Examiners' Report
June 2015

GCE Economics 6EC04 01

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications come from Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk.

Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

ResultsPlus

Giving you insight to inform next steps

ResultsPlus is Pearson's free online service giving instant and detailed analysis of your students' exam results.

- See students' scores for every exam question.
- Understand how your students' performance compares with class and national averages.
- Identify potential topics, skills and types of question where students may need to develop their learning further.

For more information on ResultsPlus, or to log in, visit www.edexcel.com/resultsplus.
Your exams officer will be able to set up your ResultsPlus account in minutes via Edexcel Online.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk.

June 2015

Publications Code UA041305

Introduction

This was the sixth examination paper for the 2008 syllabus.

Candidates were required to answer one essay (from a choice of three) and one data response question (from a choice of two).

The demands of this paper appeared to be similar to those of the paper in 2014.

In Section A, question 1 relating to population issues was the most popular (50%) followed by question 3 on trading blocs (32%) with question 2 on public finance issues being the least popular.

As with the 2014 paper, a particular weakness apparent in answers to 5(a) was an inability on the part of many candidates to interpret index numbers correctly. A facility to interpret data will become more important in the new specification when quantitative skills become a key element of the assessment.

As previously seen, some candidates inadventently penalise themselves with poor handwriting. Illegibility appears to be becoming a more serious problem and centres should be advised to remind their candidates that answers which cannot be deciphered may not achieve the marks which the content may merit.

Overall, the paper proved to be accessible for the vast majority of candidates with nearly all candidates able to access marks on most questions. While less impressive answers contained superficial and/or inaccurate analysis, those at the high end were characterised by analysis showing clear chains of reasoning; a clear knowledge and understanding of current economic issues and evaluation demonstrating the ability to think critically.

Question 1

This question appeared to be the most popular of the three essays questions available.

In part (a), surprisingly few candidates were able to provide a convincing and effective analysis and evaluation of at least three effects of rapid population increases in developing countries. There was often a degree of repetition of points and sometimes no references to examples of developing countries to illustrate particular points.

In part (b), most answers included a discussion of at least two relevant policies with stronger responses including a range of policies relating to both the size and productivity of the working population. A weakness in some answers was a lack of rigour and coherence in the analysis. A further problem in some answers was that a minority of candidates related their arguments to *developing* economies rather than to *developed* economies as specified in the question.

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: Question 1 ☒ Question 2 ☐ Question 3 ☐

Plan senegal

↑ pop = faster than GDP = ineq

√ ↑ pop = infrastructure - more people to house ↓ living st

↑ pop = imports ↑ = BoP def

↑ pop = education crowding - ↓ quality healthcare

(a)

An increasing population in developing countries such as Senegal would have a large economic impact.

Firstly, if population is increasing rapidly ~~faster than GDP then this will cause~~ then this may cause housing issues in developing countries. This is because due to more people there will be a higher demand for houses which will cause ~~lots o~~ the house prices to increase, but due to low incomes and low GDP there ~~will be~~ many people will be unable to afford to buy a house and will be homeless, due to this there will be a lack of development and there will be ~~in the country which will~~

an ~~decrease~~ increase in ~~AD because~~ ~~aggregate demand.~~ absolute poverty

~~to~~

However, a problem like this will alert the government who could introduce ~~sub~~ housing subsidies, this will make houses more affordable for people which will help people afford houses, this will help to reduce absolute poverty in a developing country such as Senegal.

A rapid increase in population will lead to an increase in imports, ~~such as~~ ~~goods~~ of goods ~~and~~ such as food and cars. An increase in imports will lead to a balance of payments deficit which is difficult to sustain in the long run. Due to this debt government would have to take an opportunity cost and decrease public expenditure in order to help the deficit which could lead to ~~an~~ increased poverty due to lack of funding in areas such as education

However, an increase in population may lead to new ways of specialisation or entrepreneurship. ~~due to more peop~~

if this is the case then this could lead to a developing country finding its comparative advantage to increase exports, increase sales and help to balance out the balance of payments, this could also lead to an increase in GDP which will cause ~~development~~ development in the country.

An increasing population in a developing country such as Senegal ~~will~~ may lead to education problems, this is because there will be too many children compared to a lack of schools. This would mean that classes will be overcrowded causing a decrease in the quality of education, this will lead to a lack of skills in the future for these children which in turn would lead to lower GDP and a halt in development.

However, the population may be ageing, this would mean that in the long run population would decrease which would help to resolve the problem of increased imports which would mean ~~that~~ in the long run ~~GDP~~ the balance of payment will be in a better state.

Another impact ~~is~~ ~~that~~ of increased population is increased pressure on healthcare e.g. overcrowded hospitals, leading to longer waiting time and a decrease in the overall ~~effect~~ quality of service, this would cause ~~an~~ ~~decrease in~~ increase in the number of people who may die from not so serious diseases due to the lack of proper treatment

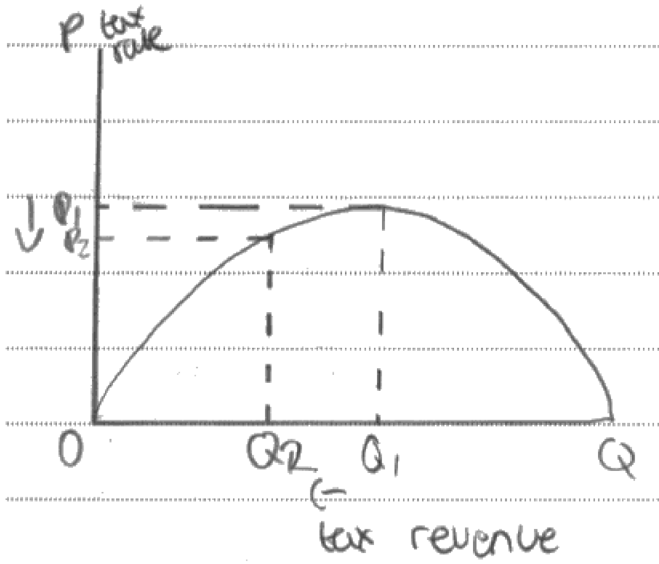
(b) plan - min wage, ↓ tax ~~lesser~~ lesser, education, training, ~~health~~, ↓ benefits

In a developed country ~~sho~~ such as the UK there are many policies that a government may persue in order to increase the size and productivity of it's working population ~~in a developed country such~~

Firstly the government may introduce a ~~minimum~~ minimum wage, this ~~is~~ would ensure that workers arent exploited and earn a decent wage. A minimum wage would help to increase the size ~~of the~~ ~~to~~ of the worksforce as more people will be willing to work, also this will increase productivity as people will work harder knowing they are earning good money, this will result in increased GDP.

However, a minimum wage could lead to a decrease in ~~the workforce~~ the international competitiveness of domestic firms as there marginal costs will be very high. So, inturn this may decrease the size of the worksforce as domestic firms would have to fire staff in order to ~~cut~~ cut costs and keep their competitive edge.

A second policy a government could persue is ~~an~~ decrease in tax, this would increase the size of the workforce as people will be more willing to work ~~in order to i~~ knowing that there net wage and disposable income will increase. This will also increase productivity as people will work harder ~~knowing~~ and be happier knowing they ~~are~~ have more disposable income.
However a decrease in tax will lead to a decrease in the ~~gov~~ goverments tax revenue, which is an opportunity cost as they wont have the funds to spend on ~~a~~ ~~more~~ public goods



~~a~~ Another policy is to decrease benefits, by doing this ~~gover~~ the workforce would expand as there would be a new incentive to work following a decrease in benefits and the prospects of working to earn more money. Doing this would ~~would as~~ ~~ensure that~~ increase GDP due to more people working and earning an income. Also it will increase tax revenue to ~~help~~ ~~the~~ increase funds for public goods such as healthcare.

However, some people are disabled or have diseases that mean they can't work, so by decreasing benefits disabled people and people with diseases would end up in poverty.

Another policy government could persue is increasing spending on education, by doing this students ~~team~~ will have a better quality of education which will lead to increased skills when they finish education, this would help to increase the size of the workforce as there would be more people ~~to~~ able to take highly paid jobs. This would also increase tax revenue as more people would be working so more people will be paying tax.

Another policy is to increase spending on healthcare. this would help to increase the productivity of the workforce as when people get ill they take time off work which reduces productivity, but with ~~more~~ improving healthcare e.g. the NHS there will be shorter queue's, more doctors and more hospitals, so people can be seen by a doctor more quickly so reducing the time they take off work and improving productivity.

However, there is an opportunity cost involved with increased spending on healthcare and training as government could also spend the money on improving transport links or ~~to~~ build more houses etc.

ResultsPlus
Examiner Comments

Part (a): This is an example of an answer which identified several issues e.g. pressure on housing, schools and healthcare but included little by way of analysis and evaluation. Consequently, it was awarded the lowest mark in Level 2: 8/20.

Part (b): The answer contained reference to several relevant polices but only the first on the introduction of a minimum wage and the third concerning a decrease in benefits were explained. The others went little further than an identification of appropriate policies.

ResultsPlus
Examiner Tip

Greater precision and rigour in analysis would have enabled the candidate to achieve a higher mark. For example, it is stated that 'a decrease in tax would increase the size of the workforce'. However, there should really have been a reference to a decrease in *income* tax followed by a chain of reasoning which analysed the likely impact of such a decrease in income tax. This answer was considered to be just worth a Level 3 mark (16/30).

Question 2

This question appeared to be the least popular question, however it proved to be just as accessible as the other essays on the paper.

In part (a), the majority of candidates struggled to identify three reasons why a rise in the national debt might or might not be a cause for concern. Too many answers focused solely on second round effects such as the need for a government to raise taxes and their consequences. A minority of candidates confused a national debt with a balance of payments deficit on current account.

Part (b) drew a range of responses with most being able to discuss at least one impact of a rise in VAT and one effect of a cut in welfare payments. The best responses considered possible impacts on income distribution, incentives to work and on macroeconomic variables. A minority of candidates misinterpreted welfare payments as referring to overall expenditure on health and education.

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 1** ☐ **Question 2** ☒ **Question 3** ☐

2 a) The national debt of a country is it's accumulation of all total past government borrowing, and has increased significantly for many countries since the global credit crunch in 2008.

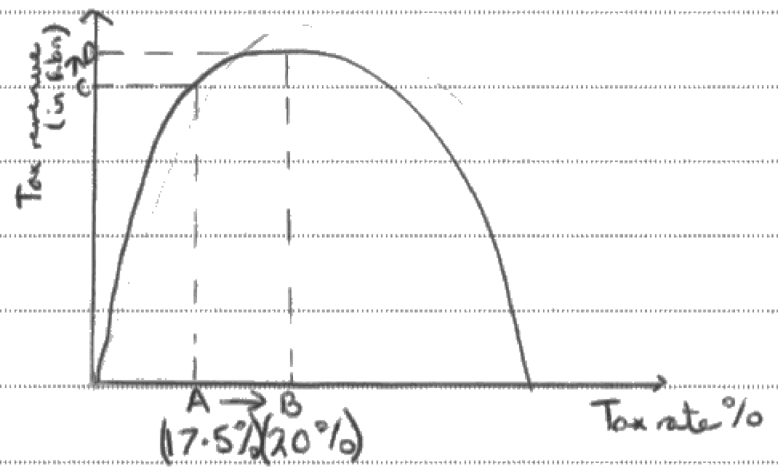
The public sector national debt may be a huge cause for concern when it comes to the needs of future generations having to make repayments with interest, as this could severely compromise their standards of public services due to the fact that a large proportion of the government budget would have to be spent on outstanding debts. In particular, health and education services could see a significant decline which may have disastrous consequences of lower levels of human capital, resulting in a drop in productivity of the workforce, putting the nation's international competitiveness at serious risk. However, on evaluating this, currently in the EU interest rates have remained at or around 0% over the past year as a result of low levels of inflation (currently at 0.3% in EuroZone, and hence if this continues interest repayments won't in fact be a major cause for concern. For instance, the current interest rate in the UK is, and has been since 2009, at 0.5%.

Secondly, if the rise in national debt reaches an unsustainable point, as in the case of Greece, it may lead to a fear of default for a member of the European Union. Greece currently have huge outstanding payments to be made to the International

Monetary Fund, and unless the economy undergoes significant reforms, Greece may be forced to default on the Euro and have to leave the European Union. Evaluatively, this is not a fair representation of the entire EU, as the majority of nations have seen a much smaller relative increase in their national debts and apart from mainly Italy and Greece, their national debt's are below 100% of GDP.

Thirdly, if the rise in national debt is reaching an unsustainable point, the nation may have to force a rise in taxes, which could lead to major disincentive effects through the economy on investment if corporation tax is raised, and on consumption if income tax were to be raised. This may be due to the workforce being less willing to do overtime or less willing to seek promotion, as their major marginal income will be significantly lower. Evaluatively, employees may instead work harder simply to maintain their standard of living, and on top of this the incidence of the change in tax largely depends on how big the change is, and which tax bands are affected.

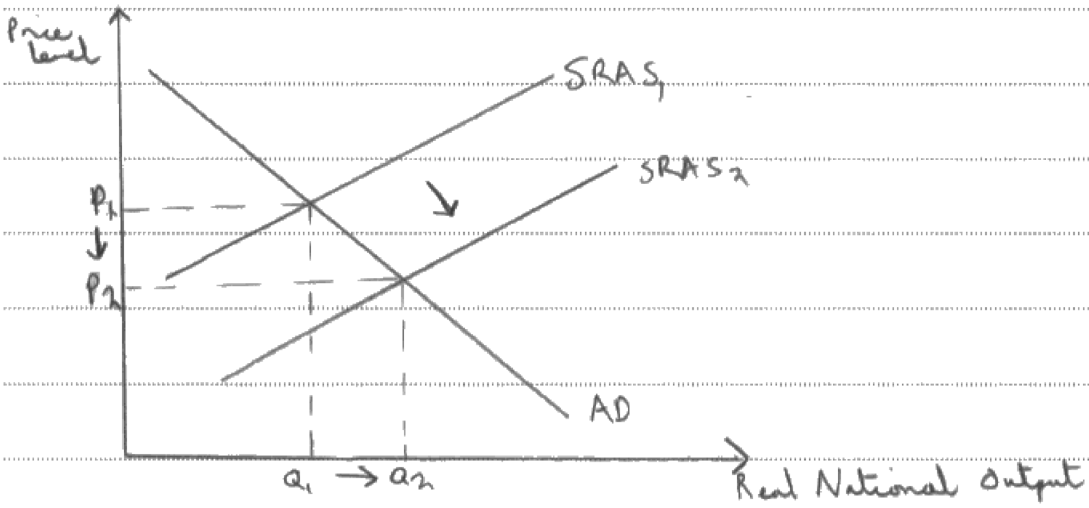
b) One impact of an increase in indirect tax may that the government will see an increase in overall receipts and tax revenue. For example, in 2011 the UK's rate of VAT rose from 17.5% → 20% and the impact of this can be shown through the Laffer Curve:
(Indirect taxes are taxes levied on expenditure, and have an immediate impact of improved tax receipts for the government, as it is impossible to escape VAT domestically).



As the curve shows, by increasing the tax rate, overall tax revenue will rise, easing the budget deficit of the UK, which is currently at around 4.4% of GDP. Evaluatively, this assumes that domestic demand for UK goods and services is largely price inelastic to demand, which may not be the case across all industries, and also the effect of this hugely depends on where we are on the Laffer curve, as 20% may not in fact be the optimal rate of tax.

Furthermore, the incidence of VAT is broadly regressive - the proportion paid in tax falls as income rises, and this means that it tends to have a much greater effect on the poor as it takes out a larger proportion of their disposable income. As a result of this, it could be seen that this rise in indirect tax worsens the distribution of income, making it less equitable, and as the gini co-efficient has risen over recent years to roughly 0.37, it could be argued that inequality would worsen even more. On evaluating this, the government may simply choose to accept this as an outcome due to the current prioritisation of balancing the budget deficit, hence making inequality simply a secondary issue. However, the government could instead pursue rises in direct taxes, such as the higher bands of income tax, in order to 'kill two birds with one stone' - attempt to restore equality whilst increasing the figures on tax receipts.

This year the UK has undergone major cuts in welfare payments, as for instance the benefits cap has been lowered per annum from £25000 to £23000. An expected economic reform to come from this is an incentive for the unemployed to find work, due to their disposable income having fallen, and this would have the desired effect of increasing the size of the workforce, thus increasing aggregate supply:



On the other hand this may be seen as a very unjust measure by paying the poor less to try and make them work harder, and on top of this, the majority of these people will have a low skillset, unable to contribute much to the productivity of the workforce. Also it is worth noting that unemployment in recent years has largely fallen in the UK, and there may be little slack left in the economy for further job increases.

Finally, cuts in welfare payments could have a detrimental effect on the human capital in the economy in ~~the~~ the long run. For example, If a single disabled parent has faced a fall in welfare payments, and is still unable to find a job, this may mean that they are unable to fund any substantial education fees, leading to possibly even lower productivity levels in the long run. However, this depends on how significant the cut in welfare payments is, as if it is only a small cut it is unlikely to have any major impact on long term productivity.

ResultsPlus

Examiner Comments

Part (a): This was a sound answer which identified and explained three possible causes of concern associated with a rise in the national debt. Although there was some evaluation, this could have been developed more fully. The candidate did, however, demonstrate a good knowledge of current economic data.

Part (b): Again, this was a well-structured answer which examined four possible consequences, although the last was less well-developed both in terms of analysis and evaluation. As with part (a), a good understanding of current economic issues was demonstrated.

ResultsPlus

Examiner Tip

The answers to both parts of this question demonstrate how knowledge of current economic issues and data can enhance the quality of an answer.

Question 3

This was the second most popular question and the majority of candidates were able to include relevant points in both parts of the essay. In part (a) there was often a good discussion of trade creation and trade diversion but the best responses applied the concept of comparative advantage effectively and accurately. The impact on foreign direct investment was also considered by many candidates but often only superficially.

In part (b), the best responses considered critically the possible impacts on the UK economy's macroeconomic variables, supported by evidence from the recent debate surrounding this issue. In contrast, weaker responses often consisted of little more than a superficial outline of possible economic effects on the UK economy.

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 1** ☐ **Question 2** ☐ **Question 3** ☒

a) Plan

Trade Creation
- however
TP
EU New 2

'immigration
- however problems

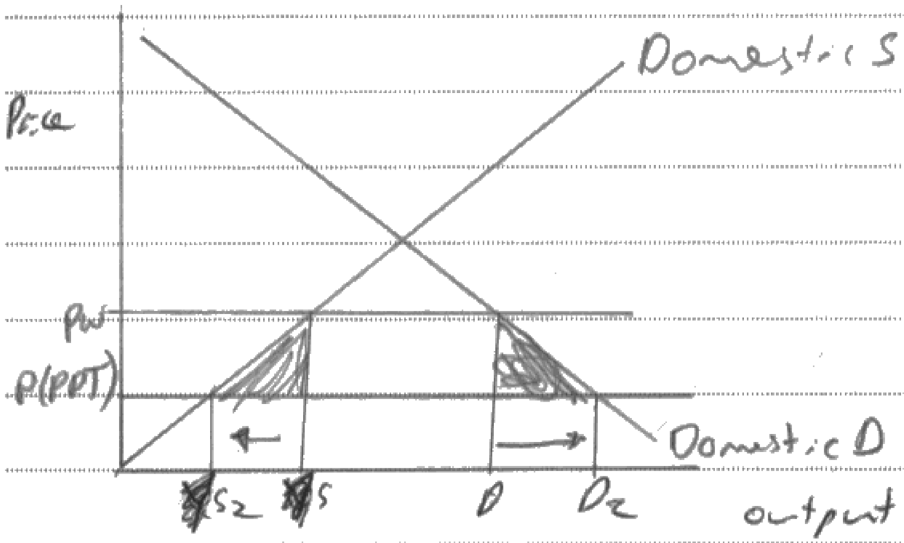
↑ FDI Malaysia
- however
One do badly brings are down.

= econ growth

Examine the potential benefits of TB

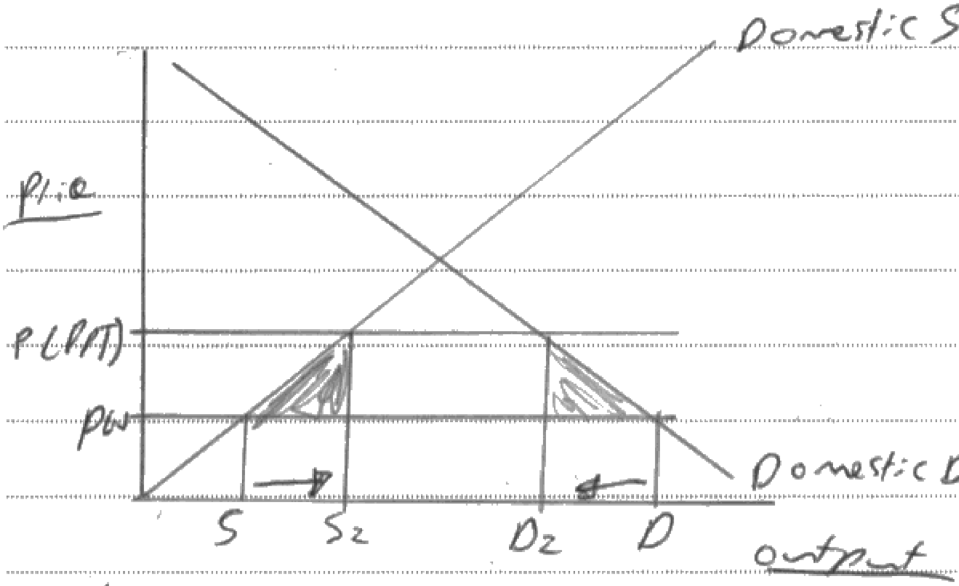
a) A trading bloc is a group of countries, usually in the same geographic region, that agree to ~~sta~~ remove protectionism between each country, whilst keeping a common external tariff to those outside the trading bloc.

One potential benefit of the TPP trading bloc for members is trade creation, this is where countries go from trading with a ~~higher price~~ country who has high prices for goods to those with a lower price. This may be demonstrated on the diagram below.



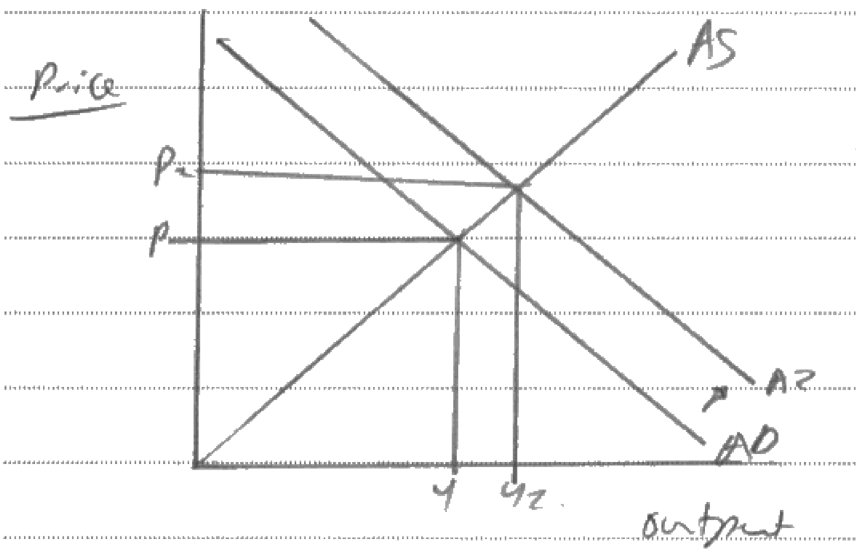
This is likely to cause an increase in consumer welfare of the shaded triangles, due to this lower price. An example of this may be Canada now importing goods from Malaysia instead of a country outside the trading bloc such as Tailand, as goods would be cheaper without protectionism, such as tarifs.

However, in evaluation to this, countries within the trading bloc may experience trade diversion upon ~~entering~~ becoming a member. This is when a country goes from buying a good in a low to high priced country, as seen on the diagram below.



This affect has seen to of taken place in some instances with the UK joining the European union. As they have substituted importing lamb from New Zealand to EU members. This causes a welfare loss to consumers of the shaded area due to the higher price of goods.

Another potential benefit of a membership to such a trading block is increased FDI. FDI is when a ~~team~~ firm from one country invests in another country. By smaller and less developed countries such as Malaysia being associated with large established developed nations such as the USA, both countries within and external to the trading bloc are likely to increase FDI to countries such as Malaysia. This will aid them in economic growth, as Investment is a component of Aggregate Demand thus shifting it outward to the right, as seen on the diagram. Thus causing economic growth to increase, and ~~the~~ employment to rise from Y_1 to Y_2. The USA, for example is more likely to invest in



~~the~~ a country such as Japan, as their ~~exports~~ imports of Japanese technology is likely to increase due to the lower price of goods, with a lack of protectionism. Thus the USA will have a vested interest in lowering the cost ~~of~~ and increasing the efficiency of Japanese goods.

However, ~~with~~ an increase in FDI may not bring large benefits ~~to~~ to employment. It may only cause demand for low skilled workers to increase, thus on low pay. Equally, the ~~host~~ investing country may ~~at~~ bring workers from their own country to work on such projects.

Another benefit of joining such a trading bloc is an increase in immigration. Workers within the member countries may be ~~it~~ more inclined to migrate to other member countries, especially if there are rules such as in the EU as freedom of labour. This is likely to increase the ~~However, if~~ supply of labour to economies which in turn may lower costs of production for businesses thus potentially lowering price.

However, this may cause a brain drain for other countries within the trading bloc. As ~~workers~~ highly skilled workers are motivated to work in an economy with higher pay.

b) Plan

unemployment
- 3m
- however
weak argument
not going to
stop trade
completley.

+FDI = strong
- Siemens considering
plant in Hull
- Airbus said
would be bad,
FDI Wings in
Wales
-

$\boxed{\text{Econ effects UK exit EU}}$

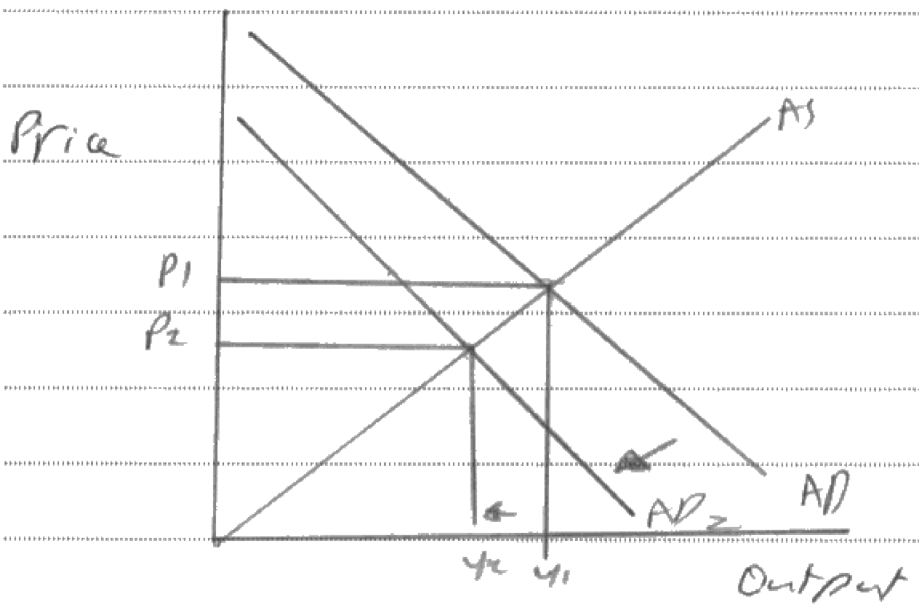
worsening
B of P
- imports
more expensive
- exports ↓

inflation
- ↑ import costs.

One possible economic effect of the UK exiting the EU in the referendum of 2016/2017 is an increase in unemployment. If we leave the EU ~~will~~ it is likely that we will face considerable protectionism from countries within the EU, and ~~they~~ exporting businesses will potentially see a considerable fall in their profits, leading to unemployment. Some ~~figures~~ statistics suggest that this exit will cause ~~3~~ 3 million workers to become unemployed.

However, such statistic is a weak argument as it assumes that the UK will entirely stop exporting to the EU which is incorrect. In reality it will be mutually beneficial for those within the EU and for the UK to continue trading, and thus job losses and a loss of profits for businesses will not be this large.

Another possible effect of the UK exiting the EU is a fall in FDI. Foreign Direct Investment is ~~[illegible]~~ investment from a firm in one country, into another country. Many leading businesses such as Airbus have openly predicted that the exit from the EU will cause such a ~~[illegible]~~ fall in FDI, and Airbus themselves have a considerable plant in Wales making Airplane wings. FDI may fall as businesses such as Airbus may see exports from the UK falling as the price of these goods is likely to appear higher with a common external tariff. Moreover, ~~this may affect other fir~~ other firms such as Siemens, the largest engineering firm in the world, in considering opening a plant in Hull. Thus such an exit from the EU may affect such a decision. This reduction in FDI is likely to cause a fall in economic growth to the UK who relies heavily on such investments (second largest inward FDI country in the world). This can be seen on the diagram below. This is because investment and exports from such businesses are both components of AD.



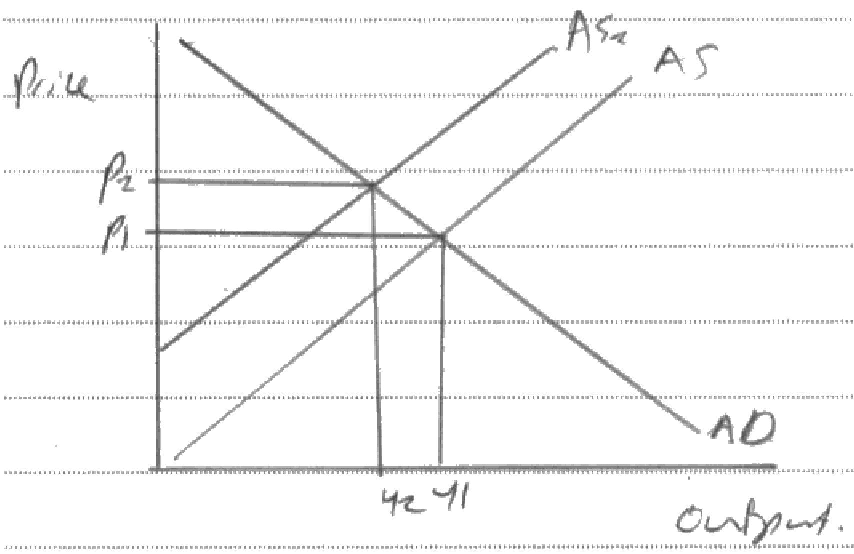
However, the UK is still an attractive economy for FDI, regardless of whether ~~the~~ we are in the EU.

This is because the UK is ranked 5th in the world for competitiveness in our labour market and the English language is attractive for many businesses.

Another possible effect of leaving the EU is a worsening Balance of Payments. The UK already suffers from a Trade deficit of 5.8%, partially due to our lack of price competitiveness and deindustrialisation. Being exposed to a common external tariff and a fall in FDI is likely to cause our exports to fall considerably. Moreover, this is particularly potent as the EU is our largest trading partner, as 45% of our exports go to countries within the EU.

However, some argue that this is not necessarily a bad thing as it will encourage the UK to trade more with emerging economies such as China and appeal to their ever growing middle class.

Another possible economic effect of exiting the EU is a rise in inflation. This may ~~cause~~ be caused by a rise in the price of imports, if the UK retaliate and impose protectionism against EU goods. This will cause the cost of production for UK businesses to rise, thus shifting our aggregate supply curve inwards causing cost push inflation, as demonstrated below.



However, a slight rise in inflation may even be welcomed by some politicians in this economic climate. This is because we are seeing

Currently very low levels of inflation of 0%, and a fear of a Japanese style deflation.

ResultsPlus

Examiner Comments

Part (a): Three potential benefits of membership of a trading bloc are identified, analysed and evaluated: trade creation; increased foreign direct investment; and increased immigration. These points are supported with relevant examples and contextual references. The main weaknesses were in terms of the quality of written communication and also the inaccurate labelling of the aggregate demand/aggregate supply diagram. Nevertheless, it was thought that this response was just worth a Level 5 mark: 17/20

Part (b): Four possible effects are identified, explained and evaluated although the evaluation could have been developed more fully and, as with part (a), the aggregate demand/aggregate supply diagrams were not labelled accurately. Appropriate examples were used to illustrate the points made. Overall, this answer was considered worthy of a Level 5 mark. 27/30

ResultsPlus

Examiner Tip

It is always useful to illustrate analysis with appropriate diagrams but they should be labelled correctly to gain full credit.

Question 4 (a)

It was rather surprising that more candidates did not achieve full marks on this question. One reason appeared to be candidates misreading the information provided in Figure 2. Further, some responses did not focus on the change in net investment as a proportion of GDP between 2010 and 2012 as required by the question. Where the data interpretation of the data was correct, a wide variety of reasons were provided but some of these were of dubious relevance.

(a) With reference to the information provided, outline **two** reasons which might explain the change in net investment as a proportion of India's GDP between 2010 and 2012.

(5)

In 2010, Indias net investment as a proportion of GDP was around 13%. However in 2012, it was around 2.5%. (figure 2)

One reason for this change is India is in a current account deficit between the 2 year period.

Also the "USA's federal reserve bank is to run down its program of quantive easing".

ResultsPlus

Examiner Comments

The answer begins well with two relevant data references in the first paragraph. However, the rest of the answer did not score any marks because it was not apparent why the reasons identified could be relevant in explaining the fall in net investment as a proportion of GDP. Score 2/5.

ResultsPlus

Examiner Tip

Candidates should have knowledge of factors which influence investment and then use the information provided to explain the fall in net investment in this context.

(a) With reference to the information provided, outline **two** reasons which might explain the change in net investment as a proportion of India's GDP between 2010 and 2012.

(5)

Figure 2 shows that net investment as a proportion of India's GDP fell between 2010 ~~#~~from about 13% to around 2%. One likely reason for the decrease in investment into india is that the indian government has failed to allow "foreign investors to take profits out of the country" making investment into india less desirable, therefore decreasing its value. Another reason why net investment may have fallen is a fall in the rate of growth in india between 2010 and 2012 as shown in figure 1. This means that the likely profitability of firms in India is falling so this discourages investment.

ResultsPlus
Examiner Comments

This response contains all the elements of a sound answer beginning with 2 data references (worth 2 marks) and the identifying two reasons for the fall in investment as a proportion of GDP with some explanation of the second point. As a result this response scored full marks.

ResultsPlus
Examiner Tip

This answer demonstrates very good use of the information provided in developing an effective summary of the key issues.

Question 4 (b)

This question was answered fairly well not least because most candidates were able to select two relevant reasons why India's economy 'is still in trouble' from Extract 1 and to offer some explanation of their significance. However, some responses did not provide much by way of analysis nor did they include relevant data references.

(b) With reference to Extract 1, analyse **two** reasons why India's economy is 'still in trouble'.

(8)

One reason why India's economy is still in trouble is that the 'economy is still suffering from restrictive regulations', as highighted in Extract 1. This means that labour laws are still rife with unnecessary beauracracy and so hiring and firing process is more difficult. This acts as a deterent for foreign firms wanting to set up in India as they will have limited control over their employees.

Another reason why India's economy is 'still in trouble', as highighted in Extract 1, is the fact that the government has neglected to use policies to stimulate domestic manufacturing and instead focus more on the service sector. India has a large unskilled population which can be put to good use in the manufacturing sector. The manufacturing sector only grew by 5.7% compared to the 10% of the service sector.

A final reason why India's economy is still in trouble is the problem of corruption. Bribe-payers are often favoured by service companies resulting in an unfair allocation of resources.

ResultsPlus
Examiner Comments

The first paragraph was awarded 3 marks because an issue (restrictive regulations) was identified and explained.

In the second paragraph another reason was identified with some explanation and two data references were also included. Consequently, this paragraph scored 4 marks.

ResultsPlus
Examiner Tip

The key to achieving high marks in this question is to explain why the factor identified would cause a problem for the Indian economy and support this with appropriate evidence from the information provided.

Question 4 (c)

This question was the least well answered of the five on this data response context. The main problem was that many candidates discussed policies to stimulate manufacturing rather than discussing the case *for* policies to stimulate manufacturing. Those who did interpret the question correctly sometimes failed to access all the marks because they did not explain how the arguments for stimulating manufacturing might help to promote economic development.

(c) Examine the case for the Indian government using policies to 'stimulate domestic manufacturing' (Extract 1, line 23) as a means of promoting economic development.

(10)

The government may decide to give subsidies to domestic manufacturers, which will hopefully lower their cost of producing and make them more competitive. If a business has more money it may be able to afford to employ more people, increasing the peoples living standards.
However, this money may be used for the wrong purposes, such as giving the manages a higher salary instead. Additionally, the money may be invested into technology which would actually put more people out of work, the opposite effect of what it wants to have.

The government could lower corporation tax. If corporation tax is lower than that of other countries then they may see an insurge of FDI as people want to keep as much of their profit as possible. If there is more FDI, then more jobs will be created. However, this may decrease the tax revenues from the population, leaving less money for the government to invest in other sectors with.

To stimulate domestic manufacturing, India may try to join more trading blocks. They may decide to join the E~~M~~U. If they join the ~~EMU~~ EU they would see little to no trading barriers such as tariffs or quotas, making it easier and less costly for manufacturers to export and import goods, especially as they rely on exports too little, yet imports too much. If they can use this to increase their exports then India will see more money flowing into the economy, which can be used to improve the contries infrastructure and other public goods and services.
However, joining trading blocks may be out of the question for India. To join the EU the country must pay a joining fee initially and they must obide by certain regulations, which may be too expensive for India to contemplate at this current time.

ResultsPlus
Examiner Comments

This answer focused on policies that the Indian Government could employ to stimulate manufacturing and, as such, it did not address the question set. It was awarded 1 mark because there was reference to job creation.

ResultsPlus
Examiner Tip

Careful reading of questions is essential to avoid writing irrelevant responses.

(c) Examine the case for the Indian government using policies to 'stimulate domestic manufacturing' (Extract 1, line 23) as a means of promoting economic development.

(10)

Economic development is the improvement in the standard of living of the population and betterment ~~The Indian manufacturing~~ of people's lifestyles.

India's manufacturing to GDP ratio ~~remains~~ at is only at 15%. When this compared to China who has a ratio of 40% to GDP, it seems India is underachieving.

By *stimulating domestic manufacturing, ~~in~~ India will be able to employ its 'huge and unskilled population'. Employment will also these individuals to increase their incomes and increase social mobility. According to the Lewis model, the division of labour into manufacturing will lead to greater growth and economic development. A rise in incomes and a specialised workforce will increase consumerism in India. It can also lead to greater export-led growth. Therefore employment will further increase and incomes will rise.

Also, manufacturing is income elastic. Therefore as global incomes rise, demand for manufactured goods will also rise. Unlike agricultural or primary products which have deteriorating terms of trade over time. This means incomes of workers will rise and therefore this lead to higher standard of living.

However, it could lead to an exploitation of low paid labour by transnational firms as well as large domestic corporations. This will mean incomes will stay relatively low and inequality will rise.

Economic growth in the manufacturing industry can also lead to ~~lea~~ higher tax revenue for Indian government. This is because firms will pay more corporation tax and as incomes rise employees will pay more ~~dro~~ income tax. These funds can be used to fund public services such as healthcare and education. This will lead to greater economic development.

However, the efficacy of the Indian tax system is questionable. India may not have a tax system that is enforced adequately and therefore the government may not see a rise in tax revenues. Also corruption may mean the tax revenues are used only to benefit the politically connected.

ResultsPlus
Examiner Comments

This answer was well-constructed, logical and carefully framed to address the question set. The first paragraph contained two relevant data references and was followed by a paragraph explaining the employment benefits of stimulating manufacturing. Other benefits relating to incomes and tax revenues were also explained and there were two evaluative paragraphs. Overall, this response was awarded full marks (10/10).

ResultsPlus
Examiner Tip

This response demonstrates how an effective answer may be constructed with economic concepts being applied appropriately.

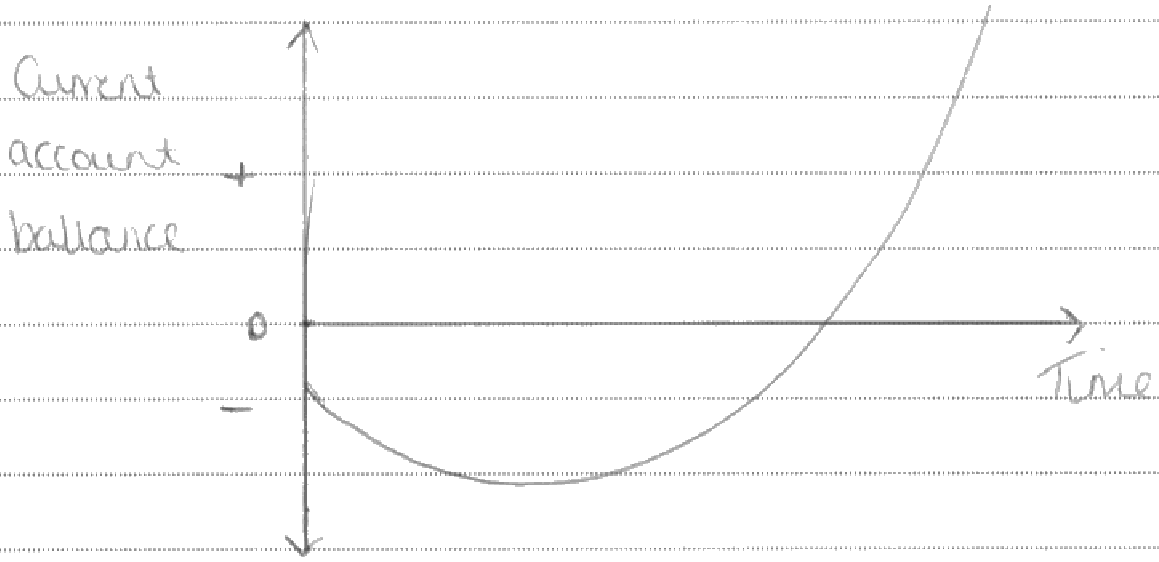
Question 4 (d)

Although questions relating to changes in exchange rates have appeared in the past, some candidates found difficulty in developing accurate and carefully reasoned answers in this context. Furthermore, some answers considered only the impact on India's balance of payments, ignoring the possible effects on other macroeconomic variables. Nevertheless, there were some very good answers to this question which examined several possible effects in the context of India.

*(d) Assess the possible effects of the fall in the external value of the rupee on the Indian economy.

(12)

As shown in figure 3, India has gone from running around a 2% surplus on their current account in 2003 to a 4% deficit in 2012. The fall in the value of the rupee ~~will~~ should reduce the deficit as imports ~~have~~ become more expensive and ~~&~~ India's domestic goods becomes relatively cheaper. However, it is evident that India have a high marginal propensity to import therefore the total value of imports may increase. For there to be an improvement in the current account balance, the marshal-lerner condition must be fulfilled. This condition states that the current account balance will only improve if the sum of the price elasticities of demand for exports and imports is elastic (greater than one). The J-curve can be used to illustrate the time lag that occurs between the ~~devaluation~~ depreciation in the exchange rate to the improvement on the current account balance. In the short run, exports are likely ~~to~~ be inelastic as countries take time to identify that India's goods have become cheaper. Imports are likely ~~to~~ be inelastic in the short run too as existing contracts must be fulfilled. In the long run, as long as the Marshal-Lerner condition is fulfilled, the current account position will improve.



ResultsPlus
Examiner Comments

The answer begins with two data references relating to India's current account of its balance of payments. There is then consideration of the effects of the depreciation in the value of the rupee on India's current account followed by two effective pieces of evaluation. Consequently, this answer score 9/12, 5 marks of which were for evaluation.

ResultsPlus
Examiner Tip

This answer could have been improved had some of the wider implications of the depreciation of the rupee on the Indian economy been examined.

*(d) Assess the possible effects of the fall in the external value of the rupee on the Indian economy.

(12)

One effect is that it would make exports more price competitive. A fall in the rupee will make exports cheaper. This will result in an increase in the amount of ~~exp~~ exports which could potentially lead to export led growth.

Another effect is that it would reduce the current account deficit as exports will rise because they are cheaper and imports will fall because they are more expensive. The improvement in the current account balance could restore confidence to investors and increase investment ultimately increasing growth.

However for this to work, the sum total of elasticities of imports and exports has to be greater than one which is the marshall lerner condition for the current account balance to improve.

Furthermore there are negative effects as it could lead to inflation due to the increased costs of production as ^prices for stable products such as fuel and onions have ~~a~~ ~~rapidly increase~~ increased rapidly'.

This cost push inflation Could damage the economy significantly.

It can also reduce growth as Consumers will have less disposable income as a result of the higher cost of living and decrease spending on 'homes and cars'. This will decrease the multiplier and growth will be stagnant.

ResultsPlus
Examiner Comments

This answer contains relevant analysis relating to the impact of the depreciation of the rupee on the competitiveness of India's goods and on its rate of inflation including a reference from the extract. The evaluation is imprecise because it refers to 'elasticities' rather than to 'price elasticities of demand'. This answer scored 7/12.

ResultsPlus
Examiner Tip

This answer shows the importance of precision in order to access higher marks. Furthermore, there needs to be more evaluation and greater use of the information provided.

Question 4 (e)

This question was relatively straightforward although only the more able candidates were able to use the information provided effectively to identify appropriate supply side policies and to show how each policy identified could improve the performance of its economy. In particular, it was necessary to explain how the supply side policy could affect variables such as economic growth, the rate of unemployment, the rate of inflation and the balance of payments on current account.

***(e) With reference to the information provided, evaluate supply-side policies that the Indian government should pursue to improve the performance of its economy.**

(15)

A supply side policy, the Indian government ~~sh~~ should pursue to improve performance is education and training, ~~the more educated~~ ~~a person is~~ an educated person is a skilled one, therefore they are able to seek higher income paid jobs such as doctors rather than low paid manufacturing jobs which ~~a~~ require no skill. This improves the performance of the economy as not only more income is being spent as people have more income which creates a ripple effect for jobs in the primary sector, crime rates may also fall as people are off the streets which could lead to a life of crime as they would've stole, or operate black markets to generate income / feed themselves.

~~A~~

Also inequality is reduced, as women are given the opportunity to be educated with men, therefore establishing their own income and careers, leading to a fall in the amount of births, as instead of staying at home looking after kids, they are able to work and plan ~~kids~~ children.

Although there is ~~a~~ a time lag of 20+ years before the effect of education and training may be felt, meaning it is a long term cost with no garuntee of success - a policy which cost billions of pounds.

Another policy is an increase in infrastructure by developing roads, airports, it allows firms to easily access different markets globally as well as domestically. There is an ease in transporting F goods and allows for transport of fresh goods. Also international firms may enter the market and set up firms within the country increasing employment in the Indian economy.

Again this process is very costly and ~~requires~~ requires constant maintainence although charges such as tolls may be put in place for use of roads to generate income needed to sustain the road ~~ing~~ in good conditions.

ResultsPlus
Examiner Comments

The first page scores 3 marks for a discussion of education and training with a mark for evaluation at the top of the second page. The discussion of infrastructure improvements scored 3 marks with one mark for evaluation in the following paragraph. Consequently, this answer scored a total of 8/15.

ResultsPlus
Examiner Tip

In these 15 mark questions it is advisable to include three policies with evaluation of each. Furthermore, there should be an attempt to make the evaluative comments more related to the particular context. In this case, the evaluation provided was generic with little attempt to relate it to India.

Question 5 (a)

Most candidates were able to identify at least one reason for the trend in world exports. However, this question involved the interpretation of index numbers relating to the increase in world exports and many candidates were unable to describe the changes illustrated in Figure 1 and consequently were unable to access the 2 marks available for application.

(a) With reference to Figure 1, outline **two** reasons for the trend in world exports over the period shown.

(5)

Between 1990 and 2012, the volume of world exports has increased by 200%. ~~[illegible]~~

One reason may be the introduction of single currencies such as the Euro ~~[illegible]~~ reducing trade barriers. This makes it easier for European countries to export to one another.

Additionally technological advantages such as the internet has allowed easier international trade. A buyer in the US can easily communicate with commodity sellers in South America for example, decreasing communication trade barriers.

ResultsPlus

Examiner Comments

The candidate scored 2 marks for application in the first sentence by correctly calculating the increase in world exports of the period shown in Figure 1. Two reasons were identified in the following two paragraphs with the second reason on technological advancements including some further explanation.

Consequently this answer scored full marks (5/5).

ResultsPlus

Examiner Tip

It is useful to include a simple calculation (as was done in this answer) to show the significance of the increase in world exports.

(a) With reference to Figure 1, outline **two** reasons for the trend in world exports over the period shown.

(5)

One explanation for the trend shown is the increase ~~ing~~ in globalisation. Since 1990 it has been calculated that world trade has tripled as a result of global economic integration. Globalisation, has increased exports as they have been made more accessable and cheap, due to the reduction in transportation costs for example.

Another trend which can be identified is the 2008 financial crisis ~~sh~~ shown in figure 1 where ~~exp~~ decreased from around 280 to just below 250.

At this time the level of trade decreased aswell as productivity resulting in lower export volumes.

ResultsPlus

Examiner Comments

This answer began well by explaining that world exports had tripled and then identifying the fall in transport costs as a reason. However, the rest of the answer was not related to the upward trend in exports over the period shown. Therefore, this answer score 3/5 marks.

ResultsPlus

Examiner Tip

It is important to focus on the upward trend in exports when answering a question of this nature.

Question 5 (b)

This question was answered quite well with most candidates able to identify two reasons why foreign direct investment (FDI) flows to developing countries exceeded FDI flows to developed economies with some explanation. As with question 4(b), the main weakness was inadequate analysis of the points identified.

(b) With reference to Figure 3, analyse **two** possible reasons why, in 2012, FDI flows to developing countries were 'exceeding flows to developed economies for the first time ever'. (Extract 2, lines 2–3)

(8)

In 2012, the ~~f~~ FDI inflows into developing countries was 52%. and ~~a~~ in developed countries it was only 41.5%. One reason for this may have been due to labour costs in developing economies such as Bangladesh. Here, TNC's can access cheap labour costs, thus ~~xx~~ giving them more of an incentive to invest in developing countries rather than developed.

Another reason as to why ~~development~~ FDI has increased in developing countries such as Zambia is because of their access to raw materials. China chooses to invest in Zambia as it has vast quantities of copper, which is essential in Chinese manufacturing. This would make Foreign direct investors more inclined to ~~go~~ invest in developing countries rather than developed countries

ResultsPlus

Examiner Comments

This answer began well by making reference to the data and then identifying a possible reason why FDI flows to developing countries were greater than those to developed economies, namely low labour costs. However, there was no further explanation of the significance of this factor. In the second paragraph, a second reason was identified (access to raw materials) with some explanation. Consequently, this answer scored 5/8 marks with insufficient analysis being the primary reason why no more marks could be accessed.

ResultsPlus

Examiner Tip

In these 8 mark questions, 4 marks are available for analysis so it is important to go beyond the simple identification of a reason and to include some chains of reasoning.

lower CoP better raw materials

(b) With reference to Figure 3, analyse $\boxed{\textbf{two}}$ possible reasons why, in 2012, FDI flows to developing countries were 'exceeding flows to developed economies for the first time ever'. (Extract 2, lines 2–3)

(8)

Figure 3 shows how in 2012, FDI flows into developing nations was the first year in which they exceeded flows to developed, with developing nations owning around 52% of the percentage share of FDI flows, whilst developed economies possessing only 41.5%.

One reason for why this may have occured could be due to the lower costs of production that TNCs can yield in more developing nations. Usually, there is lower labour costs, as well ~~as~~ ~~absent~~ as often absences of very stringent health and safety regulations in the developing world, for example Bangladesh. ~~These~~ These lower costs would mean that FDI flows would be concentrated in developing nations, due to the fact that higher profits could be able to be made by ~~the~~ the TNC, due to fewer rules to abide by.

Another reason could be ~~that~~ the reveal of new ~~ele~~ resources that ~~are~~ are unurrently untouched in developing nations, that developed ones don't have, thus acting as a catalyst for FDI. Such resources could be oil reserves in Nigeria, or coal mines in Angola, all ~~over~~ of ~~oth~~ which is globally demanded, and have high prices, yet developed nations do not possess as much of (or their reserves are declining). Such a ~~fact~~ decline the FDI ~~in~~ flows to the EU of "two thirds of the global FDI decline" could support this due to the lack of natural resources that such EU countries possess in comparison to other regions of the world.

ResultsPlus
Examiner Comments

This answer began well with appropriate reference to the data in Figure 3. In the following two paragraphs, two reasons are identified and explained fully with each paragraph worth 3 marks. Consequently, this answer scored maximum marks (8/8).

ResultsPlus
Examiner Tip

It is good practice to establish the facts by reference to the data at the beginning of the answer before analysing the reasons for the change in FDI flows. This answer provides such a structure.

Question 5 (c)

Most candidates were able to identify at least one way by which a country could attract foreign direct investment and include some evaluation but only the more able included reference to examples and reasoned evaluation.

(c) With reference to the data and your own knowledge, examine ways by which a country might try to attract investment from a transnational company (TNC).

(10)

One way in which a country might try to attract investment from a TNC is by improving the productivity of the population. A more skilled workforce decreases costs therefore increasing efficiency and productivity. Countries might do this by investing in their people as extract 1 says. According to the extract 'they targeted education and health' ~~[illegible]~~. Improvements in education improves labour skills and gives rise to ~~encourages~~ innovation. These factors increase productivity which attracts TNC's because costs will be improved (decreased). Investing in health also makes the workforce more efficient because they won't be losing as many days of work from being ill.

Another way in which a country might try to attract investment from TNC's is ~~[illegible]~~ by investing in infrastructure. Extract 1 says countries 'prioritised infrastructure'. Improved infrastructure creates roads and networks which firstly improves the geographical mobility of labour and secondly allows goods to be transported easier. The development of ports and docks eases exporting thus attracting TNC's.

Countries may try to attract TNC's by improving and investing in tourism. ~~[illegible]~~ investing in tourism will lead to more visitors who have money from abroad. TNCs will be attracted especially TNC's such as hotels.

ResultsPlus
Examiner Comments

This answer included some references from the extract and identified two relevant ways by which a country could attract FDI. However, there was no evaluation which meant that 4 of the 10 marks could not be accessed. Consequently, this answer scored 6/10 marks.

ResultsPlus
Examiner Tip

The command word 'examine' implies evaluation so it is important to include evaluative comments when this word appears in a question.

(c) With reference to the data and your own knowledge, examine ways by which a country might try to attract investment from a transnational company (TNC).

(10)

One way a country might try to attract investment from TNC's would be an improvement in infrastructure. This would mean the improvement in road networks and communication links such as phone lines, mobile phones and internet availability. Improving infrastructure can cause countries to be more attractive to TNC's as they have the services available to set up their business and production with ease. Improvement in road networks can make TNC's more likely to set up production in countries. However in many developed countries such as Germany and France and ~~up~~ emerging economies such as China, infrastructure has already had a lot of investment. Extract one states emerging markets have 'prioritised infrastructure'. It may be difficult to improve the infrastructure further ~~to~~ or invest more money into it meaning the positive effect on making the country more attractive to TNC's may not be as significant.

Another way a country might try to attract ~~a~~ TNC's is through investment in education. Extract one states emerging markets such as Brazil, India and China 'targetted education'. Increased investment in education could make an emerging economy

Such as India have a more educated and highly skilled workforce meaning increased productivity. Increased productivity would cause more TNC's to enter the country due to being more attractive.

However many emerging ~~ec~~ economies such as Brazil may not have the funds to increase the Investment in education by a large amount. If the magnitude of the investment is only small then the effect might not be as significant on the population and workforce meaning the ~~econ~~ country attractiveness not increasing by a large amount.

ResultsPlus
Examiner Comments

The first paragraph identified improvements in infrastructure as a means of attracting FDI with some explanation and some limited evaluation. There was also reference to particular countries.

This was followed by a consideration of investment in education with relevant examples but little by way of analysis. The last paragraph included relevant evaluation of this issue. Overall, this answer scored 8/10 with 1 mark being lost for analysis and 1 mark lost for evaluation.

ResultsPlus
Examiner Tip

Analysis of the infrastructure issue could have been improved by considering the impact on costs of production.

Question 5 (d)

This was a relatively straightforward and open-ended question which invited candidates to consider reasons why absolute poverty has been reduced in developing countries and many scored quite highly. Although there was plenty of information in Extract 1 to help candidates, many failed to make sufficient use of this and as a result failed to access all the marks available. Another issue was that the reasons identified needed to be linked to a reduction in absolute poverty which some candidates failed to do.

*(d) Assess the factors, apart from FDI, which have contributed to a reduction in absolute poverty in developing countries. Refer to Extract 1 in your answer.

(12)

~~One factor that could have contributed~~ Absolute poverty is the proportion of the population ~~earn~~ living off less than $1.25 a day and without basic needs.

One contributing factor in reducing it could be the increased investment in education in developing economies. Extract 1 states developing economies 'targetted education'. Increased ~~unen~~ education means a higher proportion of the population is able to apply for higher skilled jobs with higher wage opportunities. This would increase the 'household' income within these countries forcing people out of the $1.25 a day living rate.

However this may reduce absolute poverty but it may only push people out of absolute poverty but still in relative poverty. Relative poverty is the proportion of the population living on or below the 50% median income. Absolute poverty may decrease but it may cause relative to increase.

Another factor could be the investment in healthcare (extract 1, 'targetted ... healthcare'. Increased health-care means more treatment for the percentage of the population who are ill, maybe with

HIV/aids and can may be make them well enough to be able to work / look for employment. Improved healthcare could increase incentives to work once people are well enough and therefore will earn enough income to be ~~earning~~ living off more than $1.25 a day pusing them out of absolute poverty.

However the investment in healthcare may not be a large amount due to lack of funds from the developing country's governments. If the amount of money invested is only small then the improved healthcare may not ~~be~~ reach a large proportion of the population meaning ~~because~~ many are still unable to work and ~~are~~ still living off $1.25 a day.

ResultsPlus
Examiner Comments

This answer scored full marks for knowledge and analysis with a consideration of increased investment of education and investment in healthcare. Evaluation, however, was less strong with just 1 mark for the evaluation of the education issue and 2 marks for evaluation of the healthcare issue. There was also only one reference to the extract which was repeated for both issues. Overall, this answer scored 9/12 marks.

ResultsPlus
Examiner Tip

Since there are 5 marks available for evaluation in the 12 mark questions, it is important to include fully reasoned evaluative comments to access these marks.

*(d) Assess the factors, apart from FDI, which have contributed to a reduction in absolute poverty in developing countries. Refer to Extract 1 in your answer.

(12)

~~As stated by extract 1 "prioritised infrastructure" is needed to reduce absolute poverty as healthcare is needed so that workers can earn money to get themselves out of~~

Absolute poverty is where a person does not have the sufficient basic goods ~~needs~~ and services needed for survival.

A method to reduce absolute poverty is ~~to~~ "prioritised infrastructure" as stated by extract one. without the basic healthcare many people can not work and therefore are stuck in a poverty trap. However this costs money and some developing ~~G~~ countries government do not have the resources.

Another method to reduce absolute poverty is aid. This could be in the ~~form of~~ from a charity such as oxfam or another government. aid can be used to fill the savings gap which prevents many people

leaving absolute poverty. However some developing countries have corruption and so all the money might not be put to good use.
It is also difficult to define absolute poverty making it difficult to say which is the most important factor.

ResultsPlus
Examiner Comments

This was a brief answer which identified two factors responsible for the reduction in absolute poverty (improvements in infrastructure and aid) and included two brief evaluative comments. However, the analysis and evaluation was very limited and there was only one data reference. As a result, this answer scored 6/12 marks.

ResultsPlus
Examiner Tip

A 12 mark question requires much greater depth of analysis and evaluation than is evident in this answer. Careful time management is required to ensure that candidates produce a sufficient and detailed response in the time given.

Question 5 (e)

This proved to be a challenging question for many candidates despite the fact that there was a significant amount of relevant information provided in the last paragraph of Extract 3 which suggested that there were many factors which might have caused the fall in wages as a proportion of GDP including technological progress, the entry of labour-abundant economies into the global economy and the weakening of trade union power. Only the best candidates were able to consider the significance of globalisation and other factors in explaining this trend in wages as a proportion of GDP.

*(e) 'Globalisation is solely responsible for the trend in the share of wages as a proportion of GDP.'

To what extent do you agree with this statement? Use the information provided and your own knowledge in your answer.

(15)

Extract 3 states that Globalisation is a cause for the trend fall in the share of wages as a proportion of GDP. This may be because firms are able to produce their goods in countries where ~~they~~ there are low labour costs to reduce ~~their~~ costs of production. This is possible as a result of globalization enabling countries to be interdependent. This therefore suggests that globalisation is solely responsible for the trend fall in the share of wages as a proportion of GDP. ~~as~~

However, the extract also states that the increased pressure on firms to increase profits could be the ~~to~~ cause of the trend. This would mean that whilst firms' output would be rising, and therefore GDP would by rising, in order to increase profit firms may keep wages at the same rate, or even reduce them, in order to keep hold of the profit they earn. This therefore suggests that globalisation is not the sole factor of this trend.

Additionally, the extract states that the trend is influenced by technological progress, again suggesting that globalisation is not the sole cause. This is because technological advances means that in some cases, labour can be replaced by machines, meaning that output is increased, or at least maintained, ~~but~~ meaning GDP is increasing, however wages are not increasing at the same level as the machines do not get paid wages.

However, technological advances can be as a result of globalization due to the development of developing countries. This could therefore be argued that globalization is the sole cause as it causes the other causes of this trend.

However, I would argue that the decreasing trade union density is the main cause for this trend as labourers have less power to influence ~~the firms~~ their wages. This therefore means that they will accept the trend whereas if they had more members then they could protest, causing their wages to increase at a higher rate then is more proportional to the increase in GDP.

ResultsPlus
Examiner Comments

This answer begins by considering why globalisation might be responsible for the fall in wages as a proportion of GDP. This first paragraph was regarded as evaluation because the remainder of the answer examines other factors that could be responsible for this phenomenon. The three factors credited for knowledge, application and analysis (KAA) were the pressure on firms to increase profits, technological progress and the decrease in trade union density. Evaluation marks were gained for the first paragraph and the evaluation of technological progress. Overall this answer scored 7 marks for KAA and 3 for evaluation.

ResultsPlus
Examiner Tip

Questions such as this one enable candidates to take either view for KAA marks and then they can use the reverse arguments for evaluation.

*(e) 'Globalisation is solely responsible for the trend in the share of wages as a proportion of GDP.'

To what extent do you agree with this statement? Use the information provided and your own knowledge in your answer.

(15)

I do not believe this to be true as I believe that large population growth in places such as Mexico, Indonesia, Nigeria and turkey are as significant. Large population growth increases the supply of labour and thus drives down wages. Nigeria's population growth was over 2.5% in 2013 which means that are more and more ~~people~~ labour for firms.

However it is globalisation that allows firms to take advantage of these 'labour-abundant economies' (Extract 3). Due to the lower costs of transfering production abroad because of globalisation this has decreased the power local workers have to demand a higher wage. Therefore trade unions ~~are~~ hold less power as firms can ~~m~~ very easily hire workers from abroad. For example there are over 30 million new graduates in China each year that are looking for employment. With over 25% of firms globally saying they would like to outsource to China there is very little labour elsewhere can do.

I also believe that due to the global financial crisis firms across the world have seen their profits fall. In order to maintain their profit margin it has been labour that has been squeezed and payed lower than the gain in productivity. So perhaps the global recession is partly responsible. ~~As~~ However it could be said that it was globalisation that meant that many economies were effected by the crisis and therefore it was globalisation that hurt labour across the world.

Most importantly I believe that capital (Machinery and technology) is becoming far more important than labour. As capital investment is a firms top priority the demand for labour has shrunk in comparison. Due to a fall in demand for labour their wages have not increased as much as fast as GDP. ~~fallen below productivity gains (half the amount)~~. It is this that is more important than globalisation or at least it is a couple of factors that are contributing to lower share of wages as a proportion of GDP.

ResultsPlus
Examiner Comments

This answer argued that globalisation is not the most important factor responsible for the falling share of wages as a proportion of GDP. This first point relating to large population growth is explained well and then evaluated convincingly. The second point relating to the financial crisis was not explained or evaluated so well but was worthy of some credit. The final point relating to the use of capital was explained well but was not evaluated. Overall, this answer scored 8 for knowledge, application and analysis and 4 for evaluation.

ResultsPlus
Examiner Tip

It is important to plan time carefully to ensure that the last question can be answered fully.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- To develop sufficient confidence in their understanding of the concepts to be able to apply them in unfamiliar contexts.
- To ensure that key concepts are understood and can be defined accurately. In particular, there was some confusion in question 1(b) about the meaning of the term 'productivity', and in question 2(a) about the term 'national debt'.
- To ensure that they have a clear understanding of how to interpret numerical and graphical data. In particular, the reading of the bar charts in question 4 and the interpretation of index numbers in question 5(a) were weak. Given that data is frequently represented in these forms, students should ensure that they understand how to interpret them accurately.
- Read questions very carefully to ensure that they are interpreted correctly and that all elements of the questions are addressed. For example, question 4(c) related to the case for policies to stimulate manufacturing rather than the policies themselves.
- To secure a knowledge and understanding of current economic issues so that answers can be enhanced in the context of such information. Candidates who were able to demonstrate such understanding were able to offer more informed answers than those who simply wrote generic responses.
- To plan time carefully to ensure that all questions can be answered fully.
- To ensure that handwriting is legible. Marks may well be lost if the examiner is unable to read the answer.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx

Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Rewarding Learning

Pearson Education Limited. Registered company number 872828
with its registered office at 80 Strand, London WC2R 0RL.