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Mark Scheme (Results)

June 2015

IAL Economics (Unit 2)

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General Marking Guidance

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

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Section A: Supported multiple choice

NB: Candidates may achieve up to 3 explanation marks even if the incorrect option is selected.

NB: Candidates may achieve up to 3 marks for explaining three incorrect options (provided three different reasons are offered and each option key is clearly rejected).

Question Number	Indicative Content 2k 2Ap	Mark
1	**Answer B** **Definition**: • Nominal GDP growth: the increase in value in monetary terms/may simply reflect price increases **(1) OR** real GDP growth is adjusted for the effects of inflation **(1)** • Nominal growth higher than real GDP growth therefore inflation in each year **(1)** • Difference between nominal and real GDP is used to create GDP deflator **(1) OR** nominal-real=inflation rate **(1)** • GDP deflator = nominal GDP/real GDP x 100 **(1) OR** • Inflation rate = (current years GDP deflator – Previous year's GDP deflator) / Previous year's GDP Deflator X 100 **(1)** **Application**: • Examples/references may include: • In 2011 real 1.6% and nominal 6.5% **(1)** thus inflation is 4.9% **(1)** • **Award 2 marks for any correct calculation using data (as above)** • Nominal GDP growth-real GDP growth is >2 in each year **(1)** **Rejection marks:** • A incorrect - the data does not represent population or changes in population size **(1)** • C incorrect - data would suggest that there has been inflation as if deflation real growth would exceed nominal growth **(1)** • D incorrect – the GDP data is not per capita and there is no population data so this cannot be deduced from the table **(1)**	**(4)**

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Question Number	Indicative Content 2k 1Ap 1An	Mark
2	**Answer: C** **Definition of LRAS:** • LRAS a measure of a country's/economy's potential output **(1) OR** • Also known as the full employment level of output **(1)** • Increased LRAS is equivalent to an outward shift of the PPC curve **(1)** **Application:** • HS2 Improved infrastructure to allow for better transportation linkages in the economy **(1) OR** • Transport infrastructure is what enables economic activity to take place **(1) OR** • Facilitate the movement of goods and people **(1)** **Analysis:** • This increases efficiency of economy raising productive potential LRAS **(1) OR** • Raises productivity through increased efficiency increasing LRAS **(1) OR** • Increases mobility of labour, raising LRAS **(1) OR** • Shift to the right/outward shift of LRAS **(1)** **For correctly labelled diagram showing outward shift in LRAS award up to 2 marks** **Rejection marks:** • A incorrect – as withdrawals are savings, taxes and imports and injections are investment, government spending and exports (1) **OR** HS2 investment is an injection not a withdrawal **(1)** • B incorrect – as HS2 will not increase size of labour force although it may reduce geographical immobility, unemployment **(1)** • D incorrect - as investment in infrastructure likely to increase AD because C+I+G+(x-m) **(1)** **NB: must be explanation of <u>why</u> increase in AD for the mark**	**(4)**

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Question Number	Indicative Content 2k 1Ap 1An	Mark
3	**Answer: D** • Comparable goods used to compare the value of money in different economies **(1)** • **OR** • Measures the purchasing power of the currency of an economy **(1)** • **OR** • Formula for example: $S = \frac{P_1}{P_2}$ • For example the price of staple household food stuffs can be compared in different economies **(1)** **Application**: • Mark awarded for relevant examples such as BigMac Index **(1)** • 1kg of rice $2 in India and $4 in USA **(1)** • **Award 1 mark for any valid example** **Analysis:** • Can be difficult to compare goods as PED for different goods will vary between countries **(1) OR** • The PPP rate will often differ from the actual rate **(1) OR** • PPP rate will be determined by factors such as trade restrictions, transport costs, location **(1)** **Rejection marks:** • **A** PPP does not compare CPI and RPI in different countries as these are measures of inflation **(1)** • **B** PPP does not measure exchange rate to US$ it measures real exchange rate as opposed to nominal exchange rate **(1)** • **C** these are 2 measures of HDI and not PPP **(1)**	**(4)**

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Question Number	Indicative Content 1k 2Ap 1An	Mark
4	**Answer: B** • Visiting tourists are an invisible export **(1) OR** • Exports are an injection into the circular flow **(1)** **Application**: • Tourists spend money with Cuban businesses **(1)** • Tourist spending is income for Cuban businesses **(1)** • **Award mark for relevant examples: restaurants; hotels; taxis.** **Analysis**: • Cuban businesses employ Cuban residents who receive income which is spent in Cuban economy (circular flow of income model) **(1)** • **For correctly labelled diagram showing outward shift in AD award up to 2 marks** **Rejection marks:** • **A** is incorrect – Cuban tourists leaving Cuba would be a withdrawal **(1)** • **C** an injection into the circular flow of income (export) more likely to increase national output as increases AD **(1)** • **D** is incorrect as demand deficient unemployment likely to decrease due to rising employment in tourist industry **(1)**	**(4)**

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Question Number	Indicative Content 1k 2Ap 1An	Mark
5	**Answer: D** • Definition of MPM: Marginal propensity to import measures the amount of additional income spent upon imports rather than domestically produced goods and services **(1)** **OR** • Formula: MPM = Δ imports/ Δ income **Application:** • Accept examples such as increased income spent on German cars **(1) OR** • Chinese electrical goods **(1)** • Likely to be because New Zealand economy cannot supply goods demanded from China or Germany **(1)** • New Zealand produces different goods to Chinese and German manufacturers **(1)** **Analysis:** • Increase in MPM likely to negatively impact balance of trade **(1)** • Increase in MPM likely to depreciate currency if value of imports increases **(1)** • **NB: Do not reward assertion "create deficit" as this will depend upon exports and no data on exports in stem** **Rejection marks:** • **A** incorrect as exchange rate depreciation is likely to be an effect of rising imports rather than a cause **OR** depreciation likely to increase price of imports and reduce demand **(1)** • **B** incorrect as increase in MPS is likely to reduce consumer spending and reduce imports **(1)** • **C** incorrect as deficit in the balance of payments is a possible effect of increasing imports not a cause **(1)**	**(4)**

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Question Number	Indicative Content 1k 2Ap 1An	Mark
6	**Answer: B** **Definition:** • AD_1 to AD_2 (right or outward shift) shows increasing AD **(1) OR** AD defined as C+I+G+(x-m) **(1)** **Application:** • Decrease in interest rates increases AD by increasing the opportunity cost of saving **(1)** • Increase in house prices increases AD by raising wealth for consumers and boosting consumer spending and business investment **(1)** • Houses may be a major asset and thus rising prices (or expectations) may stimulate spending **(1)** • Lower interest rates mean lower loan repayments thus higher disposable income and spending **(1)** • Decrease in interest rates increases AD by decreasing borrowing costs for firms for investment **(1)** • Any other valid application to house prices or interest rates **(1)** **Analysis:** • Decrease in interest rates may cause currency to depreciate thus increase demand for exports and increase AD **(1)** • Lower interest rates reduces incentive to save as lower returns on deposits thus increase spending **(1)** • Higher asset prices may be inflationary thus further boosting spending and AD **(1)** **Rejection marks:** • A incorrect because an increase in interest rates **OR** fall in share prices is more likely to reduce AD due to higher borrowing costs, loan repayments and reduced wealth **(1)** • C is incorrect because an increase in direct taxation **OR** an increase in imports is more likely to reduce AD due to reduced disposable income and fall in net exports **(1)** • D is incorrect as a decrease in exports is likely to reduce AD (fall in net exports) **OR** increase in indirect taxation more likely to shift SRAS left (inwards) due to rising costs for business **(1)**	**(4)**

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Question Number	Indicative Content 1K 2Ap 1An	Mark
7	**Answer: A** • A is correct because if income is spent on domestic good and services then this is an injection into the circular flow of income **(1)** **OR** • Injections of new demand for domestic goods and services into the circular flow of income stimulate further rounds of spending **(1) OR** • **Formula for the multiplier ratio:** • Either taken from specification 1/(1-MPC) **(1)** **OR** 1/(1-MPS+Tax+MPM) **(1)** **Application:** • *"one person's spending is another's income"* **(1)** • Valid example or development **EG value of** multiplier in developed economies +1.5/ developing economies +1.6 **(1)** • Simple numerical example **(1)** **Analysis:** • This can lead to a bigger eventual effect on output and employment **(1)** • If spending on imported goods then this would be a withdrawal/reduces size of multiplier **(1)** **Rejection marks:** • B is incorrect as this would be a withdrawal **(1)** **do not award this if previously already awarded** • C is incorrect as saving is a withdrawal **(1)** • D is incorrect as the impact of investment will depend upon the multiplier not change it **(1)**	**(4)**

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Question Number	Indicative Content 2k 1Ap 1An	Mark
8	**Answer: C** **Definition:** • Recession: 2 consecutive quarters of negative economic growth **(1)** • Negative economic growth is where GDP/Total real output is falling **(1) OR** economy is contracting **(1)** **Application:** • Total output fell by - 0.8% in Q4 2008 and every quarter upto/including Q3 2009 **(1)** • Total % fall in output was in period was -3.5% **(1)** • Real GDP growth was negative in Q4 2008 to Q3 2009 **(1)** **Analysis:** • Total real output/GDP was less in Q3 2009 than it was in Q4 2008 **(1)** • May have seen increase in unemployment **(1) OR** falling tax receipts **(1)** • Reduction in rate of negative growth does not mean that there has been positive growth/increased output EG Q1 2009 to Q2 2009 **(1)** **Rejection marks:** • A incorrect as data for Q2 and Q3 2006 is not provided on the chart so cannot be determined **(1)** • B incorrect growth slowed in this period but was not negative **(1)** • D incorrect as growth was negative meaning total output decreased **(1)**	**(4)**

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Question Number	Indicative Content 2k 2Ap	Mark
9a	**Knowledge: up to 2 marks** **Definition:** Real GDP growth: the percentage change in GDP of an economy, after accounting for inflation **(1) OR** Real GDP growth takes into account the rate of inflation **(1)** Nominal GDP is not adjusted for inflation **(1)** Real GDP growth is used to measure % change in economic activity **(1)** Real GDP includes the output of foreign owned businesses that are located in the country/economy **(1)** Very difficult to calculate and subject to errors/revisions**(1)** **GDP calculated using one of the following the following methods**: expenditure method C + I + G + (X-M) **(1) OR** income method the sum of incomes earned through the production of goods and services**(1) OR** income from employed and self-employed + profits of private businesses + rent income from land = GDP by factor incomes **(1)** **Application**: **up to 2 marks** Reference(s) to data Figure 2 and/or Figure 3 acceptable: EG **Figure 2:** UK in 2008 negative growth whereas Canada has positive growth **(1)** UK and Canada in 2009 example of negative growth **(1)** In 2011 UK growth 1% and Canada 2.5% **(1)** **Figure 3:** Canada real GDP 1 424 US$ billions in 2007 and 1 821 US$ billions in 2012 **(1)** UK real GDP 2 825 US$ billions in 2007 and 2 435 US$ billions in 2012 **(1) – example of negative growth** Example(s) of multinational activity contributing to real GDP growth in UK or Canada **(1)**	**(4)**

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Question Number	Indicative Content 2k 4Ap	Mark
9b	**Knowledge: up to 2 marks** **Current Account –** A record of all money flows to and from a country arising from exports and imports of goods and services, as well as transfers of income and other net transfers **(1)** **OR** Record of all financial transactions of an economy with the rest of the world **(1)** **OR** Consists of current account and capital account **(1)** **Current Account Balance –** The sum of the visible and invisible trade balances **(1).** A positive value is a current account surplus **(1)** ; a negative value is a current account deficit (**1)** **Application: up to 4 marks** **Ref to Figure 1**: Falling exports to USA (75% of exports) **(1)** where low economic growth has reduced demand **(1)** Lower net exports therefore creates current account deficit **(1)** **Extract 1**: uncertain global conditions (**1)** meaning falling net investment from foreign firms **(1)** **Figure 2:** Global recession **(1)** decreasing demand for exports **(1)** **Extract 2:** Recession in EU **(1)** decreasing demand for exports **(1)** **Extract 1:** Canadian economy balanced toward household consumption **(1)** therefore lack of emphasis on export production **(1)** Increased propensity to import goods and services **(1)** increasing deficit **(1)** Lack of price competitiveness of Canadian firms **(1)** falling exports **(1)** Strong/appreciating Canadian dollar **(1)** therefore falling exports **(1)** Weak/depreciating USA dollar **(1)** therefore falling Canadian exports **(1)** Falling commodity prices **(1)** main Canadian export **(1)** **Max 4/6 if no data references**	**(6)**

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Question Number	Indicative content 2K 2Ap 2An 4Ev	Mark
9c	Persistent and increasing net withdrawal (leakage) from circular flow of income may result in: • Loss of output (growth) • Loss of jobs (unemployment) • Possibly rising household debt to fund purchases of imported goods • Possibly a lack of investment as firms are concerned about the lack of UK non-price competitiveness • Threat of cost push inflation from the increased price of imports (increasing price of imports generated by a weakening currency). **Up to 3 marks for an accurate suitable diagram – EG showing falling AD (falling net exports, falling investment)** **Max 4/6 if no data references**	**(10)**

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of effect and/or data references to UK or Canada such as reliance upon export markets has meant economic growth has been low
2	4-6	Understanding of effect and some linking to data references to UK or Canada: GDP growth negative in 2008-2009 partly due to falling demand for exports UK current account balance as % of GDP increasing as GDP is falling whereas Canada increasing as GDP rising

Evaluation – Indicative content		
	• Impact will if the deterioration is long term • Impact will also depend if the balance of payments is in deficit and deteriorating or improving • If the current account is in deficit, then the capital account will have to be in surplus. • Reserves may have to be used to increase the capital account, but this cannot go on forever • A high level of foreigners buying domestic assets may be financing the current account deficit • A high level of borrowing, with high interest repayments, may be financing the current account deficit • References to government policy intended to reduce deficit (EG expenditure switching or expenditure reducing policies) • Data my be inaccurate/difficult to collect therefore misleading	

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Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation
2	3-4	For evaluative comments supported by relevant reasoning

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Question Number	Indicative content 2K 2Ap 4An 6Ev	Mark
9d	• Investment is included in GDP measure • C + I + G + (x-m) • Investment is important component of AD and LRAS and productive potential • Thus falling investment reduces AD in the short term • In the long term lower investment may reduce output potential of economy reducing LRAS • Relate to GDP growth • Multiplier effect upon AD • Relate to total GDP change in UK and Canada • Examples of capital investment such as new factories, other buildings, machinery and vehicles • May also be investment in infrastructure (EG roads, airports) or human capital (EG training and education) • Lack of investment may result in higher unemployment and therefore government spending • Relate to falling productivity • Accurate diagram showing fall in AD annotated and explained (up to 3 marks) • Accurate diagram showing fall in LRAS (up to 3 marks) • Accurate PPF/PPC showing inward shift annotated and explained (up to 3 marks) **If diagram shows both left AD and left LRAS award up to 5 marks** **Max 6/8 if no data references** **Max 3/8 if no diagram**	**(14)**

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Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible effects or identification of one or more points. Definition/understanding of investment as capital goods purchased by businesses (or government) **and/or** data references. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of factors identified along with some development of analysis **and** data references. Material is presented with some relevance but there are likely to be passages, which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the economic impact of falling investment **and** data references Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – Indicative content		
	• As AD increases (perhaps due to increasing demand for exports) then investment may grow again (a lagging indicator) • Low investment may be result of falling demand in export markets (due to low economic growth in USA or EU) may be short-tem • Impact upon GDP depends upon size of multiplier • Reference to policies likely to increase investment – EG tax incentives, monetary policy • Data my be inaccurate/difficult to collect therefore misleading • Falling AD and growth, rising unemployment may reduce tax receipts an increase fiscal deficit	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

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Question Number	Indicative content 4K 2Ap 2An 6Ev	Mark
9(e)	• Interventionist policies including: • Education and training to raise levels of human capital/make labour more flexible to cope with changing structure of economy • Research and development (R&D) to develop new technologies or production techniques improve efficiencies • Improved infrastructure to allow for better transportation linkages in the economy; better telecommunications linkages in the economy; Infrastructure is what enables economic activity to take place • Market-oriented policies including: • Reduction in direct taxes (income tax) • Reduction in direct taxes on firms (corporation tax) • Labour market reform may including reduction in trade union power/reduction in minimum wages/reduction in unemployment benefits • Deregulation • Privatisation and competition policy • An inaccurate diagram put in Level 1, an accurate diagram in level 2 (right LRAS shift) and an accurate diagram, which is also explained, well in the written response in level 3. **Max 6/8 if no data references**	**(14)**

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible effects or identification of one or more points. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of how supply side policies may increase economic growth in Canada or UK Material is presented with some relevance but there are likely to be passages, which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of how supply side policies may increase economic growth in Canada or UK Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

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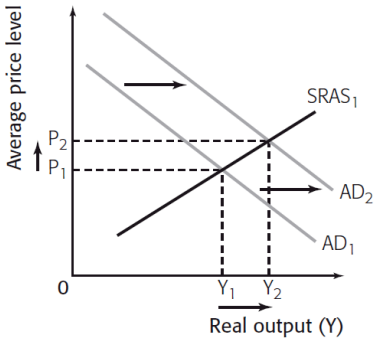
Evaluation – Indicative content		
	• Interventionist supply-side policies are costly so there is an opportunity cost for the government • May only be effective over the longer term. • Tax incentives - may be less income for governments - *unless the Laffer curve hypothesis is to be believed* • A lower level of trade union power is likely to result in less job security and worsening conditions for workers • May be a reduction in living standards for workers on the minimum wage and for the unemployed • Deregulation negative effects on labour or the environment • Some firms are nationalised so that they can provide an essential service, e.g. water, electricity or railways, at lower prices/sectors where there might not be sufficient demand for private firms to operate.	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

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Question Number	Indicative Content 4K 2Ap 2An	Mark
10a	**Definition**: **up to 2 marks** Wealth is value of a household's assets minus its liabilities (debts owed) **(1)** Income is disposable income available for spending (personal income less taxes) **(1)** An increase in net wealth makes a household more likely to spend and less likely to save at each level of disposable income **(1)** A decrease in net wealth makes a household less likely to spend and more likely to save at each level of disposable income **(1)** **Application**: **up to 2 marks** Assets - home, cars, furniture, savings accounts, bank accounts **(1)** Liabilities - student loans, car loans, mortgage, credit card balances **(1)**	**(4)**

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Question Number	Indicative content 4K 2Ap 2An 6Ev	Mark
10b	Commodities defined - evidence refers to both minerals and agricultural products Increasing demand for commodities causes right (outward) shift in AD Increasing average price level and real output Movement along SRAS Bring about increasing investment in mining industries and agriculture Increased employment in mining/agricultural industries Multiplier effect In long term may lead to increase in LRAS  • Accurate diagram showing rise in AD annotated and explained (up to 3 marks) • Accurate diagram showing rise in LRAS (up to 3 marks) • Accurate PPF/PPC showing outward shift annotated and explained (up to 3 marks) **If accurate diagram shows both right AD <u>and</u> right LRAS award up to 5 marks with explanation** **Diagram and no explanation maximum of 3 marks in total** **Max 6/8 if no data references** **Max 3/8 if no diagram**	**(14)**

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Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible effects or identification of one or more points. Understanding of impact of demand **and/or** data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of factors identified along with some development of analysis **and** data references Material is presented with some relevance but there are likely to be passages, which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the economic impact of demand **and** data references Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – Indicative content		
	• Here we are looking for development and evidence of judgement as to the most significant effects with possible negative consequences • Higher inflation • Increase in currency value and negative impact upon manufacturing exports and increased imports • Lack of competitiveness of other Brazilian sectors • Growth is not balanced • Environmental degradation/impact • Risks associated with reliance upon a small range of commodities for exports	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

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Question Number	Indicative Content 2k 4Ap	Mark
10c	Inflation effects (**3 marks per reason**) to include: • **Extract 1:** Relatively high inflation Brazil **(1)** will lose price competitiveness in international markets **(1)** thus falling net exports (component of AD) **(1)** • Strong currency as a result of commodity exports to China - **Extract 1** - **(1)** makes imports cheaper **(1),** thus reducing net exports (component of AD) **(1)** • Lower net exports compared to Mexico – **Extract 1** - **(1)** rise in unemployment **(1)** due to thus less consumer spending (component of AD (**1)** • **Extract 1:** Higher inflation **(1)** may lead to higher nominal interest rates **(1)** and therefore less consumer spending/business investment (component of AD) **(1)** • **Extract 1:** Lower investment **(1)** due to uncertainty **(1)** caused by Inflationary expectations/global recession (component of AD) **(1)** • **Extract 1:** Higher business costs **(1)** due to higher food and education prices **(1)** forcing up wages and reducing SRAS **(1)** **Award up to 2 marks per reason for an accurate diagram showing left shift of AD curve (falling exports/rising imports) or left shift of SRAS (higher costs for firms)** **If only one reason limit to 3 marks** **Max 4/6 if no data references**	**(6)**

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Question Number	Indicative content 2K 2Ap 2An 4Ev	Mark
10d	• GDP can be used to compare economic development of countries (developed and developing) • Per capita GDP takes into account population size so may be a better measure than real or nominal GDP • GDP may be used as an indication of the wealth of the economy • GDP may indicate income levels in the country • There are other measures of living standard which can also be used such as: HDI may be a better measure combining GNI per capita, education and health indices; life expectancy; access to clean water **Max 4/6 if no data references**	**(10)**

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Definition of GDP and some indication that it does not measure distribution of wealth or income
2	4-6	Definitions and factors identified along with some development of analysis such as limitations of GDP measure as Brazil has rising GDP but high inequality

Evaluation – Indicative content		
	• GDP can be criticised for the following reasons: • High GDP and GDP growth may indicate rapid depletion of natural resources (unsustainable growth) • HDI may be a better measure • Environmental degradation • Problems of accuracy of measure • Changes in life expectancy (rise of diseases associated with affluence) • High inequality may lead to high crime • Extract 2 suggest that while income inequality remains high, wealth inequality has reduced	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning

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Question Number	Indicative content 2K 2Ap 4An 6Ev	Mark
10e	• Unequal distribution of benefits of economic growth and a widening gap between rich and poor • Inflationary pressures due to capacity constraints • Unbalanced growth (EG export driven, primary sector) • Increasing mechanisation leading to rising unemployment • Profits may be transferred overseas (withdrawals from circular flow of income) • Increased imports of goods (withdrawals from circular flow) • Rural to urban migration may create asset price inflation in cities • Developed economy problems such as obesity, alcohol and recreational drugs **Max 6/8 if no data references**	**(14)**

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of possible effects or identification of one or more points. Understanding of costs of rapid economic growth **and/or** data references Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Identification and some explanation of costs of rapid economic growth identified along with some development of analysis **and** data references Material is presented with some relevance but there are likely to be passages, which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding and analysis of the costs of rapid economic growth **and** data references Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing is clear and coherent overall.

Evaluation – Indicative content

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	• **Further development of costs may include:** inflation may stimulate current spending at the expense of investment • Productivity increases result in lower employment levels • Environmental sustainability/limits to growth • Depletion of non-renewable resources • Environmental pollution • Higher crime levels • Increased tax receipts (benefit) may be misallocated to defence spending or increased crowding out by public sector creating inefficiency **Benefits may include:** • Increased tax receipts and investment in infrastructure • Narrowing of income and wealth gap • Economic development as education is improved • Diversification away from commodity exports	

Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and relevant examples.
3	5-6	For evaluative comments supported by relevant reasoning and relevant examples.

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