomic effects of the increase in direct taxes. 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 macroeconomic effects of the increase in direct taxes with appropriate application to the 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		
	<ul style="list-style-type: none"> • See above 	

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	With reference to Figure 1 and Extract 3, analyse two likely economic problems of an ageing population. Answer	Mark
5 (d)	<p>Knowledge and analysis of 2 reasons (up to 6 – 2 reasons x 3 marks each):</p> <p>Identification of a reason (1) + development (up to 2):</p> <ul style="list-style-type: none"> • “Labour shortages”: there will be low participation rates and shortage of workers could drive up wages, leading to wage inflation • “Social welfare responsibilities”: older proportion of South Korean’s would require the government to increase spending on health care / pensions, whilst older people pay lower income taxes as they are not working; worsens fiscal position • Could lead to a rise in dependency ratio: workforce will experience rise in income tax in order to support older population. This creates disincentives to work and will discourage firms to invest - therefore there could be fall in productivity and growth “economy’s real GDP may fall considerably” <p>One application: Use of Figure 1:</p> <ul style="list-style-type: none"> • Population aged over 65 as a percentage of the total population has increased by 1.5 percentage points between 2014 and 2017 (2) 	(8)

Section A Part (a) Questions: Performance Criteria for Mark base 15		
Level 0	0	<ul style="list-style-type: none"> No rewardable material
Level 1	1-3	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> No rewardable material
Level 1	1-5	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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.