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Paper 9708/12
Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	B	11	B	21	C
2	B	12	A	22	C
3	D	13	C	23	B
4	D	14	B	24	B
5	C	15	A	25	D
6	C	16	A	26	B
7	D	17	A	27	A
8	C	18	C	28	B
9	B	19	A	29	C
10	C	20	D	30	D

General Comments

Overall performance across all candidates varied significantly. Candidates found the macroeconomic section significantly more difficult. Seven out of fifteen macroeconomics questions were answered correctly by fewer than 40 per cent of the candidates, whereas only one microeconomic question was answered correctly by fewer than 40 per cent of the candidates.

Question 10 and **Question 13** were answered most successfully. Responses to these questions achieved a correct response rate of more than 80 per cent in each case. Each of these questions related to a microeconomic topic. **Questions 16**, **26**, **27** and **29** were answered correctly by fewer than 30 per cent of the candidates. These questions were all based on macroeconomic topics.

Comments on specific questions

Question 16 was answered correctly by 21 per cent of candidates. The question required candidates to use a table depicting an economy's national income accounts to calculate this country's net national income. This required candidates to subtract net national income and subtract capital consumption from GDP. This was because net national income was negative and capital consumption is the same as depreciation, which is also negative. National debt would not count; therefore the final total would be $19 billion, option **A**. Option **B**, which did not include capital consumption and was therefore incorrect, was chosen by 43 per cent of the candidates.

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Question 26 required candidates to recognise the links between supply side measures and key macroeconomic goals of unemployment and inflation. Candidates were required to identify the biggest impact of these measures on employment and the price level. Only 18 per cent of candidates were able to correctly identify the correct combination would take place when unemployment was high and the price level was rising. This can easily be demonstrated by drawing an AS/AD diagram when unemployment is high and the price level is high and the indicating the effect on both macroeconomic indicators when supply side policies shift the AS curve downwards to the right. Hence, option **B** was correct, although 53 per cent of candidates chose option **C**.

Question 27 was answered correctly by 28 per cent of candidates, who chose option **A**. This was correct because option **A** was the only option that could be clearly seen as a benefit of using floating exchange rates.

Question 29 was answered correctly by 25 per cent of candidates, who chose option **C**. This question required candidates to use a table indicating changes in money GDP and real GDP to changes in economic growth and changes in the rate of inflation. 56 per cent of candidates chose option **A** which was surprising in that it was clear from the table that the rate of inflation was positive throughout the time period under consideration.

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Paper 9708/22
AS Level Data Response and Essays

Key messages

- This examination was the first to be held in the new format. The crucial differences to the old style were that:
  (a) The examination lasted 2 hours rather than 1 hour.
  (b) The knowledge and understanding marks have now been amalgamated with those for allocation.
  (c) There is now more emphasis on evaluation.
  (d) Two essays are now required: one predominantly micro and one predominantly macro based.

This has led to the following:

- Candidates now need to allocate their time more effectively according to the mark allocations for each question. There were examples of candidates seemingly running out of time having spent unproductive time on short answer questions.
- Candidates need to note that credit will not be given for lists of points or unexplained points unless the command word is identify. Points must be explained in the context of the question, i.e., they need to be applied to gain credit.
- **Question 1** has between 7 and 8 marks out of 20 for evaluation. Essay questions in parts B and C now gain 6 marks in total. When the question asks candidates to 'consider' or 'assess' then they are being asked to make a judgement. However, such judgements must consider at least two points of view and must be based on preceding analysis. Simple summaries are unlikely to be credited unless some judgement is made.
- Candidates need to ensure that all parts of the syllabus are revised to answer the new range of knowledge required.

General comments

- Most candidates appeared to have sufficient time to complete the paper although there was evidence of some rushing at the end, particularly if too much time had been spent on earlier short answer questions. Better time management is essential in such cases.
- There was a good range of marks, but more answers gained less than 50%, perhaps due to the higher percentage of evaluation marks within the paper.
- The increased number of evaluation marks available must be stressed to candidates particularly on **Question 1** and **part (a)** of essays as must the need to focus on answering the set question based on preceding analysis when evaluating.
- In addition, the amalgamation of knowledge and understanding and application marks also needs to be stressed as this means points made must always be explained rather than asserted.
- Finally, very few rubric errors were identified.

Comments on specific questions

Section A

Question 1

(a) This question asked candidates to compare inflation rates between two time periods. Overall, this was answered well although too much time was often spent describing every fluctuation and occasionally the causes. This was unnecessary and cost valuable time and, occasionally, failed to answer the question, i.e. a comparison of the two time periods.

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(b) Some candidates resorted to copying out parts of the data without referring to the fact that the package represented expansionary fiscal or AD policy. Also, candidates need to be reminded that **Question 1** is data response and it is likely that some accurate reference to the data is required. Both aspects of the answer were often missing or contained only copied out details of the package itself meaning that many candidates failed to gain a mark.

(c) Most candidates recognised the fact that an increase in interest rates would reduce AD and therefore inflationary pressure. However, the full chain of reasoning was often lacking in that the reason was often omitted i.e., the fact that the interest rate increase made the cost of borrowing more expensive and the return on savings higher meant that C + I would tend to fall. This meant that marks were often restricted to 2. Although there were some very good answers, evaluation was not evident in most cases. Better responses alluded to interest rate elasticity / consumer business confidence or the fact that for cost-push inflation, such a measure may have little effect.

(d) The most frequent error made when answering this question was a failure to either provide a diagram or diagrams at all OR to provide diagrams that were incorrectly labelled either through the axes (should be real GDP and price level) or using S and D rather than AS and AD. However, there were some very good responses that used appropriate diagrams and reasons for the shifts drawn from the data. Evaluation seldom went beyond the fact that both AS and AD shifts played a part (if at all) but rarely offered any support for this which meant in most cases, the highest mark was 5. Accurate diagrams are a fundamental skill in economics and this needs to be emphasised.

(e) This question clearly demonstrated the need to explain points made rather than just list them. Many candidates still fail to explain fully the relevance to the question and in this instance, why the point made is a positive or a negative. For example, it is not enough to say that exports will increase in price as to be applied to the question it is necessary to state why this may be negative, i.e. the possible impact on the current account. Answers generally focused on negative effects rather than positives and tended to be assertive regarding the overall impact. Consequently, many candidates gained a maximum of 2 marks and even when positive impacts were correctly explained, there was a lack of suitable evaluation beyond a simple summary meaning no further credit was given.

Section B

Question 2

(a) This question was not well answered, and it was clear that most candidates who attempted it had a weak grasp of the understanding of the role price plays in resource allocation, i.e. the functions of rationing, signalling and transmission of preferences and providing incentives to producers. Responses were too often vague and lacking in any precision. Any relevance was often restricted to a weak understanding of the role of signalling of preferences by consumers. The fact that such roles are crucial to the effective operation of a market economy was often missed and many candidates tended to stray into a discussion about the difference between market and planned economies which was mainly irrelevant. Good answers were evident but rare.

(b) Better answers were offered for **part (b)**, and many achieved a level 2 mark for analysis. However, the same issue predominates, i.e. the large number of candidates who assert rather than explain points made, e.g. suggesting that market economies are more efficient without explaining why this may be so. There was also a tendency to discuss the advantages of planned, market and mixed economies – the former being mainly irrelevant apart from the fact that a mixed economy will include some elements of it. This suggested that some candidates had ignored the question, i.e., should market economies become mixed economies and simply written all they knew about the three economic systems. Effective evaluation was rare, and this is a skill most candidates need to acquire – they need to be able to use preceding analysis effectively to balance the respective arguments to form a balanced judgement / answer to the question that is set. Summaries / simple statements in themselves are not valid evaluation.

Question 3

(a) A better response than for **2(a)** although analysis and evaluation are still weak with the latter almost non-existent. Candidates must remember that all **part (a)** essay questions have 25% of the mark allocation reserved for evaluation meaning that justified conclusions are necessary. The explanation part of the question was answered better than the analysis part and many candidates were able to identify at least two reasons for inequality of income and crucially, explain them.

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Analysis of whether such inequality may be of benefit to an economy was often lacking and as a result the evaluation was also very weak. Better answers were able to offer reasonable analysis of benefits mainly from the motivational aspect, but negatives were often simplistic and rarely rose above the issue of fairness.

(b) This question asked for a diagram but many candidates omitted one. There was also a number of inaccurate and incomplete diagrams – including maximum price diagrams and also minimum price diagrams without the surplus being marked. The projected surplus is a main problem with minimum pricing but a number of candidates referred to it anyway but without any comment regarding the problems, as though its existence was learned but not understood. Aside from that, there were some strong answers that clearly analysed both sides and there was some attempted evaluation, although still mainly summative. Many candidates drew on the reasons for as being to control the use of demerit goods and protect revenues of producers and against as being surpluses and the costs of the policy itself.

Section C

Question 4

(a) This was the least popular question and probably (along with **2(a)**), the least well done. Perhaps this was due to it being a new addition to the syllabus, but it does illustrate the need for a breadth of coverage. Most candidates were unable to correctly distinguish between a closed and open economy with many suggesting (wrongly) that government was not present in a closed economy. There were also a number of unnecessary and over-elaborate diagrams which added nothing and were often unexplained. As a result, marks were very low with occasionally the only marks being given was for some understanding that an open economy now included overseas trade and that imports and exports were leakages and injections respectively. Hardly any candidates offered the formula for equilibrium and therefore were unable to offer a view on the extent to which the circular flow of income may change as the economy moves from a closed to an open economy. Clearly a topic which needs further revision.

(b) In contrast this question was far better answered (which may have been the reason it was chosen) and good marks were often obtained. The main issue was a tendency to assert points rather than explain them, but this was rare, and many candidates achieved at least level 2. Some candidates went on to explain that one of the consequences of economic growth was an increase in revenue which allowed for an investment in technology to offset some of the negative effects of growth. This was an example of excellent analysis and evaluation.

Question 5

(a) This was by far the most popular essay question. Again, it was surprising how many candidates did not produce a diagram at all or drew an accurately labelled diagram showing an appreciation in the currency value. Although most candidates recognised that a floating exchange rate meant the value of the currency was determined by supply and demand, a surprising number did not clarify that an appreciation meant a rise in the value meaning they lost 1 mark. Very few explained why the value might rise. The depth of analysis was equally mixed and tended to be assertive rather than fully explained, e.g. an appreciation would mean exports would fall may be accurate in some situations but without explanation of what those situations may be, it cannot be credited. However, there was some good and valid analysis of both negative and positive effects although valid evaluation was rare. This latter point definitely needs to be emphasised for candidates.

(b) Although explanations of supply side policy were generally sound, these were often dealt with in general terms with little or no application to correcting a current account deficit. Consequently, most did not get beyond mid-level 2 and then only when linked to valid alternative policies. Also, there was a tendency to almost ignore the question's emphasis on the use of supply side policies and concentrate on alternatives which led to some unbalanced answers. Evaluation once again was often lacking and often consisted of summaries which unless containing an analytical comparison of the efficiency of the various methods discussed of reducing a current account deficit, could not gain credit.

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Paper 9708/32
Multiple Choice

Question Number	Key	Question Number	Key	Question Number	Key
1	D	11	A	21	C
2	B	12	D	22	B
3	B	13	D	23	D
4	D	14	B	24	A
5	D	15	D	25	D
6	A	16	C	26	C
7	B	17	B	27	A
8	C	18	C	28	D
9	C	19	B	29	C
10	C	20	B	30	C

General Comments

The questions for which most candidates selected the correct answer were **1**, **7**, **8**, **15**, **18**, **19** and **24**. These questions were answered correctly by 80 per cent or more of the candidates. They covered different parts of the syllabus and were set to test different skills.

The questions for which the fewest candidates selected the correct answer were **2**, **3**, **6**, **16** and **26**. These questions were answered correctly by fewer than 50 per cent of the candidates.

Comments on Specific Questions

Question 2 was answered correctly by 32 per cent of the candidates who chose option **B**. 19 per cent chose option **A**, 24 per cent chose option **C** and 25 per cent chose option **D**. The point of maximum utility is obtained where the marginal utility of A divided by the price of A is equal to the marginal utility of B divided by the price of B. The table gives the marginal utility for each unit consumed, not the total utility. Option **B** states that the consumer has two units of S and 1 unit of T. That would represent a marginal utility of 24 divided by price 6 for S and a marginal utility of 32 divided by price 8 for T. Both give the answer 4.

Question 3 was answered correctly by 46 per cent of the candidates who chose option **B**. 38 per cent chose option **A**, 13 per cent chose option **C** and 3 per cent chose option **D**. The movement from E_1 to E_2 occurs when the budget line moves from FG to FH. This is a price fall for good X. The correct answer then becomes a choice between option **A** and option **B**. Both these options also state a positive substitution effect so the correct answer depends on the income effect. The income effect is negative and is shown by a movement from where the dotted line is a tangent to I_1 to the point of E_2. Candidates who chose option **A** may have

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taken the income effect as a movement from E_1 to E_2. This is incorrect as the income effect is shown by a movement between two parallel lines.

Question 6 was answered correctly by 37 per cent of the candidates who chose option **A**. 16 per cent chose option **B**, 40 per cent chose option **C** and 7 per cent chose option **D**. Candidates who chose option **C** recognised that in monopolistic competition there are no supernormal profits in the long run. The choice is, therefore, between option **A** and **C**. However, the point of maximum profit in the long run does not allow allocative efficiency to be achieved so the correct answer is **A**.

Question 16 was answered correctly by 40 per cent of the candidates who chose option **C**. 35 per cent chose option **A**, 23 per cent chose option **B** and 2 per cent chose option **D**. From their income the top 20 per cent pay 45 per cent in income tax. That leaves them 55 per cent disposable income. They then receive 5 per cent of their income in cash benefits which leaves them 60 per cent to spend as disposable income (option **C**). They do pay sales tax but this is when they spend their disposable income. Candidates who chose option **A** may have added the 45 per cent of income tax to the 25 per cent of sales tax leaving 30 per cent and ignored the cash benefits.

Question 26 was answered correctly by 37 per cent of the candidates who chose option **C**. 8 per cent chose option **A**, 29 per cent chose option **B** and 26 per cent chose option **D**. Candidates who chose option **D** may have not noticed that the question asks which components are **not** included in measures of economic growth. A calculation economic growth can include real income per capita so it is not an additional component when measuring economic development.

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Paper 9708/42
A Level Data Response and Essays

General comments

It is important to note at the outset of this report that the March 2023 paper was based on the new 9708 A Level Economics syllabus. Also, and perhaps more importantly, the structure of this examination paper and its accompanying mark scheme has changed significantly.

Although the structure and mark scheme for Data Response part Question 1 has remained the same, the essay paper and associated mark scheme has undergone some key changes. Candidates now have to choose one essay from two microeconomic essays in Part B and one essay from two macroeconomic essays in Part C. Before 2023 candidates could choose any two questions from a total of six essays. This may have had some impact on the performance of candidates in this examination session.

In addition, the transition has been made from a standard 'levels' mark scheme, to a scheme which uses generic marking plus a given number of marks available for evaluative comment. Essays are now marked out of 20, instead of being marked out of 25. Generic marked levels cover 0 to 14 marks and 6 marks are available for evaluation.

Responses to this paper were consistently lower compared with recent years. Few candidates were able to provide sufficiently well-structured analysis to enable them to gain a level 3 grade on the generic part of the mark scheme. Many diagrams were not accurate and there were many instances of only partially developed analysis, i.e. based on a simple chain of reasoning. This frequently restricted candidates to a level 2 generic mark.

In addition, a significant number of candidates were not able to use their analysis effectively to form a judgement. This failure to provide sufficient, developed evaluative comment relating to specific essays, frequently led to a level 1 grade for evaluation.

Overall, there did not appear to be any a clear distinction between performance regarding the Data Response section of this paper and the Section B and Section C essay questions.

Comments on specific questions

Section A

Question 1

(a) This part of the Data Response required candidates to **state** what is meant by a recession. Candidates needed to identify three key elements. First that it related to GDP, second that it involved a fall in GDP or negative growth of GDP and third it related to a specific time period, normally this would be two successive three-monthly quarters. Many failed to identify all three component parts but focused instead on what one might associated with a recession, for example high unemployment, low investment etc. This is not what the question required.

(b) There were two parts to this question. Part one required candidates to analyse why governments borrow and why it is said that a government should increase spending in a recession. Generally, this question was answered well and many candidates gained at least 4/5 marks. It was expected that candidates would recognise that governments have recourse to borrowing to finance expenditure that would not be covered by revenue gained from taxation. Similarly, it was expected that increased spending in a recession would have an effect on income, output, employment and this combined with

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the multiplier effect would help to stimulate economic growth and reduce the negative impact of the recession.

(c) The concept of 'crowding out' required a clear explanation. Candidate responses which focused on either the transfer of scare resources from the private to the public sector, or the transfer of available funds from public sector to private sector were equally acceptable. Then it was important for candidates to consider the 'process' through which this transfer was carried out. Key parts of this process included: the sale of government securities; a rise in interest rates; more expensive cost of borrowing and ultimately, the crowding out of private sector investment.

(d) This question required candidates to **use the evidence in the article** to assess the evidence provided to support the view that a high level of government borrowing was an effective policy. The need to use the evidence in the article is underlined to emphasise the importance of fulfilling this requirement. Many candidate's comments were not based on evidence from the specific article. No marks were gained for such comments. Marks were gained for reference to a rise in interest rates and for comments relating to the importance of considering the stability of the ratio of debt to GDP. Also, for recognising that this ratio might be different with different outcomes depending upon the type of economy under consideration. Very few responses chose to refer to the graph in Figure 1 to support the contention that this ratio was not stable in the UK in the relevant time period. Good responses were able to divide their assessment into two parts, identifying factors which supported the view that there was a conclusive case to support the effectiveness of a high level of government borrowing while also recognising why this evidence might not be conclusive. One mark was reserved for the provision of an acceptable conclusion.

Section B

Question 2

This was a very popular question. It was clear that many students had been well prepared to answer a question relating to negative externalities. This was quite evident when considering the depth of the analysis provided. However, this question required candidates to focus upon a specific type of market failure caused by air travel. Moreover, it was important to recognise at the outset that this type of market failure would be linked to negative externalities of consumption **not** negative externalities of production. A significant number of candidates failed to recognise this distinction. As a result, many diagrams were not accurate. A significant number of responses produced a diagram appropriate for negative externalities of production, instead of negative externalities of consumption. Air travel relates to consumption not production. This misunderstanding had a further impact on the accuracy of the analysis based on this diagram. It also made it much more difficult for learners to reach the highest skill level AO2. For example, to gain a level 3 mark, candidates needed, where necessary, to provide accurate and relevant use of analytical tools such as diagrams. Well prepared candidates however were able to identify a range of alternative types of government intervention which might have been used to correct this type of market failure. Allocative inefficiency caused by overproduction was the key market failure. In addition, candidates were required not only to identify different types of government intervention but also to discuss the extent to which each alternative might be effective. There were 6 marks for evaluative comment linked to this requirement. Good responses were able to make developed, reasoned and well-supported evaluative comments. Weaker responses tended to provide a brief evaluative statement or very limited attempt to construct a conclusion based on the preceding discussion. It is important to note that it was possible for candidates to gain at least 4/6 marks for a fully developed conclusion.

Question 3

This question was not dealt with effectively. Candidates were generally able to identify the key characteristics of an oligopoly market structure and also demonstrate what is meant by the term 'collusion'. This would have gained lower level 2 marks. However, an important element within the statement considered related to the extent to which collusion would lead to higher prices and a less efficient allocation of resources. This required some detailed analysis based on the extent to which collusion would change the market structure from that of an oligopoly to one demonstrating characteristics, generally associated with a monopoly. A really good response would have linked this change in market structure to its impact on prices and efficiency. While some stated prices would be higher and a more inefficient outcome would also be likely, very few went beyond providing brief statements and very few actually developed any clear chains of reasoning to explain why the contention in the statement might be correct. This is why the majority of candidates failed to gain a level 2 mark above 8/14.

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It was expected that evaluative comment would question the validity of the statement in the question, by examining reasons why collusion might not necessarily lead to higher prices and a more inefficient outcome. Reference to economies of scale, greater levels of investment or, in some cases how government intervention might mitigate the potentially negative effects of collusion might have been considered and, on this basis, some attempt to draw a conclusion based on this further examination. The majority of learners who did attempt to answer this question, made no attempt to question the validity of the statement in the question. Hence, very few candidates gained any marks at all for evaluative comment. Teachers might take note of the importance of the need by learners to question the validity of all statements which are followed by the command word 'evaluate'.

Section C

Question 4

Approximately 50 per cent of learners chose to answer this question. A fairly high proportion of responses gained a reasonably high mark for the knowledge, understanding and analysis part of the paper. Better responses were able provide clear links between expenditure reducing policies and how they impacted the level of imports. This was primarily due to achieving a decrease in aggregate monetary demand. Examples of expenditure reducing policies such as increases in direct taxation and increases in interest rates were frequently provides and additional marks were gained for recognising that these policies would reduce aggregate demand and subsequently, because the level of aggregate demand will determine the level of imports, will reduce the level of imports. From this it is possible to argue that such policies will then reduce a balance of payments deficit. Higher level 3 marks were then gained by accurate analysis which linked the impact of these policies on the level of unemployment. Primarily this would be cyclical unemployment. Those who could provide at least two chains of reasoning in relation to unemployment, would then be able to gain a level 3 mark It was the depth of this analysis which ultimately determined the level gained for knowledge, understanding and analysis.

Learners who attempted this question frequently made the same mistake that those who attempted to answer **Question 3** made. Again, some candidates did not question the validity of the contention contained within the statement. This is why the command word 'evaluate' is used. On this basis, the crucial part of the statement related to the extent to which it is true that expenditure-reducing policies will cause significant unemployment. Analysing the impact of expenditure reducing policies did not constitute evaluative comment. Evaluation required learners to question the extent of the impact of these policies on unemployment. Many responses made no attempt to undertake this evaluation. For example, it was expected that learners might point out that the impact of these policies would be influenced to large extent by the state of the economy when these policies were first introduced. Alternatively, some reference might have been made to the fact that such policies would have a different impact on depending upon the type of unemployment under consideration or that such policies might lead to the substitution of domestically produced goods for goods which were previously imported.

Teachers might note that without this evaluative questioning of the statement, it is very difficult for learners to be able to construct what is a necessary relevant conclusion.

Question 5

This question worked well as a discriminator. Responses varied across a wide mark range. There were three related elements in this question that learners were expected to indicate knowledge, understanding and analysis. Some learners recognised this and proceeded to identify and explain what is meant by the term globalisation and did so in sufficient depth. For example, understanding that globalisation is more than simply an increase in international trade but that it also involves the free movement of capital and labour plus the transfer of technology. It was also important that learners demonstrated detailed knowledge of the key characteristics of low-income countries. This requirement which, although frequently referred to, was often not fully integrated into the overall response and this led to fewer marks for analysis. The links between the key characteristics of low-income countries and living standards needed to be clearly established. For example, the reliance on the production of and export of primary goods, compared to secondary goods and tertiary services in evidence in high-income countries. Good responses produced more extended chains of reasoning to enable them to assess the impact of globalisation on the standard of living in low-income countries. For example, some learners suggested that an increase in international trade and subsequent economic growth would be likely to increase tax revenues which would then enable low-income country governments to spend more on health care, housing and education and that these elements are generally associated with a rise in the standard of living.

Evaluative comment was frequently introduced, albeit indirectly, through a consideration of the role and importance of multinational corporations (MNCs). This approach was rewarded because it is clear that the

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growth of MNCs and globalisation took place simultaneously and were both important parts of global economic development. It was pleasing to note that many learners, while being aware of the positive contribution to living standards, such a job creation, economic growth and increases in productivity, not all aspects of globalisation contributed to an increase in living standards. Good responses referred to resource depletion, negative effects on the environment and possible labour exploitation. A conclusion which then attempted to form a judgement based on each of the above explanations of alternative outcomes would also have potentially gained a level 2 evaluation mark.

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