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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Poverty and inequality (4.3.4)

International A Level Economics · Unit 4: Developments in the global economy

26 questions · 191 marks · Mark schemes included
Past papers October 2020 - June 2025 · 2 specification sub-topics

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme; < QUESTION brings you back.

Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").

A gold bar in the left margin marks exactly where the question sits on the original page.

Diagrams, graphs, tables and data are printed exactly as they appear in the original papers.

QUESTION	SOURCE	MARKS	PAGE
4.3.4.1 POVERTY		4 Qs · 13 marks	2
1. Q5	IAL Unit 4 October 2023	1	3
2. Q7(c)	IAL Unit 4 January 2021	4	4
3. Q7(b)	IAL Unit 4 October 2024	4	8
4. Q7(d)	IAL Unit 4A June 2025	4	13
4.3.4.2 INEQUALITY		22 Qs · 178 marks	17
5. Q2	IAL Unit 4 October 2020	1	18
6. Q2	IAL Unit 4 June 2021	1	19
7. Q4	IAL Unit 4 January 2022	1	20
8. Q6	IAL Unit 4 (unused) January 2022	1	21
9. Q3	IAL Unit 4 October 2022	1	22
10. Q4	IAL Unit 4 January 2023	1	23
11. Q4	IAL Unit 4 October 2023	1	24
12. Q6	IAL Unit 4 June 2024	1	25
13. Q6	IAL Unit 4 June 2025	1	26
14. Q3	IAL Unit 4A June 2025	1	27
15. Q7(a)	IAL Unit 4 January 2021	2	28
16. Q7(c)	IAL Unit 4 October 2021	4	32
17. Q7(b)	IAL Unit 4 January 2021	6	36
18. Q7(d)	IAL Unit 4 January 2021	8	41
19. Q7(e)	IAL Unit 4 January 2021	14	46
20. Q7(e)	IAL Unit 4 October 2023	14	52
21. Q9	IAL Unit 4 (unused) January 2022	20	58
22. Q10	IAL Unit 4 June 2022	20	59
23. Q10	IAL Unit 4 June 2023	20	60
24. Q8	IAL Unit 4 January 2024	20	61
25. Q9	IAL Unit 4 October 2024	20	62
26. Q8	IAL Unit 4 January 2025	20	63



QUESTIONS

26 questions · 191 marks · 2 sub-topics

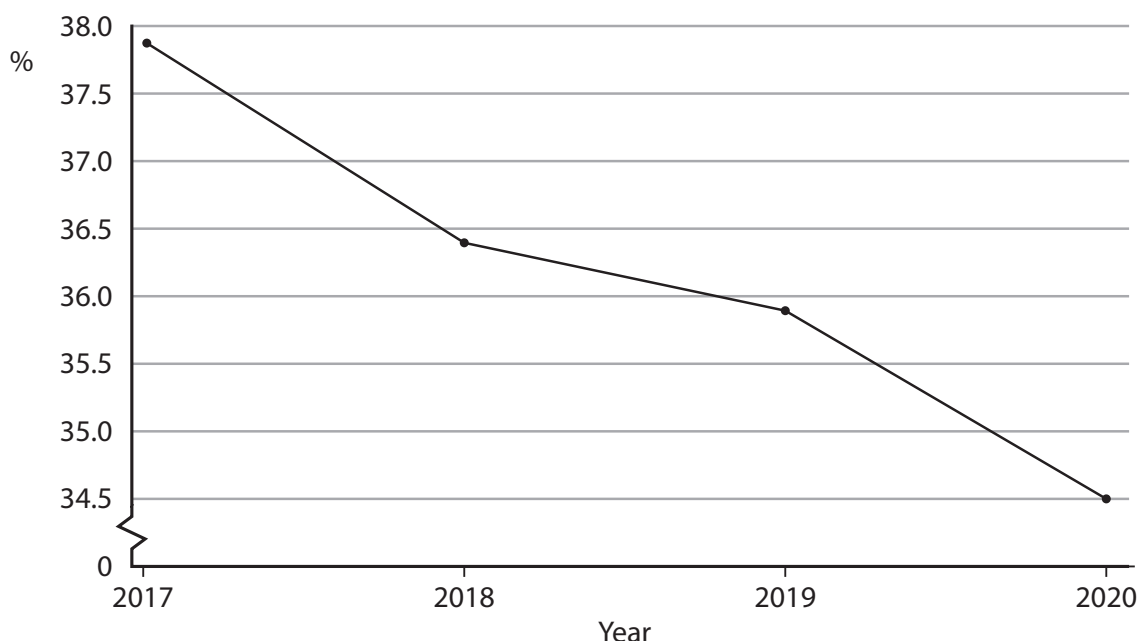
SUB-TOPIC 4.3.4.1

POVERTY

Sub-topic 4.3.4.1 · 4 questions · 13 marks · lowest tariff first



- 4 The chart shows Georgia's Gini coefficient, expressed as a percentage, between 2017 and 2020.



Which **one** of the following can be deduced from this chart?

- ☐ A The distribution of income became more unequal
- ☐ B Georgia experienced perfect income equality
- ☐ C Income inequality increased by 3.4%
- ☐ D Georgia's Lorenz curve shifted closer to the line of perfect equality

(Total for Question 4 = 1 mark)

- 5 In 2022 Madagascar had an absolute poverty rate of 71%.

Which **one** of the following statements about absolute poverty is true?

- ☐ A Absolute poverty is the inability of individuals or groups to meet their basic needs
- ☐ B Absolute poverty is based on value judgements and is subject to changes over time
- ☐ C Absolute poverty measures the percentage of people within a country earning less than 60% of median income
- ☐ D Absolute poverty measures the percentage of people earning more than \$2.15 a day at 2017 PPP values

(Total for Question 5 = 1 mark)



SECTION B

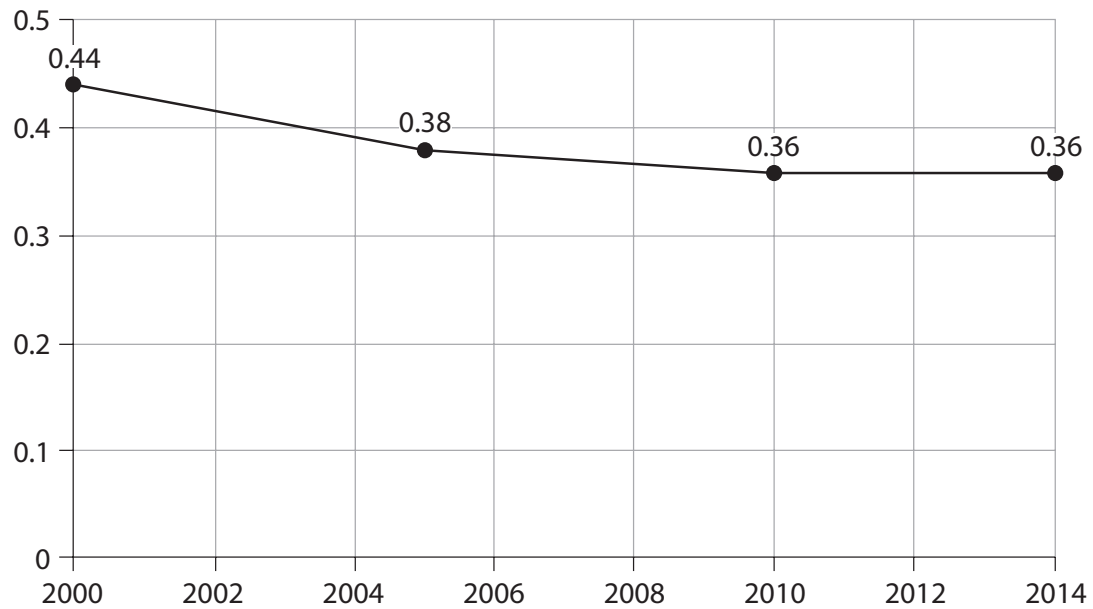
Study Figure 1 and Extract A in the Source Booklet before answering Question 7. Write your answers in the spaces provided on the following pages.

- 7** (a) With reference to the second paragraph of Extract A, calculate the share of global wealth of high-income advanced countries and middle-income developing countries in 2000. You are advised to show your working. (2)
- (b) With reference to Figure 1, analyse the likely effect on inequality of the change in the global Gini coefficient from 2000 to 2014. Illustrate your answer with a Lorenz curve diagram. (6)
- (c) Explain what is meant by 'relative poverty' (Extract A, line 12). (4)
- (d) With reference to Extract A, examine **two** causes of income inequality *within* advanced economies. (8)
- (e) With reference to Extract A, discuss policies that a government could implement to reduce income inequality within its economy. (14)

Sources for use with Section B.

Inequality

Figure 1 Global Gini coefficient (for income) 2000–2014



Extract A Inequality – causes and policies

Inequality is a social and political issue in many advanced economies. This has led to a debate about its causes and solutions. It has also resulted in public discontent with governments and other institutions.

Wealth inequality has decreased between high-income advanced countries and middle-income developing countries. Between 2000 and 2014 the share of global wealth of high-income countries fell by nine percentage points to 71%. Over the same period the share of wealth of middle-income developing countries rose by eight percentage points to 22%. 5

However, income inequality within the advanced economies has increased. The top 1% of income earners almost doubled their share of total pre-tax income from 6% in 1980 to 11% in 2014. Relative poverty rates have also increased, from 23% of the population in 1985 to 30% in 2016. On average, almost one in seven people living in advanced economies remains in relative poverty after taxes and transfer payments. 10

Personal factors such as gender, age, and place of residence continue to affect inequality in advanced economies. Even though women are now more likely to have a degree, their earnings and wealth are still lower than those of men. Women have narrowed the wage gap but earn only \$0.84 for every \$1 men earn. Similarly, a higher proportion of young people have a degree but their earnings and wealth are lower than those of older people. Residents living in urban areas are more likely to have a higher level of education than rural residents. However, unemployment in urban areas is higher and rising. 15 20

Since 2005 real disposable incomes have fallen in advanced economies. The effects of this have been most significant for middle-income earners and those in medium-skilled jobs. Over the same time period, the costs of housing, healthcare and education have risen faster than the average price level. Household debt has also increased from 87% of disposable income in 1995 to 123% in 2017. 25

Long-term global trends are affecting incomes and may increase income inequality in the future. For example, there has been a decrease in wages as a share of global GDP. This reflects the underlying trends of the slow growth of real wages and the increased use of automation in the global economy. 30

Government intervention is needed to reduce inequality. These policies could include:

- providing wider access to high quality education and training
- providing better quality healthcare
- measures to reduce discrimination
- increasing minimum wages. 35

Challenges related to inequality require a reconsideration of how economic gains are shared. In addition, welfare support needs to be reformed for current and future generations.

A significant challenge is how to reach agreement among policymakers, business leaders and citizens on measures to reduce income inequality. 40



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(c) Explain what is meant by 'relative poverty' (Extract A, line 12).

(4)

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SECTION B

Study Figures 1, 2 and 3 and Extract A in the Source Booklet before answering Question 7.

Write your answers in the spaces provided on the following pages.

- 7** (a) With reference to Figure 1 and the second paragraph of Extract A, calculate the value of FDI in Vietnam in 2023. You are advised to show your working. (2)
- (b) Explain what is meant by 'absolute poverty' (Extract A, lines 10 and 11). (4)
- (c) With reference to Figure 2 and Extract A, examine **two** likely economic benefits to Vietnam of FDI inflows. (8)
- (d) With reference to Figure 3, analyse the likely impact of the change in the average monthly earnings of manufacturing employees on Vietnam's international competitiveness. (6)
- (e) With reference to the information provided and your own knowledge, discuss measures, **apart from** promoting FDI, that the Government of Vietnam might take to increase the country's international competitiveness. (14)



Sources for use with Section B

The economy of Vietnam

Figure 1 Foreign direct investment (FDI) in Vietnam, \$ billions, 2014–2022

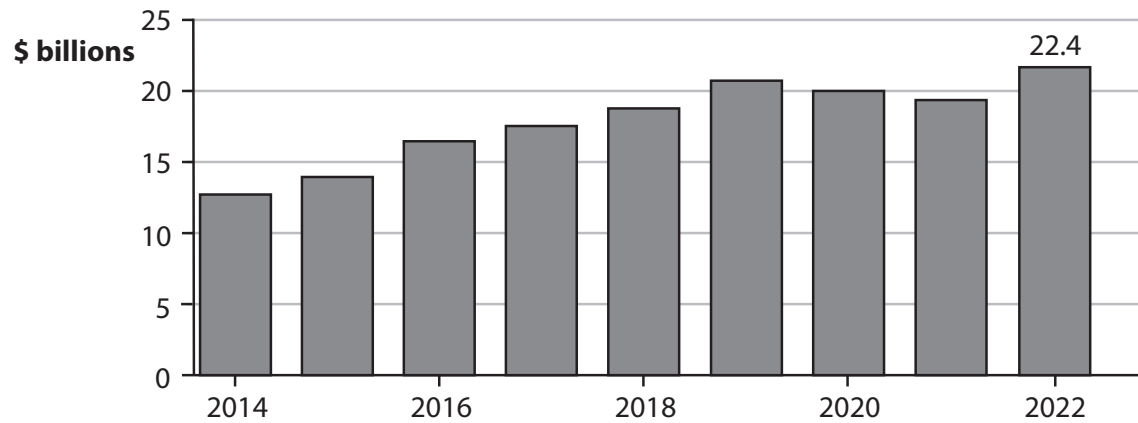


Figure 2 Largest sources of FDI inflows to Vietnam, \$ billions, 2022

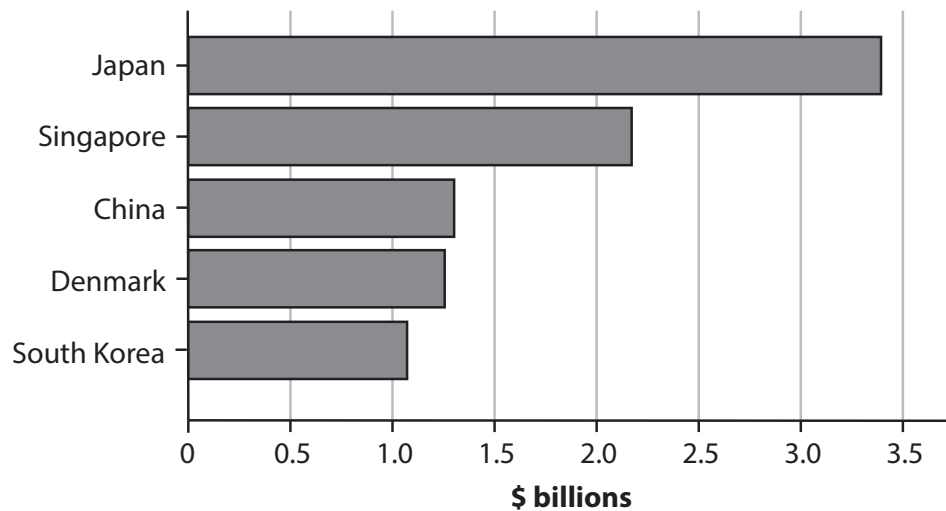
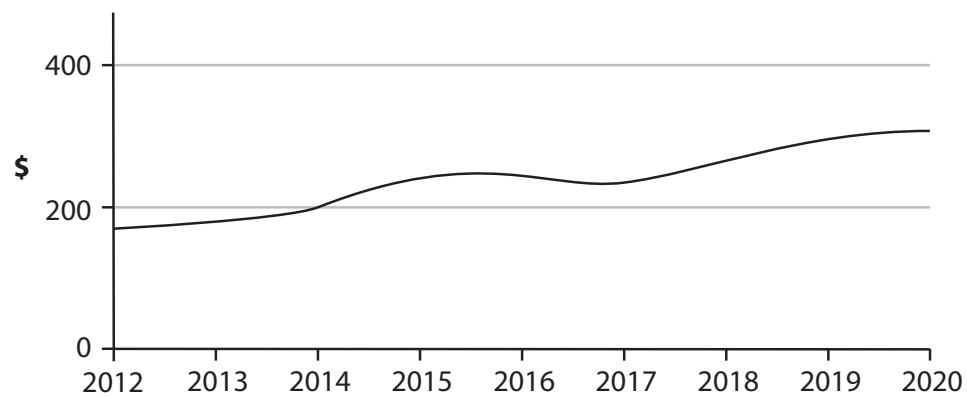


Figure 3 Average monthly earnings of manufacturing employees in Vietnam, \$, 2012–2020



Extract A Economic challenges

Some of the major suppliers to global technology companies are based in Vietnam. Trade wars between the USA and China and the risks to businesses exposed by the global health crisis of 2020-22 are forcing manufacturing businesses to move out of China and to invest in Vietnam. The relocation of businesses to Vietnam is part of a growing 'China plus one' strategy aimed at expanding global supply chains. 5

Vietnam attracted 962 new FDI projects in the first five months of 2022. This compared with 578 projects in the same period in 2021. In 2023, FDI inflows into Vietnam increased by 32.1% compared with 2022. FDI inflows are an important source of national income for Vietnam. Between 2016 and 2022 the proportion of the population living in absolute poverty decreased from 9.2% to 4.2%. 10

However, there are risks and uncertainties for foreign manufacturing businesses investing in Vietnam. The country suffers from weak physical infrastructure, especially its electricity network. In addition, the costs of bureaucracy for businesses are high. This is likely to have an impact on Vietnam's international competitiveness in the long-run. 15

Vietnam's Finance Minister said that the country's infrastructure was improving and becoming more modern. The country has an abundant supply of labour that will be cheap for a long time. In 2020 unit labour costs in Vietnam, although higher than in 2012, were still significantly lower than in China and Malaysia.

Nevertheless, the labour market in Vietnam is becoming inflexible. If manufacturing firms continue to shift operations to Vietnam there will be a shortage of skilled labour. One economist stated, "The challenge is the human capital. If you have to build a huge factory that needs 10 000 skilled workers, they need to come from somewhere." 20

Vietnam remains highly dependent on imports of raw materials from China. This means that Vietnam's supply chain is at risk if there are any disruptions to the flow of imports from China. 25

Whatever the doubts about infrastructure, bureaucracy, labour or other issues, few economists expect 'China plus one' growth to end soon. "The gates open, FDI comes in," said one existing entrepreneur, who is planning to make further investment in Vietnam.

Acknowledgements

Figures 1, 2, 3 and Extract A adapted from: FT, <https://www.ft.com/content/29070eda-3a0c-4034-827e-0b31a0f3ef11>



(a) With reference to Figure 1 and the second paragraph of Extract A, calculate the value of FDI in Vietnam in 2023. You are advised to show your working.

(2)

(b) Explain what is meant by 'absolute poverty' (Extract A, lines 10 and 11).

(4)

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

SECTION B

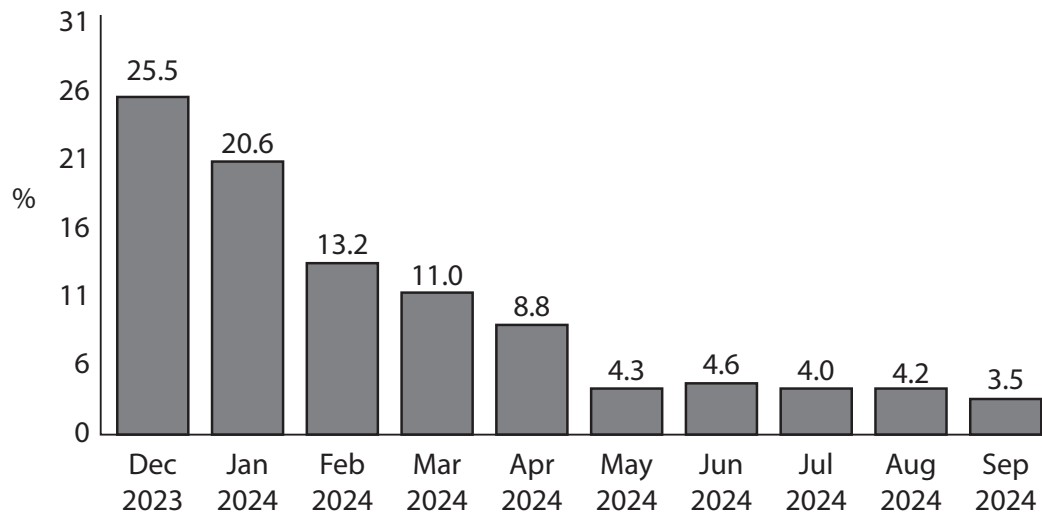
Study Figures 1 and 2 and Extract A in the Source Booklet before answering Question 7.

Write your answers in the spaces provided on the following pages.

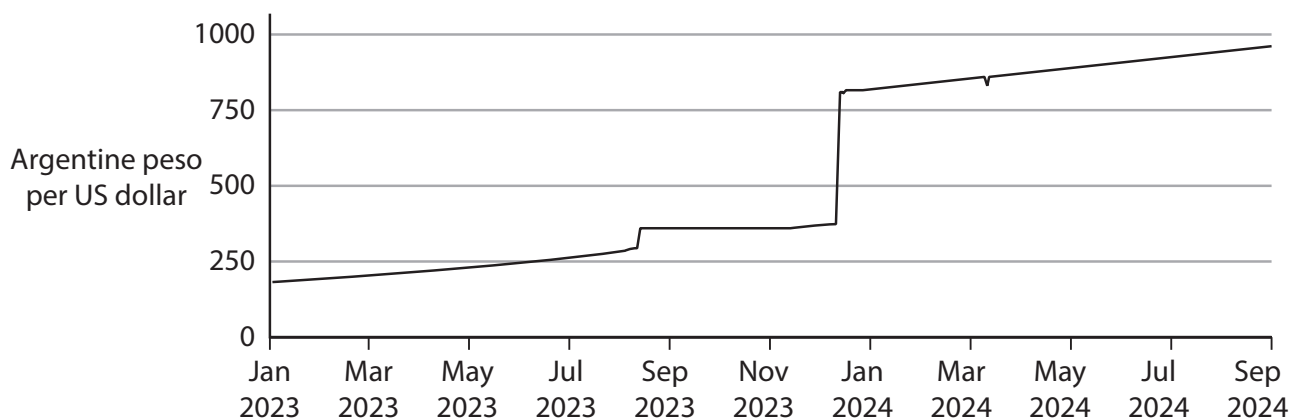
- 7** (a) With reference to Figure 1, calculate the percentage change in the rate of inflation between December 2023 and September 2024. You are advised to show your working. (2)
- (b) With reference to Extract A, examine the likely effect of the depreciation of the Argentine peso against the US dollar on Argentina's current account **and** its capital and financial accounts. (8)
- (c) With reference to Figure 2, analyse **two** policies that the Central Bank of Argentina can use to limit any further depreciation of the Argentine peso against the US dollar. (6)
- (d) Explain what is meant by 'absolute poverty'. (Extract A, line 20) (4)
- (e) With reference to the information provided and your own knowledge, discuss the likely economic effects of a reduction in public expenditure as a proportion of GDP on Argentina's economy. (14)

Sources for use with Section B

The economy of Argentina

Figure 1 Annual rate of inflation*, as measured by the consumer price index (CPI), December 2023 to September 2024

* This is the year-on-year rate of inflation calculated monthly.

Figure 2 Argentine peso–US dollar exchange rate, January 2023 to September 2024

Extract A Economic outlook

When Javier Milei became the President of Argentina in December 2023, his first task was to reduce the country's very high rate of inflation. This was mainly caused by increased public expenditure and a depreciation of the country's currency, the Argentine peso, against the US dollar. 5

The Government of Argentina reduced public expenditure from 38% of GDP in 2023 to 32% of GDP in 2024. The largest reductions were made in state pensions, social welfare programmes, and energy and transportation subsidies. This resulted in a fiscal surplus every month in 2024 after more than 10 years of continuous fiscal deficits. By the end of September 2024, these policies had successfully reduced Argentina's high rate of inflation. 10

The Central Bank of Argentina stabilised the exchange rate to prevent any further falls in the external value of its currency against the US dollar. It believed that this would result in greater macroeconomic stability in the country's financial markets. Argentina's current account changed from a deficit in 2023 to a surplus in 2024. 15

However, Argentina still faces numerous economic challenges. GDP was expected to be 3% lower in 2024 than it was in 2023. The country's economic growth forecast is 5.2% in 2025. This would only return Argentina's real GDP per capita to where it was in 2021.

Living standards have been falling since 2004, partly as a result of falling real wages. The share of the population living in absolute poverty increased by 11 percentage points in the first half of 2024 to 53%. 20

Domestic industries that employ most Argentinian citizens — retail, manufacturing and construction — have recovered only slightly from large falls in production. Unemployment in the second quarter of 2024 was 7.6%. Business leaders in manufacturing industries warned that they may continue to make workers redundant as the Government reduces protectionism. 25

Although there are still concerns about salaries, jobs and poverty, economists claim that the Government has achieved macroeconomic stability. However, for this to result in a sustainable rate of economic growth, the Government should remove strict capital and currency controls. This is important in attracting foreign direct investment. 30



1

(d) Explain what is meant by ‘absolute poverty’. (Extract A, line 20)

(4)



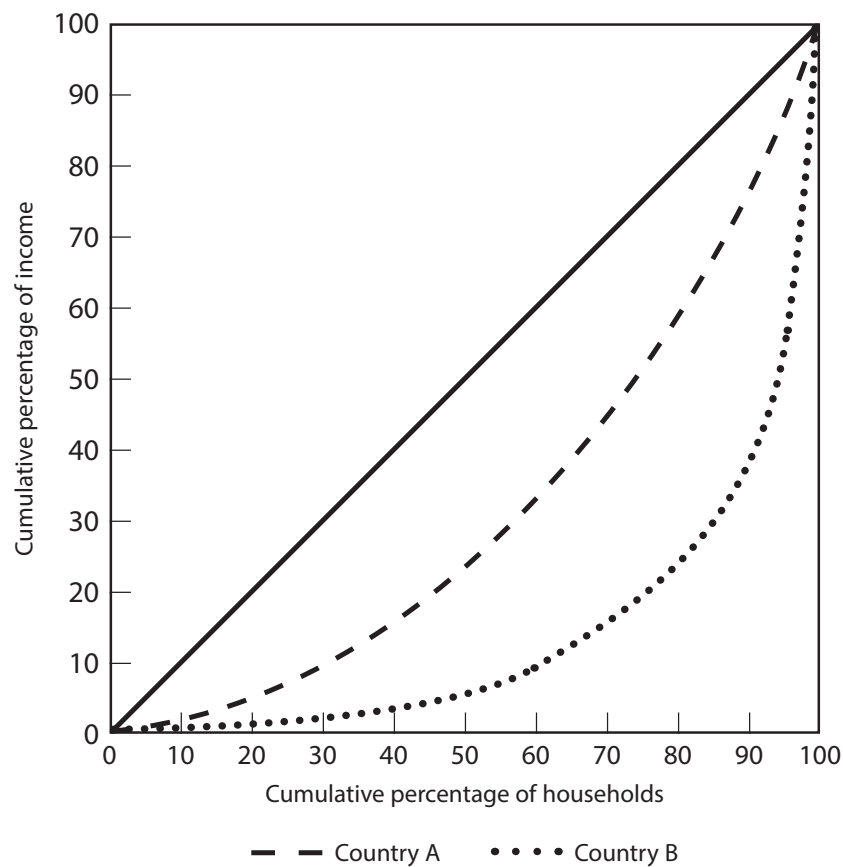
SUB-TOPIC 4.3.4.2

INEQUALITY

Sub-topic 4.3.4.2 · 22 questions · 178 marks · lowest tariff first



2 The diagram illustrates the Lorenz curves of Country A and Country B.



Which **one** of the following can be deduced from this chart?

- ☒ **A** GDP per capita in Country B is higher than in Country A
- ☒ **B** Income tax rates in Country B are higher than in Country A
- ☒ **C** The Gini coefficient of Country A is larger than it is for Country B
- ☒ **D** Income is more evenly distributed in Country A than in Country B

(Total for Question 2 = 1 mark)

SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1** Between 2009 and 2018 Argentina's national debt increased from approximately \$186 billion to nearly \$447 billion.

Which **one** of the following is the most likely effect of an increase in national debt of a country?

- ☐ **A** A decrease in its comparative advantage
- ☐ **B** A decrease in its interest rates
- ☐ **C** An increase in its debt servicing costs
- ☐ **D** An increase in the external value of its currency

(Total for Question 1 = 1 mark)

- 2** Armenia's Gini coefficient increased from 0.28 in 2009 to 0.34 in 2017.

Which **one** of the following is most likely to reduce Armenia's income inequality?

- ☐ **A** A reduction in the national minimum wage
- ☐ **B** An improvement in education and training
- ☐ **C** A decrease in progressive tax rates
- ☐ **D** An increase in regressive tax rates

(Total for Question 2 = 1 mark)

- 3** In 2020 Denmark's international competitiveness rank was six places higher than in 2019.

Which **one** of the following is the most likely reason for this increase in Denmark's international competitiveness?

- ☐ **A** An increase in its unit labour costs relative to other countries
- ☐ **B** An increase in its transportation costs relative to other countries
- ☐ **C** An increase in its labour productivity relative to other countries
- ☐ **D** An increase in its rate of inflation relative to other countries

(Total for Question 3 = 1 mark)

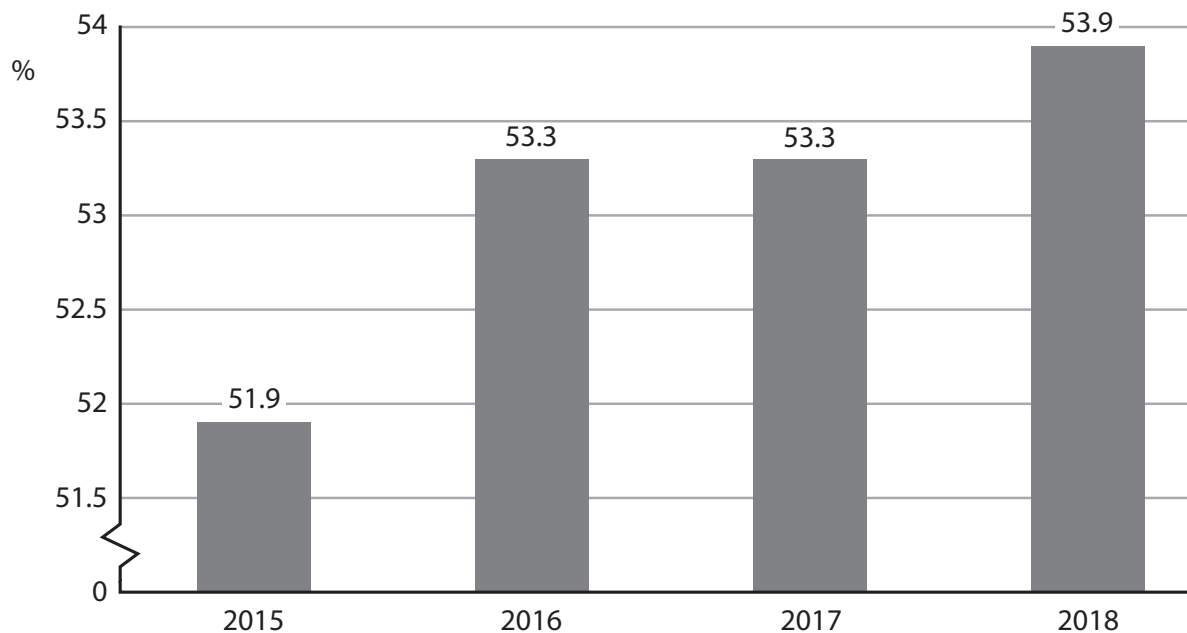
- 4** In December 2020 the Spanish Government announced that it was increasing the highest rate of income tax from 45% to 47%.

Which **one** of the following is the most likely impact of this change?

- ☐ **A** The Government will receive an additional 2% tax from all workers in Spain
- ☐ **B** The value of Spain's Gini coefficient will fall and the country's Lorenz curve will shift inwards
- ☐ **C** The burden of tax will fall mostly on low income households, as the tax change is regressive
- ☐ **D** There will be an increased incentive for people to set up businesses in Spain

(Total for Question 4 = 1 mark)

- 6 The chart shows Brazil's Gini coefficient, expressed as a percentage, between 2015 and 2018.



Which **one** of the following can be deduced from this chart?

- ☐ A Between 2015 and 2016 the distribution of income in Brazil became more equal
- ☐ B Between 2016 and 2017 Brazil experienced perfect income equality
- ☒ C Between 2017 and 2018 income inequality in Brazil increased by 0.6%
- ☐ D Between 2015 and 2018 Brazil's Lorenz curve shifted further away from the line of perfect equality

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

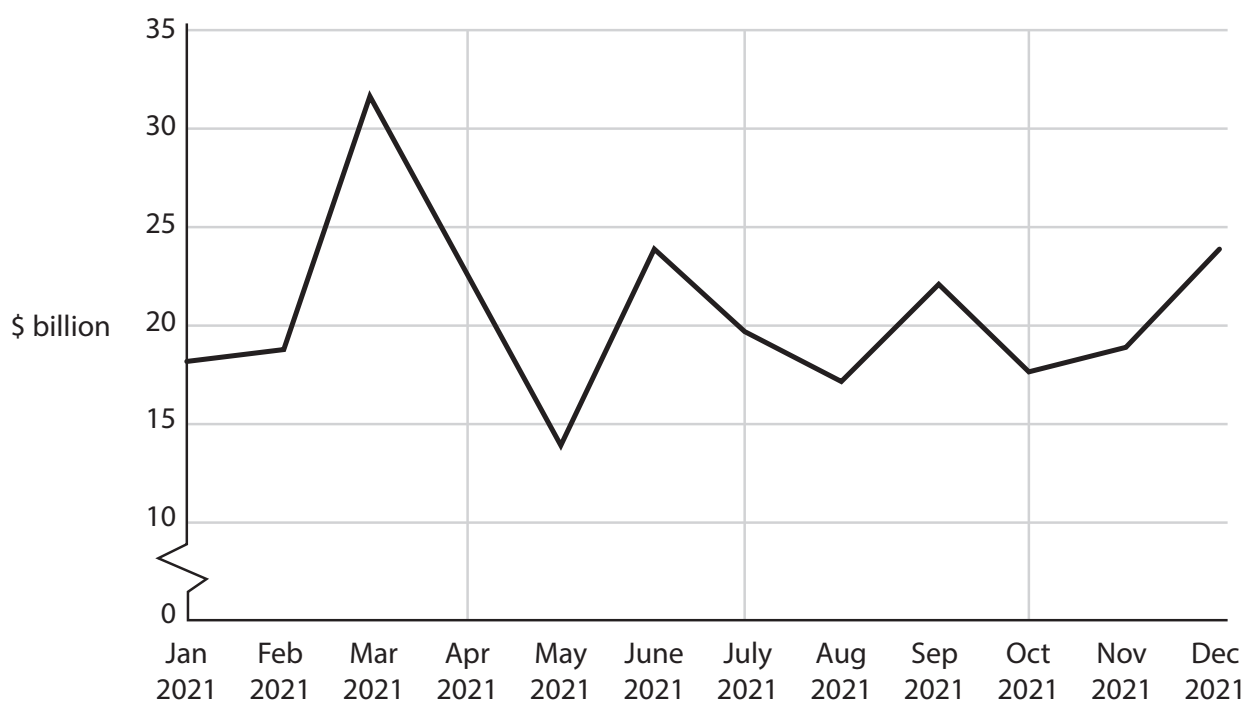
- 3 Between 2018 and 2019 the Lorenz curve of Peru shifted closer to the line of perfect equality.

Which **one** of the following can be inferred from this information?

- ☐ A The Gini coefficient for Peru had decreased
- ☐ B The Marshall-Lerner condition was not met
- ☐ C The rate of unemployment in Peru had increased
- ☐ D The Government of Peru had decreased progressive tax rates

(Total for Question 3 = 1 mark)

- 4 The chart shows Germany's net monthly balance of trade in goods and services, \$ billion, January 2021 to December 2021.



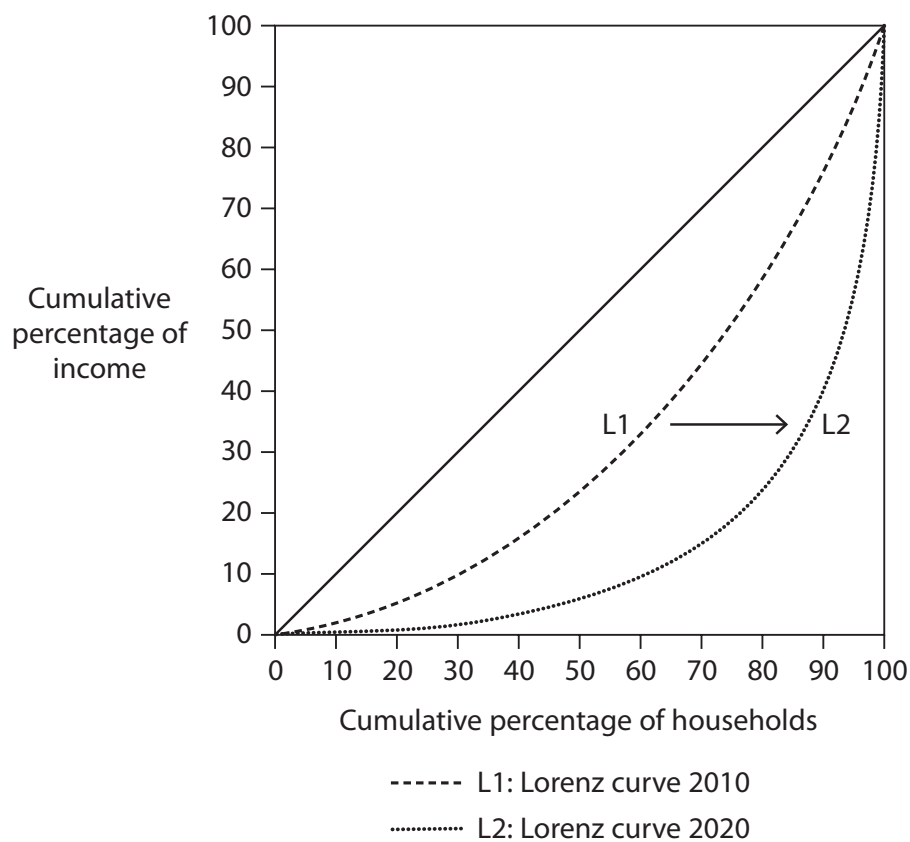
(Source: adapted from <https://tradingeconomics.com/germany/current-account>)

Which **one** of the following can be deduced from this chart?

- ☐ A There was a surplus in the capital and financial accounts
- ☐ B There was a fiscal surplus and an increase in the national debt
- ☐ C The value of imports was greater than the value of exports
- ☐ D The value of exports was greater than the value of imports

(Total for Question 4 = 1 mark)

4 The diagram illustrates the Lorenz curves for an economy in 2010 and 2020.

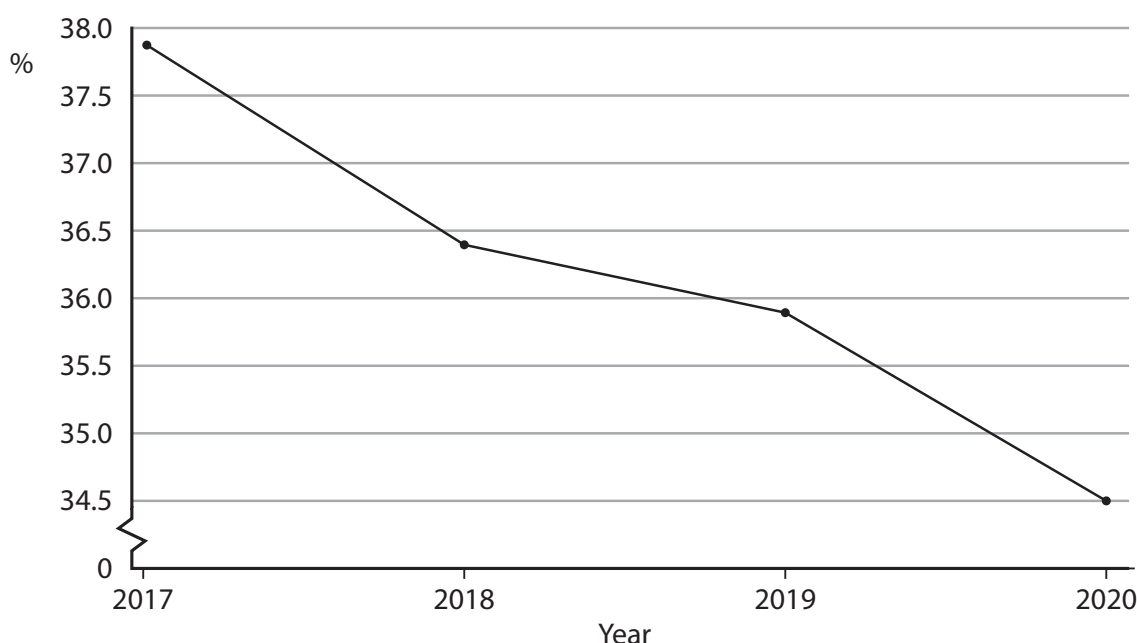


Which **one** of the following is most likely to have caused the shift in the Lorenz curve from L1 to L2?

- ☐ A A decrease in public expenditure on transfer payments
- ☐ B A decrease in the rate of unemployment
- ☐ C An increase in the national minimum wage
- ☐ D An increase in spending on training for unskilled workers

(Total for Question 4 = 1 mark)

- 4 The chart shows Georgia's Gini coefficient, expressed as a percentage, between 2017 and 2020.



Which **one** of the following can be deduced from this chart?

- ☐ A The distribution of income became more unequal
- ☐ B Georgia experienced perfect income equality
- ☐ C Income inequality increased by 3.4%
- ☐ D Georgia's Lorenz curve shifted closer to the line of perfect equality

(Total for Question 4 = 1 mark)

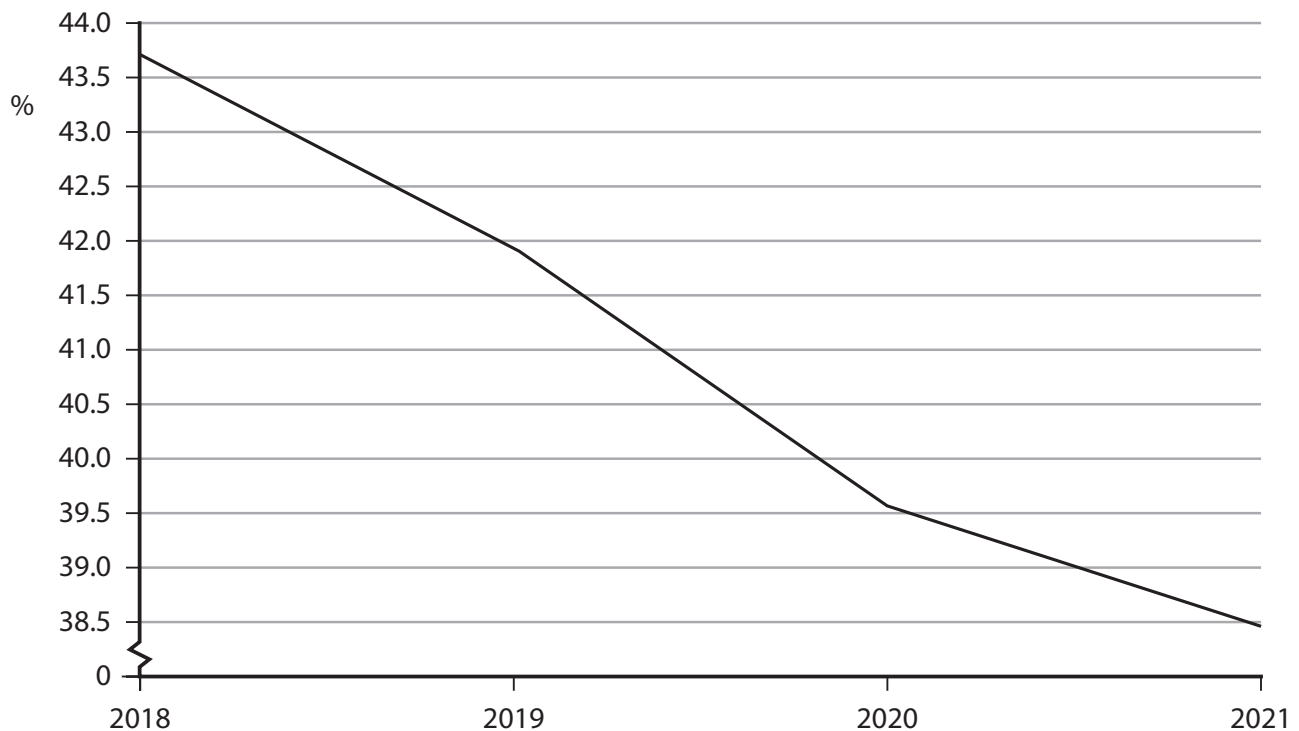
- 5 In 2022 Madagascar had an absolute poverty rate of 71%.

Which **one** of the following statements about absolute poverty is true?

- ☐ A Absolute poverty is the inability of individuals or groups to meet their basic needs
- ☐ B Absolute poverty is based on value judgements and is subject to changes over time
- ☐ C Absolute poverty measures the percentage of people within a country earning less than 60% of median income
- ☐ D Absolute poverty measures the percentage of people earning more than \$2.15 a day at 2017 PPP values

(Total for Question 5 = 1 mark)

- 6 The chart shows the Dominican Republic's Gini coefficient, expressed as a percentage, between 2018 and 2021.



Which **one** of the following can be deduced from this chart?

- ☐ A Between 2018 and 2021 the Lorenz curve shifted closer to the line of perfect equality
- ☐ B Between 2018 and 2019 the distribution of income became more unequal
- ☐ C Between 2019 and 2020 there was perfect income inequality
- ☐ D Between 2020 and 2021 income inequality increased by approximately 1.1%

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

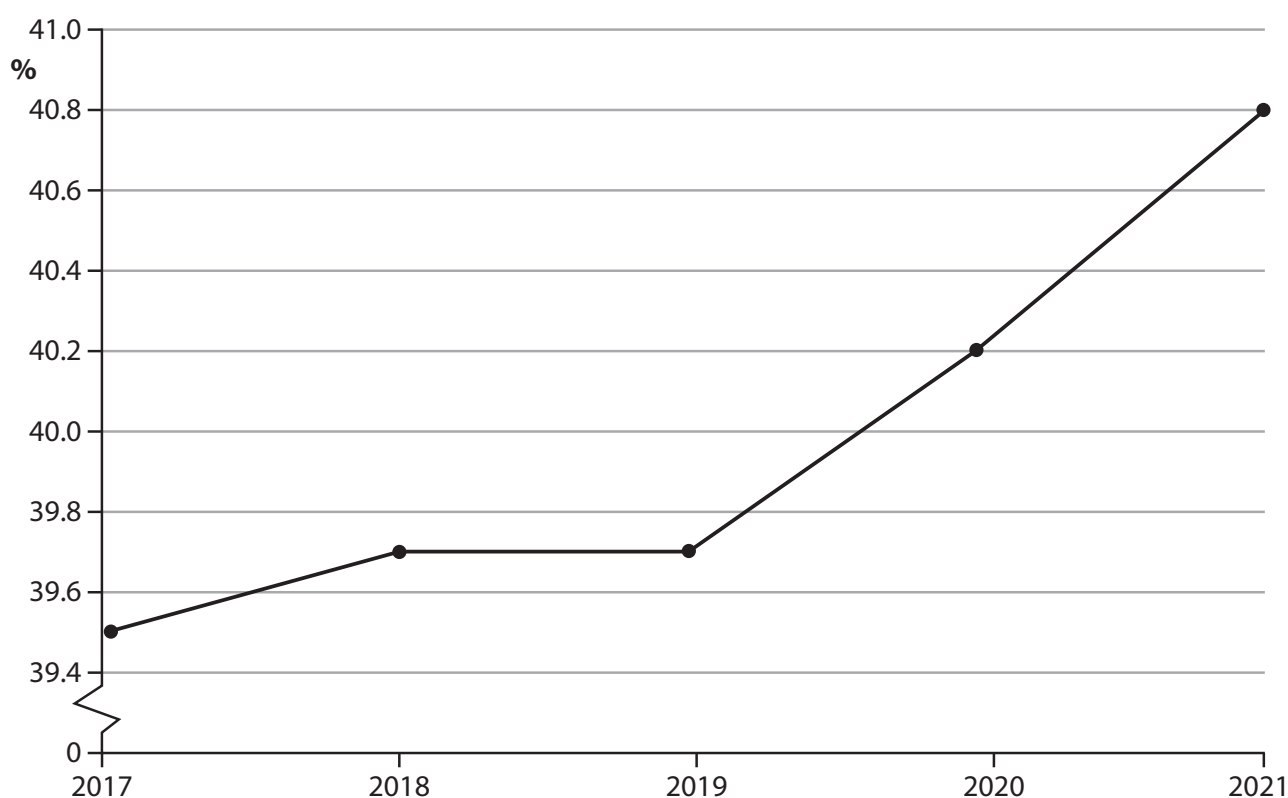
- 5 Between December 2022 and December 2023, Australia's export prices decreased by 4.8% and import prices decreased by 3.1%.

What was Australia's terms of trade in December 2023 if December 2022 = 100?

- ☐ A 64.58
- ☐ B 98.25
- ☐ C 101.79
- ☐ D 154.84

(Total for Question 5 = 1 mark)

- 6 The chart shows Uruguay's Gini coefficient, expressed as a percentage, between 2017 and 2021.



Which **one** of the following can be deduced from this chart?

- ☐ A Uruguay's Lorenz curve shifted closer to the line of perfect equality
- ☐ B Uruguay experienced perfect income inequality
- ☐ C Uruguay's Lorenz curve shifted away from the line of perfect equality
- ☐ D Income inequality in Uruguay decreased by 1.3 percentage points

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 Which **one** of the following is best explained by the Lewis structural dual-sector model?

- ☐ A Privatisation
- ☐ B Industrialisation
- ☐ C Microfinance schemes
- ☐ D Development of primary industries

(Total for Question 1 = 1 mark)

- 2 In 2023, the value of oil and gas exports accounted for 50% of Saudi Arabia's GDP.

Assuming the demand for oil and gas are price inelastic, which **one** of the following is most likely to result from a fall in world oil and gas prices?

- ☐ A An improvement in Saudi Arabia's terms of trade
- ☐ B A deterioration in Saudi Arabia's current account deficit
- ☐ C A reduction in Saudi Arabia's budget deficit
- ☐ D An increase in transportation costs in Saudi Arabia

(Total for Question 2 = 1 mark)

- 3 Between 2015 and 2022, the Lorenz curve of Zambia moved closer to the line of perfect equality.

Which **one** of the following can be deduced from this information?

- ☐ A The Gini coefficient for Zambia had decreased
- ☐ B The Government of Zambia had reduced its highest rate of income tax
- ☐ C The Marshall-Lerner condition had not been met
- ☐ D The rate of unemployment in Zambia had increased

(Total for Question 3 = 1 mark)

SECTION B

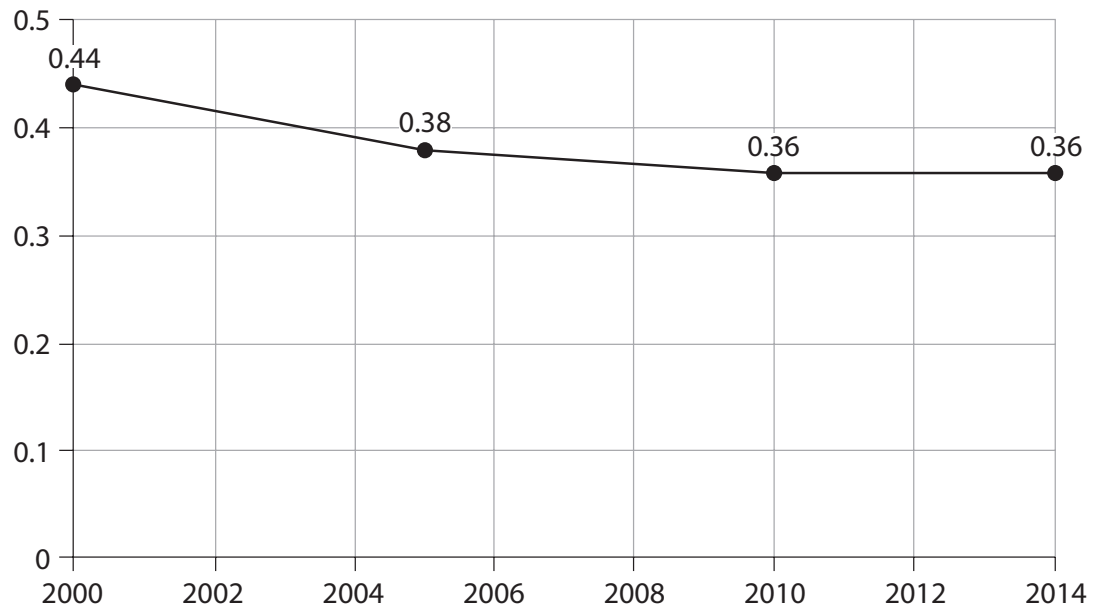
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Sources for use with Section B.

Inequality

Figure 1 Global Gini coefficient (for income) 2000–2014



Extract A Inequality – causes and policies

Inequality is a social and political issue in many advanced economies. This has led to a debate about its causes and solutions. It has also resulted in public discontent with governments and other institutions.

Wealth inequality has decreased between high-income advanced countries and middle-income developing countries. Between 2000 and 2014 the share of global wealth of high-income countries fell by nine percentage points to 71%. Over the same period the share of wealth of middle-income developing countries rose by eight percentage points to 22%. 5

However, income inequality within the advanced economies has increased. The top 1% of income earners almost doubled their share of total pre-tax income from 6% in 1980 to 11% in 2014. Relative poverty rates have also increased, from 23% of the population in 1985 to 30% in 2016. On average, almost one in seven people living in advanced economies remains in relative poverty after taxes and transfer payments. 10

Personal factors such as gender, age, and place of residence continue to affect inequality in advanced economies. Even though women are now more likely to have a degree, their earnings and wealth are still lower than those of men. Women have narrowed the wage gap but earn only \$0.84 for every \$1 men earn. Similarly, a higher proportion of young people have a degree but their earnings and wealth are lower than those of older people. Residents living in urban areas are more likely to have a higher level of education than rural residents. However, unemployment in urban areas is higher and rising. 15 20

Since 2005 real disposable incomes have fallen in advanced economies. The effects of this have been most significant for middle-income earners and those in medium-skilled jobs. Over the same time period, the costs of housing, healthcare and education have risen faster than the average price level. Household debt has also increased from 87% of disposable income in 1995 to 123% in 2017. 25

Long-term global trends are affecting incomes and may increase income inequality in the future. For example, there has been a decrease in wages as a share of global GDP. This reflects the underlying trends of the slow growth of real wages and the increased use of automation in the global economy. 30

Government intervention is needed to reduce inequality. These policies could include:

- providing wider access to high quality education and training
- providing better quality healthcare
- measures to reduce discrimination
- increasing minimum wages. 35

Challenges related to inequality require a reconsideration of how economic gains are shared. In addition, welfare support needs to be reformed for current and future generations.

A significant challenge is how to reach agreement among policymakers, business leaders and citizens on measures to reduce income inequality. 40



- (a) With reference to the second paragraph of Extract A, calculate the share of global wealth of high-income advanced countries and middle-income developing countries in 2000. You are advised to show your working.

(2)

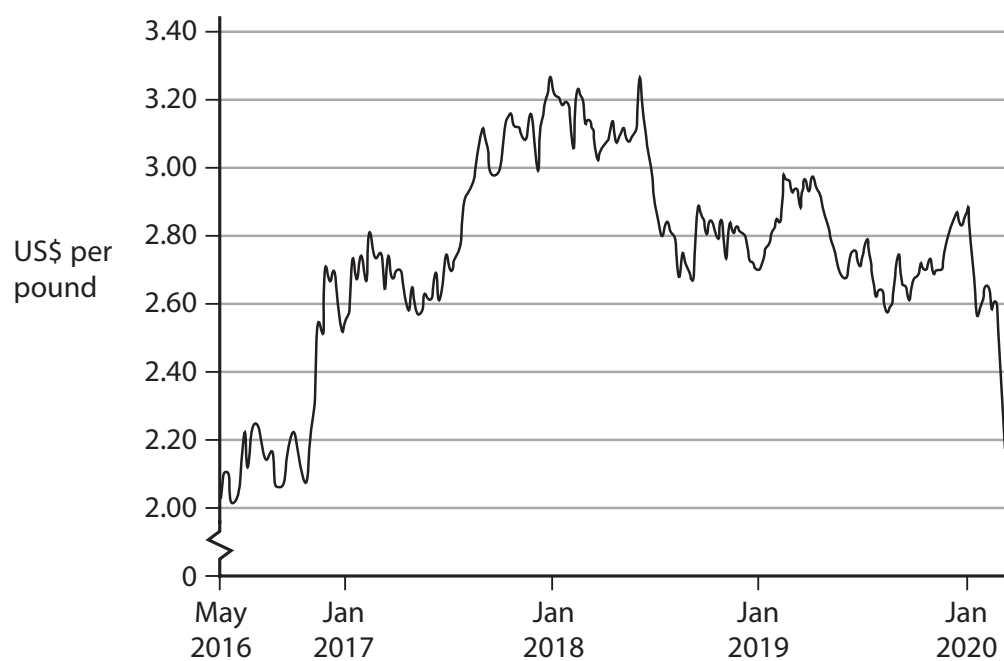


SECTION B

Study Figure 1 and Extract A in the Source Booklet before answering Question 7.

Write your answers in the space provided on the following pages.

- 7** (a) The Bank of Zambia raised 'the base interest rate by 1.75 percentage points to 11.5% between April and November 2019' (Extract A, lines 12–13).
Calculate Zambia's base interest rate in April 2019. You are advised to show your working. (2)
- (b) Analyse the likely impact of an increase in the base interest rate on 'Zambia's balance of trade with South Africa' (Extract A, line 15). (6)
- (c) With reference to the fourth paragraph of Extract A, explain what is meant by 'The Gini coefficient'. (4)
- (d) With reference to the information provided, examine **two** problems arising from the dependence on copper for the Zambian economy. (8)
- (e) Discuss economic factors, apart from primary product dependency, that may constrain Zambia's economic growth. (14)

Sources for use with Section B.**Zambia's economy****Figure 1 World copper prices, US\$ per pound, 2016–2020**

Extract A Economic outlook

Zambia is a landlocked country of 17 million people. It achieved middle-income country status in 2011. Zambia had been one of the fastest growing economies in Africa. Between 2004 and 2014, real GDP grew by an average of 7.5% per year. Between 2014 and 2018, Zambia's economy continued to grow but at a slower rate.

5

In 2019 uncertainty in global markets, and a slower pace of economic recovery in many advanced countries, were major constraints on Zambia's economic growth prospects. This was mainly because of the country's heavy reliance on copper exports. Zambia is the world's seventh-largest copper producer. Copper contributes to 30% of Zambia's GDP, 70% of its export earnings and more than 25% of its tax revenues.

10

Zambia's rate of inflation rose from 7.5% in 2018 to 9.2% in 2019. The inflation rate was forecast to remain high. This prompted the Bank of Zambia to raise the base interest rate by 1.75 percentage points to 11.5% between April and November 2019. This change in the interest rate affected Zambia's exchange rate. Consequently, this had a considerable impact on Zambia's balance of trade with South Africa, a major trading partner of Zambia. Over 55% of Zambia's imports are from South Africa.

15

Zambia has low human development indicators. Poverty and income inequality are very high by international standards. The Gini coefficient in 2018 was 0.50. The quality of education, healthcare and infrastructure was also weak. Wages in Zambia were lower than in most middle-income countries.

20

Increased trade tensions between the USA and China led to a decline in the global demand for copper. The subsequent fall in the price of copper decreased Zambia's real GDP growth rate from 4% in 2018 to 2% in 2019.

Between January and May 2020 Zambia's currency, the *kwacha*, depreciated by 30% against the US dollar. This was as a result of falling foreign currency reserves caused by debt servicing and low production in the copper mining sector.

25

To reduce the impact of such external shocks it would be beneficial for Zambia to move away from its dependence on copper mining. The Government identified developments in tourism, infrastructure, and information and communication technology as the areas for economic diversification. These developments would help to increase Zambia's real GDP in the long-term.

30



(4)



SECTION B

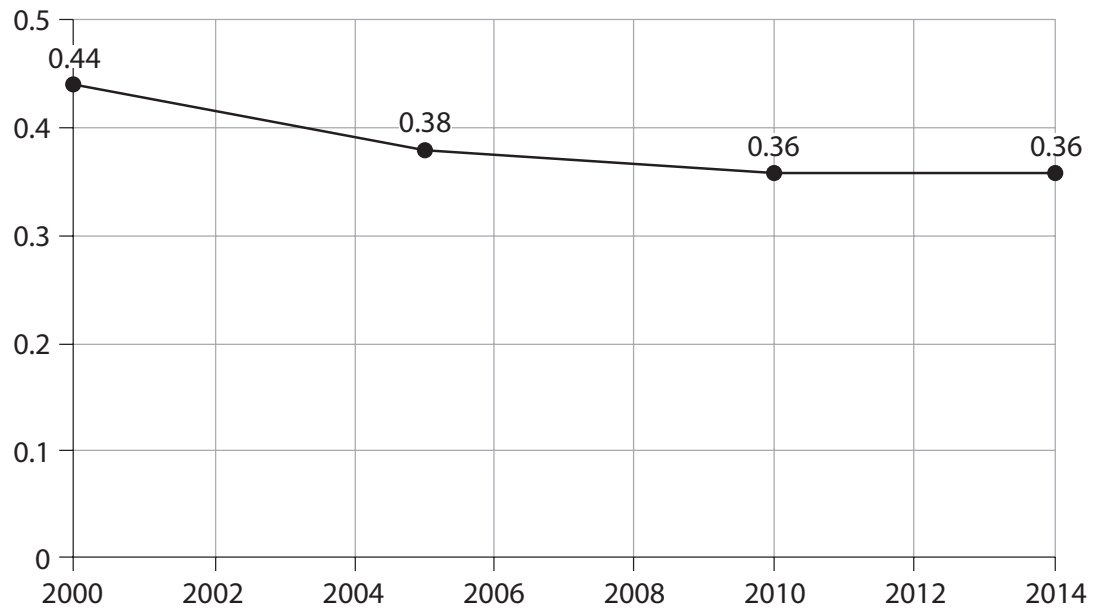
Study Figure 1 and Extract A in the Source Booklet before answering Question 7. Write your answers in the spaces provided on the following pages.

- 7** (a) With reference to the second paragraph of Extract A, calculate the share of global wealth of high-income advanced countries and middle-income developing countries in 2000. You are advised to show your working. (2)
- (b) With reference to Figure 1, analyse the likely effect on inequality of the change in the global Gini coefficient from 2000 to 2014. Illustrate your answer with a Lorenz curve diagram. (6)
- (c) Explain what is meant by 'relative poverty' (Extract A, line 12). (4)
- (d) With reference to Extract A, examine **two** causes of income inequality *within* advanced economies. (8)
- (e) With reference to Extract A, discuss policies that a government could implement to reduce income inequality within its economy. (14)

Sources for use with Section B.

Inequality

Figure 1 Global Gini coefficient (for income) 2000–2014



Extract A Inequality – causes and policies

Inequality is a social and political issue in many advanced economies. This has led to a debate about its causes and solutions. It has also resulted in public discontent with governments and other institutions.

Wealth inequality has decreased between high-income advanced countries and middle-income developing countries. Between 2000 and 2014 the share of global wealth of high-income countries fell by nine percentage points to 71%. Over the same period the share of wealth of middle-income developing countries rose by eight percentage points to 22%. 5

However, income inequality within the advanced economies has increased. The top 1% of income earners almost doubled their share of total pre-tax income from 6% in 1980 to 11% in 2014. Relative poverty rates have also increased, from 23% of the population in 1985 to 30% in 2016. On average, almost one in seven people living in advanced economies remains in relative poverty after taxes and transfer payments. 10

Personal factors such as gender, age, and place of residence continue to affect inequality in advanced economies. Even though women are now more likely to have a degree, their earnings and wealth are still lower than those of men. Women have narrowed the wage gap but earn only \$0.84 for every \$1 men earn. Similarly, a higher proportion of young people have a degree but their earnings and wealth are lower than those of older people. Residents living in urban areas are more likely to have a higher level of education than rural residents. However, unemployment in urban areas is higher and rising. 15 20

Since 2005 real disposable incomes have fallen in advanced economies. The effects of this have been most significant for middle-income earners and those in medium-skilled jobs. Over the same time period, the costs of housing, healthcare and education have risen faster than the average price level. Household debt has also increased from 87% of disposable income in 1995 to 123% in 2017. 25

Long-term global trends are affecting incomes and may increase income inequality in the future. For example, there has been a decrease in wages as a share of global GDP. This reflects the underlying trends of the slow growth of real wages and the increased use of automation in the global economy. 30

Government intervention is needed to reduce inequality. These policies could include:

- providing wider access to high quality education and training
- providing better quality healthcare
- measures to reduce discrimination
- increasing minimum wages. 35

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(6)





SECTION B

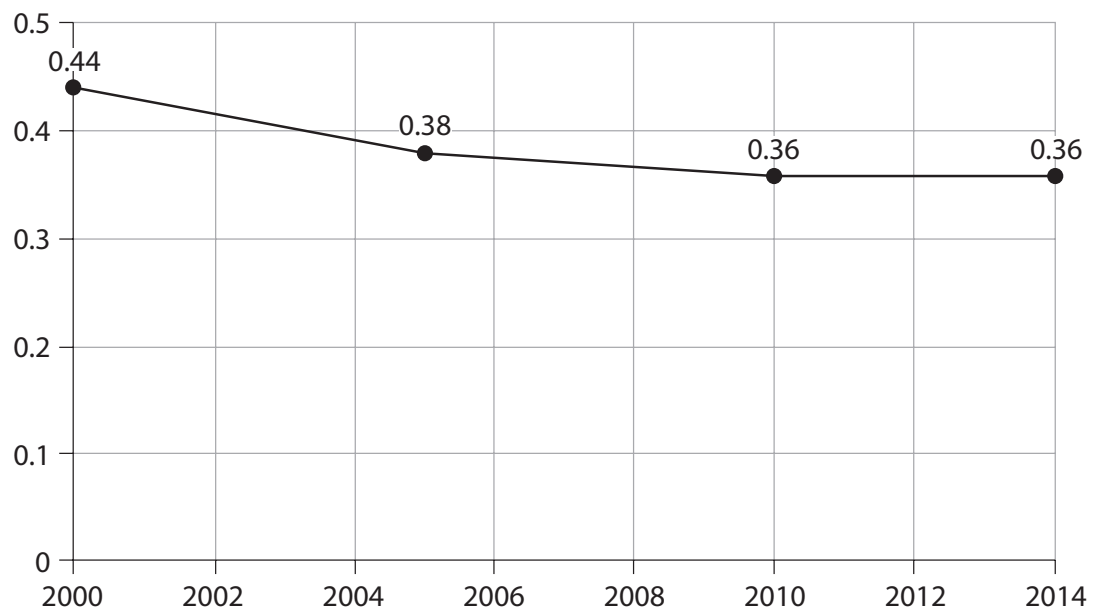
Study Figure 1 and Extract A in the Source Booklet before answering Question 7. Write your answers in the spaces provided on the following pages.

- 7** (a) With reference to the second paragraph of Extract A, calculate the share of global wealth of high-income advanced countries and middle-income developing countries in 2000. You are advised to show your working. (2)
- (b) With reference to Figure 1, analyse the likely effect on inequality of the change in the global Gini coefficient from 2000 to 2014. Illustrate your answer with a Lorenz curve diagram. (6)
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(8)





SECTION B

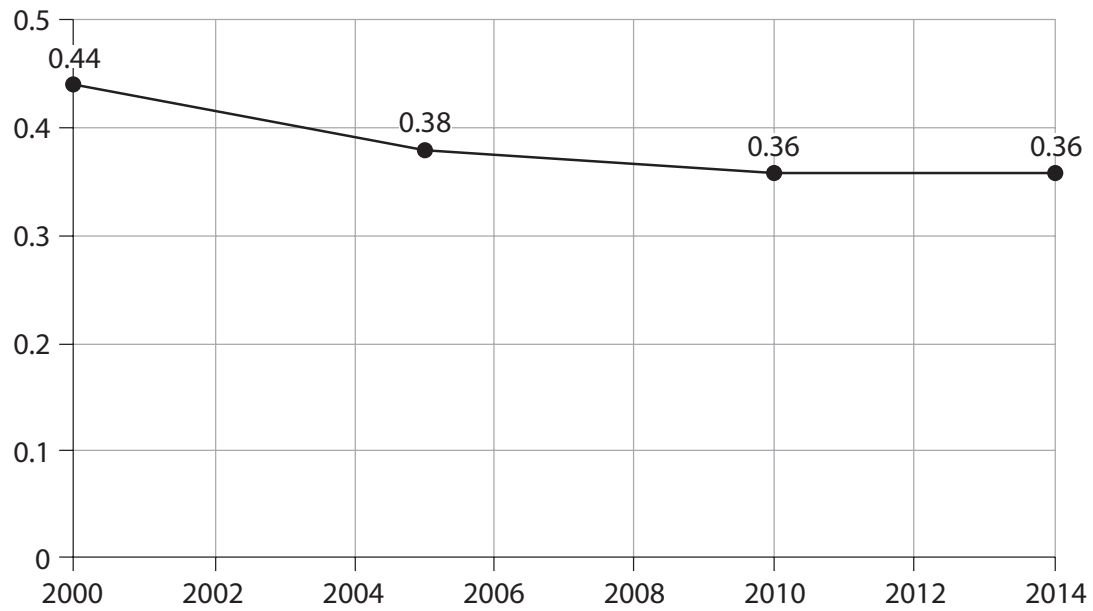
Study Figure 1 and Extract A in the Source Booklet before answering Question 7. Write your answers in the spaces provided on the following pages.

- 7** (a) With reference to the second paragraph of Extract A, calculate the share of global wealth of high-income advanced countries and middle-income developing countries in 2000. You are advised to show your working. (2)
- (b) With reference to Figure 1, analyse the likely effect on inequality of the change in the global Gini coefficient from 2000 to 2014. Illustrate your answer with a Lorenz curve diagram. (6)
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(14)





51

SECTION B

**Study Figures 1 and 2 and Extract A in the Source Booklet before answering Question 7.
Write your answers in the spaces provided on the following pages.**

- 7** (a) In 2021, the Government of Pakistan made a debt servicing payment of \$32.27 billion.

With reference to Figure 1, calculate debt servicing payments as a proportion of national debt in 2021. You are advised to show your working.

(2)

- (b) Explain what is meant by a 'foreign currency gap' (Extract A, line 13).

(4)

- (c) With reference to Figure 2 and the first paragraph of Extract A, examine **two** likely effects of the depreciation of the rupee against the US dollar.

(8)

- (d) With reference to Extract A, analyse **two** roles of the IMF.

(6)

- (e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of an increase in income tax rates, aimed at high-income households, on the economy of Pakistan.

(14)



Sources for use with Section B

The economy of Pakistan

Figure 1 National debt, \$ billions, 2018-2022

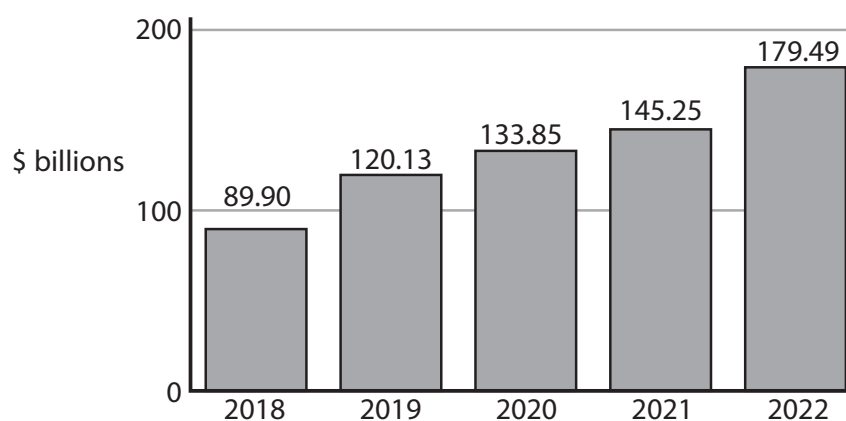
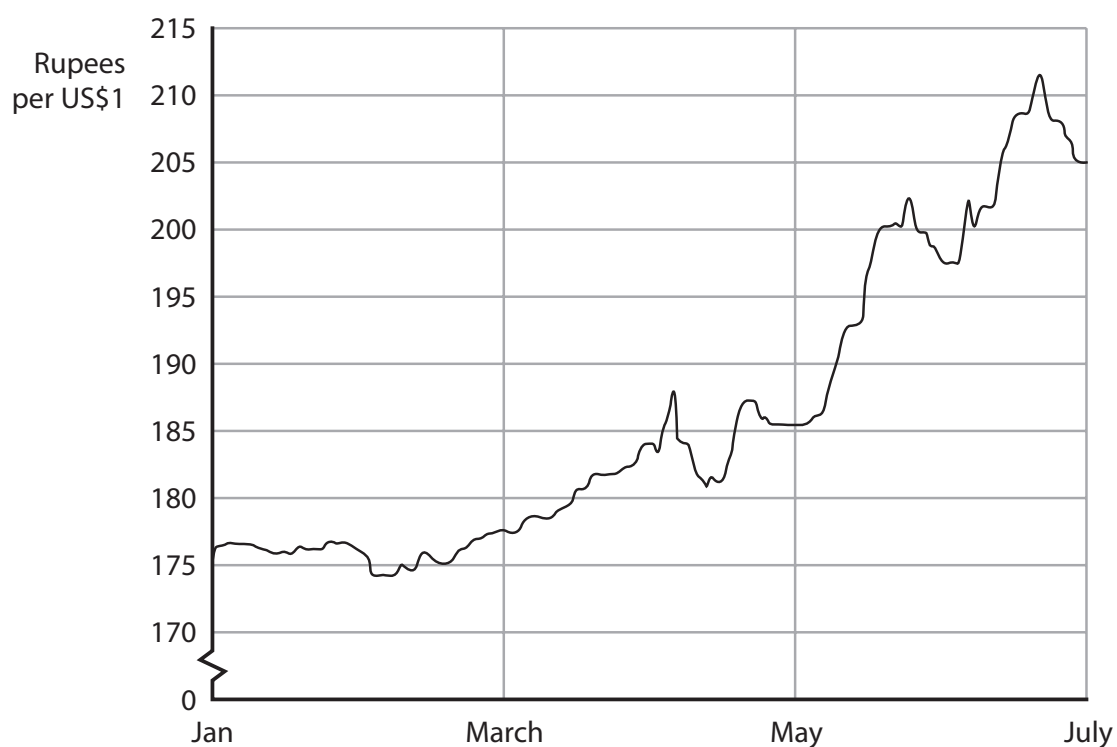


Figure 2 Rupee-US dollar exchange rate, January 2022 to June 2022



Extract A Economic outlook

Between January and June 2022 Pakistan's currency, the rupee, depreciated against the US dollar. This was mainly as a result of rising global inflation rates and the strong appreciation of the US dollar. However, economists expected the external value of the rupee to increase against the US dollar in the third quarter of 2022. They anticipated that the dollars earned by Pakistan from its exports would be greater than the dollars paid for its imports and debt servicing. 5

Pakistan experienced a significant decline in foreign currency reserves from \$16 billion in June 2021 to \$10 billion in June 2022. Many economists believed that the economy could be on the verge of an economic collapse in the third quarter of 2022. 10

In June 2022, Pakistan's central bank, the State Bank of Pakistan (SBP), informed Pakistan's Government that the country's rising foreign currency gap would have a negative impact on its ability to import. The SBP claimed that the rising foreign currency gap was likely to increase further because of higher debt servicing payments. To prevent these reserves from running out, the SBP suggested a temporary ban on the import of non-essential goods. 15

Pakistan's Government borrowed \$1.2 billion from the IMF to prevent a further fall in foreign currency reserves. This financial support enabled the Government to reduce its current account deficit of the balance of payments and to help finance the country's national debt. 20

The loan from the IMF required the Government of Pakistan to meet certain conditions. These included a reduction in the fiscal deficit, partly by the removal of fuel and energy subsidies. The IMF also required Pakistan's central bank to raise its base rate of interest to stabilise the rupee. 25

Previous governments of Pakistan have not always met the terms of their loan agreements with the IMF. For example, the fiscal deficit has not been reduced significantly because the government collects very little revenue from direct taxes, especially from the booming property market. Large houses cost anywhere between \$500 000 and \$2 million to purchase but the owners only pay a small proportion as tax. The IMF proposed that high-income households should pay significantly more income tax than low-income and middle-income households. 30

(14)





(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS

SECTION C**Answer TWO questions from this section.**

- 8** In 2019 it was estimated that a large proportion of the fiscal deficit in Japan and the UK was structural.

Evaluate whether a structural fiscal deficit is a more serious issue than a cyclical fiscal deficit. Refer to a country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** Between 2007 and 2017 income inequality increased in Denmark and in Italy.

Evaluate possible causes of an increase in income inequality within a developed country of your choice.

(Total for Question 9 = 20 marks)

- 10** In 2020 Argentina's currency, the peso, fell by 75% against the US dollar.

Evaluate factors that influence the exchange rate of a currency. Refer to a developing country of your choice in your answer.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2020 the Government of Chile increased the top rate of income tax from 35% to 40%.

Evaluate the likely macroeconomic effects of an increase in the top rate of income tax on a country of your choice.

(Total for Question 8 = 20 marks)

- 9** In 2020 New Zealand's productivity rate was 40% lower than the average productivity of many other advanced economies.

Evaluate factors that influence a country's international competitiveness. Refer to a developed country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Between 2008 and 2018, income inequality, as measured by the Gini coefficient, increased from 0.43 to 0.51 in Angola and from 0.34 to 0.41 in Bulgaria.

Evaluate government policies that could be used to reduce income inequality in a developing country of your choice.

(Total for Question 10 = 20 marks)



SECTION C

Answer TWO questions from this section.

- 8 Between September 2021 and September 2022 the US dollar appreciated by nearly 18% against the euro.

Evaluate the likely economic effects of an appreciation of a country's currency on its economy. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9 In 2020 the International Monetary Fund (IMF) provided financial assistance of \$13 billion to low-income developing countries. In addition, the World Bank provided financial assistance of \$43 billion to low-income developing countries.

Evaluate the role of international institutions in promoting *economic development*. Refer to examples of developing countries in your answer.

(Total for Question 9 = 20 marks)

- 10 Between 2003 and 2019, income inequality, as measured by the Gini coefficient, increased from 0.25 to 0.29 in Sweden and from 0.32 to 0.37 in Indonesia.

Evaluate possible causes of an increase in income inequality within a country of your choice.

(Total for Question 10 = 20 marks)



SECTION C

Answer TWO questions from this section.

Write your answer to your FIRST chosen question on page 17.

Write your answer to your SECOND chosen question on page 22.

- 8** Between 2007 and 2022 income inequality increased in both Sweden and the USA.

Evaluate possible causes of an increase in income inequality within a developed country of your choice.

(Total for Question 8 = 20 marks)

- 9** According to the World Trade Organization (WTO), between 1995 and 2022, the share of developing economies' exports in world trade increased and the share of developed economies' exports decreased.

Evaluate factors influencing patterns of trade between countries.

(Total for Question 9 = 20 marks)

- 10** In South Sudan HDI was 0.43 in 2010 and 0.39 in 2022.

Evaluate market-orientated strategies that a government in a developing country of your choice might use to increase *economic development*.

(Total for Question 10 = 20 marks)



SECTION C

Answer TWO questions from this section.

- 8** In 2022 an additional 2 500 trade restrictions were introduced globally.

Evaluate the likely effects of an increase in protectionist policies on the global economy.

(Total for Question 8 = 20 marks)

- 9** Between 2000 and 2022 globalisation was a significant factor that led to an increase in average incomes in Indonesia. However, income inequality within the country also increased during the same period.

Evaluate reasons why globalisation may lead to an increase in income inequality within a country. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** In 2022 Pakistan's currency, the rupee, fell by 27% against the US dollar.

Evaluate factors that might cause a depreciation of the exchange rate of one currency against another currency. Refer to a developing country of your choice in your answer.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** Between 2004 and 2020, income inequality, as measured by the Gini coefficient, increased from 0.25 to 0.28 in Denmark and from 0.26 to 0.29 in Sweden.

Evaluate government policies, **apart from** changes in income tax rates, that could be used to reduce income inequality in a developed country of your choice.

(Total for Question 8 = 20 marks)

- 9** Between 2000 and 2022, Canada's productivity decreased by 9%.

Evaluate the likely effects of a decrease in productivity on a country of your choice.

(Total for Question 9 = 20 marks)

- 10** Between quarter 2 (Q2) 2020 and quarter 2 (Q2) 2022, global commodity prices increased by an average of 150%, with oil prices increasing by 239%.

Evaluate the possible causes of the increase in global commodity prices. Refer to examples of commodities in your answer.

(Total for Question 10 = 20 marks)



MARK SCHEMES

official mark schemes, in the same order as the questions



5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because this is associated with relative poverty C is not correct because this is associated with relative poverty D is not correct because absolute poverty is when a person earns less than \$2.15 a day at 2017 PPP values	(1)
6	QS6: Calculate cost, revenue and profit (marginal, average, totals). QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because government expenditure is UVML C is not correct because government expenditure is UVML D is not correct because government expenditure is UVML	(1)

Section B

Question		Mark
	In 2021, the Government of Pakistan made a debt servicing payment of \$32.27 billion. With reference to Figure 1, calculate debt servicing payments as a proportion of national debt in 2021. You are advised to show your working. Answer	
7(a)	Application 2 Quantitative skills assessed: QS1: Calculate, use and understand ratios and fractions. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • $(\\$32.27 \text{ billion} / \\$145.25 \text{ billion}) \times 100$ (1) • 22.22% (1) NB Award 2 marks for correct answer (22.22% / 22.2% / 22%) NB Award only 1 mark for 22.22 billion / 22.2 billion / 22 billion / 22	(2)

Question Number	Answer	Mark
7 (c)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for understanding of relative poverty, e.g.: • When an individual earns less than 60% (accept 50%) (1) of the median income of the country they live in (1) • Situation where individuals lack minimum amount of income needed in order to maintain the average standard of living (1) in the country in which they live (1) Application Up to 2 marks for application to relative poverty, e.g.: • 23% of the population in 1985 to 30% in 2016 (1) • One in seven people living in advanced economies remains in relative poverty after taxes and transfer payments (1)	(4)

Section B

Question	With reference to Figure 1 and the second paragraph of Extract A, calculate the value of FDI in Vietnam in 2023. You are advised to show your working.	Mark
	Answer	
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • \$22.4 billion x 1.321 (1) • \$29.59 billion (1) NB Award 2 marks for correct answer (\$29.59 billion / \$29.6 billion / \$30 billion) NB Award only 1 mark for \$29.59 / \$29.6 / \$30	(2)

Question	Explain what is meant by 'absolute poverty' (Extract A, line xx).	Mark
	Answer	
7(b)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for understanding absolute poverty, e.g.: • When a person earns less than \$2.15 per day (accept \$1.90) (1) based on 2017 PPPs (1) • When a person is unable to meet the basic necessities (1) for e.g. food, shelter, clothing, sanitation, etc. (1) Application Up to 2 marks for application to absolute poverty, e.g.: • Between 2016 and 2022, the number of people living in absolute poverty decreased from 9.2% (1) of the country's population to 4.2% (1) / Between 2016 and 2022, the number of people living in absolute poverty decreased by 5.0 percentage points (1+1)	(4)



Question	Answer	Mark
7(d)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for understanding absolute poverty, e.g.: • When a person earns less than \$2.15 per day based on 2017 PPPs (1+1) • When a person is unable to meet their basic needs/ obtain necessities (1) • For example a lack of access to: food/ shelter/ clothing/ clean drinking water/ sanitation/ healthcare/ education (1) Application Up to 2 marks for application to absolute poverty, e.g.: • Living standards have been falling since 2004 / there was a fall in real wages (1) • The share of the population living in absolute poverty increased by 11 percentage points in the first half of 2024 to 53% (1) / Between 2004 and 2024, the number of people living in absolute poverty increased from 42% to 53% (1+1)	(4)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is A <i>B is not correct because there will be an increase in trade</i> <i>C is not correct because there will be an increase in living standards</i> <i>D is not correct because there will be a decrease in absolute poverty</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because the Lorenz curve relates to inequality not to GDP per capita</i> <i>B is not correct because the Lorenz curve does not illustrate changes in income tax</i> <i>C is not correct because the Gini coefficient of Country A is smaller than it is for Country B</i>	(1)
3	-	The only correct answer is C <i>A is not correct because a reduction in spending on infrastructure will increase transport costs and therefore, reduce international competitiveness</i> <i>B is not correct because stricter regulation of labour markets will increase costs of employing labour and therefore, reduce international competitiveness</i> <i>D is not correct because more restrictions on free trade will add to costs of importing and exporting and therefore, reducing international competitiveness</i>	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is not correct because there is no impact on comparative advantage B is not correct because there will be an increase in interest rates D is not correct because there is likely to be a decrease in the external value of the currency	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because it will increase income inequality C is not correct because it will increase income inequality D is not correct because it will increase income inequality	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because it will lead to a worsening in Nigeria's terms of trade C is not correct because it will reduce the transportation costs in Nigeria D is not correct because it will increase Nigeria's budget deficit	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is not correct because it shows the relationship between exchange rates and balance of payments on current account B is not correct because it shows the relationship between the rate of inflation and unemployment rate C is not correct because this is a graphical representation of income inequality	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because in Spain public expenditure as a percentage of GDP must have been lower than in France</i> <i>C is not correct because this relates to the trade deficit of France</i> <i>D is not correct because there is likely to be greater crowding out in Spain than in the UK</i>	(1)
2	-	The only correct answer is D <i>A is not correct because this links to primary product dependency</i> <i>B is not correct because this links to the current account position of the balance of payments</i> <i>C is not correct because this links to the savings gap</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because this will reduce Denmark's international competitiveness</i> <i>B is not correct because this will reduce Denmark's international competitiveness</i> <i>D is not correct because this will reduce Denmark's international competitiveness</i>	(1)
4	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B <i>A is not correct because there has been a two percentage point increase in taxes for the highest income earners</i> <i>C is not correct because this type of tax is progressive and burden falls on the highest income earners</i> <i>D is not correct because this would deter people from setting up their business in Spain</i>	(1)

	graphical, tabular and numerical forms.	A is not correct because this is represented by the Harrod-Domar model C is not correct because this is represented by the Phillips curve D is not correct because these are instruments of monetary policy not represented by the Laffer curve	(1)
5	QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because Maldives had to export less goods to purchase a given quantity of imports C is not correct because index of export prices exceeds the index of import prices throughout the given period D is not correct because Maldives' terms of trade improved throughout the given period/Between 2000 and 2016 Maldives' terms of trade improved by 2.5%	(1)
6	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is not correct because the distribution of income in Brazil has become more unequal B is not correct because the Gini coefficient shows changes in income inequality C is not correct because the income inequality in Brazil increased by 0.6 percentage points (not percent)	(1)

Section B

Question	With reference to Figure 1, calculate the index number for international visitors to Taiwan from China in 2019, using 2015 as the base year. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • $2.71/4.18$ (1) • $\times 100 = 64.8$ (1) N.B. Award 2 marks for the correct answer	(2)

Question	Analyse two reasons why 'Taiwanese firms moved to China to set up their manufacturing facilities' (Extract A, lines 4-5). Answer	Mark
7(b)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for knowledge of two reasons: Taiwanese firms have: • access to cheap labour (1) • access to a large Chinese market (1) Application Up to 2 marks for application to the reasons: • China is Taiwan's most important trading partner (1) • China is main destination for Taiwan's exports (1) • Much of Taiwan's foreign direct investment also goes to China (1) • Over 100 000 Taiwanese firms have moved to China (1)	(6)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is B <i>A is not correct because this is a market-orientated strategy</i> <i>C is not correct because this is a market-orientated strategy</i> <i>D is not correct because this is a market-orientated strategy</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar</i> <i>B is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar</i> <i>D is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because the Marshall-Lerner condition is associated with changes in the exchange rate</i> <i>C is not correct because this would cause the Lorenz curve to shift away from the line of perfect equality</i> <i>D is not correct because this would cause the Lorenz curve to shift away from the line of perfect equality</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because the trade balance relates to the current account</i> <i>B is not correct because the trade balance relates to the current account</i> <i>C is not correct because the value of imports is less than the value of exports</i>	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because this is likely to decrease a country's exchange rate</i> <i>B is not correct because this is likely to decrease a country's exchange rate</i> <i>C is not correct because this is likely to decrease a country's exchange rate</i>	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct because this would lead to an increase in the rate of inflation</i> <i>B is not correct because this would lead to an increase in debt servicing costs</i> <i>D is not correct because tax revenues are likely to be decreasing</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B <i>A is not correct because this tax on sugary drinks is a specific tax</i> <i>C is not correct because tax on income is a direct tax, whereas this tax on sugary drinks is a specific (indirect) tax</i> <i>D is not correct because tax on company profits is a direct tax, this tax on sugary drinks is a specific (indirect) tax</i>	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because this is likely to decrease income inequality</i> <i>C is not correct because this will shift the Lorenz curve closer to the line of perfect equality</i> <i>D is not correct because this will shift the Lorenz curve closer to the line of perfect equality</i>	(1)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is D A is not correct because this is an economic factor B is not correct because this is an economic factor C is not correct because this is an economic factor	(1)
2	QS1: Calculate, use and understand ratios and fractions. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because export prices of UK goods and services would be higher than the average export prices of its trading partners C is not correct because unit labour costs in the UK would be higher than the average of its trading partners D is not correct because the UK would experience an improvement in its terms of trade	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is not correct because it is likely to decrease money supply B is not correct because it is likely to decrease real output D is not correct because it is likely to increase the rate of unemployment	(1)
4	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is not correct because the distribution of income became more equal B is not correct because there was a fall in income inequality C is not correct because income inequality fell by 3.4 percentage points	(1)

5	QS3: Understand and use the terms mean, median and relevant quantiles QS5: Calculate and interpret index numbers QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. QS11: Understand composite indicators.	The only correct answer is B <i>A is not correct because literacy rates are likely to be higher in Chile than in Uruguay</i> <i>C is not correct because average incomes are higher in Chile than in Uruguay</i> <i>D is not correct because the provision of healthcare is likely to be better in Chile than in Uruguay</i>	(1)
6	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A <i>B is not correct because the distribution of income became more equal</i> <i>C is not correct because there was a reduction in income inequality</i> <i>D is not correct because income inequality decreased by approximately 1.1 percentage points</i>	(1)

Section B

Question	In 2022 Indonesia's current account surplus was 1% of its GDP. With reference to line 26 of Extract A, calculate Indonesia's GDP in 2022. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • \$13.2 billion $\times$ 100 (1) • \$1 320 billion / \$1,320,000,000,000 (1) NB Award 2 marks for correct answer (1 320 billion / 1.32 trillion) NB Award only 1 mark for \$1 320 / 1 320% / 1.32 billion	(2)
Question	With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus. Answer	Mark
7(b)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge 1 mark for defining balance of trade deficit: • Value of imports is greater than the value of exports / (X-M) is negative (1) 1 mark for defining balance of trade surplus: • Value of exports is greater than the value of imports / (X-M) is positive (1) Application 1 mark for correctly identifying a period when Indonesia was experiencing a balance of trade deficit, e.g.: • In Jan 2019 there was a balance of trade deficit / There was a deficit between Nov 2019 and Jan 2020 (1) 1 mark for correctly identifying a period when Indonesia was experiencing a balance of trade surplus, e.g.: • In May 2020 there was a balance of trade surplus / There was a surplus between May 2020 and Dec 2022 (1)	(4)

5	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because this is 3.1%/4.8% and does not calculate the index of export prices or index of import prices C is not correct because this is (index of import prices/index of export prices)*100 = $96.9/95.2 * 100$ D is not correct because this is 4.8%/3.1% and does not calculate the index of export prices or index of import prices	(1)
6	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is not correct because Uruguay's Lorenz curve shifted away from the line of perfect equality B is not correct because perfect income inequality in Uruguay would imply that the Gini coefficient will be 100% D is not correct because income inequality in Uruguay increased by 1.3 percentage points	(1)

Section B

Question		Mark
	In 2020 the value of world exports was \$22.5 trillion. With reference to Figure 1, calculate the value of world GDP in 2020. You are advised to show your workings. Answer	
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: \$22.5 trillion / 26.3 x 100 (1) \$85.55 trillion (1) NB Award 2 marks for correct answer (\$85.55 trillion / \$85.6 trillion / \$86 trillion) NB Award only 1 mark for \$85.55 / \$85.6 / \$86	(2)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because the Lewis structural dual-sector model best explains industrialisation C is not correct because the Lewis structural dual-sector model best explains industrialisation D is not correct because the Lewis structural dual-sector model best explains industrialisation	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because this will most likely lead to a worsening in Saudi Arabia's terms of trade C is not correct because this will most likely lead to an increase in Saudi Arabia's budget deficit D is not correct because this will most likely lead to a reduction in transportation costs in Saudi Arabia	(1)
3	QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because this would cause the Lorenz curve to move away from the line of perfect equality C is not correct because the Marshall-Lerner condition is associated with changes in the exchange rate D is not correct because this would cause the Lorenz curve to move away from the line of perfect equality	(1)

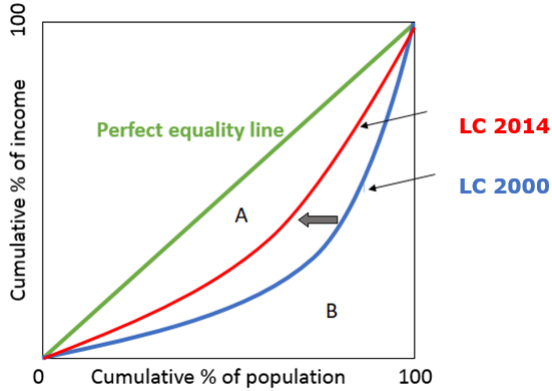


Section B

Question Number	Answer	Mark
7 (a)	Application 2 Quantitative skills assessed: QS2 Calculate, use and understand percentages, percentage changes and percentage point changes. 1 mark for calculation of high-income: High-income advanced countries: 80% (71% + nine percentage points) (1) 1 mark for calculation of middle-income: Middle-income developing countries: 14% (22% - eight percentage points) (1) N.B. Award 1 mark for each correct answer regardless of working N.B. Award 1 mark for correct answers without the percentage sign	(2)

Question	With reference to the fourth paragraph of Extract A, explain what is meant by 'The Gini coefficient'.	Mark
	Answer	
7(c)	Knowledge 2, Application 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for understanding of Gini coefficient, e.g.: • A numerical representation / statistical measure / index (1) to measure income inequality/distribution in a country (1) • Area A / Area (A + B) (1) with an accurately labelled and drawn Lorenz curve (1) • Value close to 0 represents greater income equality (1) and value close to 1 represents greater income inequality (1) Application Up to 2 marks for application to Gini coefficient, e.g.: • Income inequality is very high (1) by international standards • The Gini coefficient in 2018 was 0.50 (1)	(4)

Question	With reference to the information provided, examine two problems arising from the dependence on copper for the Zambian economy.	Mark
	Answer	
7(d)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and Analysis	

Question Number	Answer	Mark
7 (b)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for knowledge of the Lorenz curve: • Correctly-labelled axes (1) • Correctly-labelled original Lorenz curve (1) Application Up to 2 marks for application: • Gini coefficient fell from 0.44 in 2000 (1) to 0.36 in 2014 (1)  Analysis Up to 2 marks for explanation of impact of a fall in Gini coefficient on income inequality: • Correct drawing of the new Lorenz curve (1) • Decrease in income inequality/more equal income distribution (1) • The new Lorenz curve shows a higher proportion of total income is earned by a given percentage of the population at the lower income levels (1) / or a lower proportion of total income is earned by a given percentage of the population at higher income level (1)	(6)

Question Number	Answer	Mark
7 (d)	Knowledge 2, Application 2, Analysis 2, Evaluation 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for knowledge of two causes, e.g.: • Discrimination - gender (1) • Discrimination - age (1) • Place of residence (1) • Wage differentials (1) • Household debt (1) • Globalisation (1) • Automation (1) Analysis 1 mark for linked explanation of any two of the above causes, e.g.: • Discrimination on gender/age could lead to a lack of opportunities and may result in lower wages for certain groups of the society (1) • Residents of urban areas are usually associated with having greater incomes and hence can access higher quality educational institutions than those in rural areas (1) • Wage differentials between unskilled and skilled workers have been increasing/minimum wage rising slower than average earnings (1) • Household debt reallocates money from the highly indebted middle-income households to the financial sector, where it is circulated to the highest-earning employees/managers/shareholders (1) • Globalisation has led to a fall in demand for unskilled workers relative to those of highly skilled workers in advanced economies (1) • Automation/technological change has made the skills of workers in certain industries obsolete leading to structural unemployment (1)	

	Application Up to 2 marks for application to sources, e.g.: • The top 1% of income earners almost doubled its share of total pre-tax income from 6% in 1980 to 11% in 2014 (1) • Women still earn only \$0.84 for every \$1 men earn (1) • Young people have lower earnings and wealth than older people (1) • Urban residents are more likely to have higher level of education than rural residents (1) • Since 2005 real disposable incomes have fallen / costs of housing, healthcare and education have risen faster than the average price level (1) • Household debt has also risen from 87% of disposable income in 1995 to 123% in 2017 (1) • Slow growth of real wages and the increased use of automation (1) Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0), e.g.: • Significance will be different in different advanced economies (1), but wages appear to be the most significant factor (1) • Data might be inaccurate/unreliable (1) as level of income inequality changes quickly over time (1) • Positive discrimination (1) increases the financial returns for certain groups through more employment, such as women (1) • Despite higher levels of education they still suffer lower earnings – women and younger people (1)	(8)
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Question Number	Indicative content
7 (e)	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, application and analysis (8 marks) – indicative content Policies include: • Increasing means-tested benefits (not universal benefits), e.g. income support, housing benefit – helps those families in greatest need • Ending residential segregation – segregation by income, particularly isolation of low-income households correlates with reduced levels of upward mobility • Improvements in education and training for those without qualifications help increase skills and human capital, raises productivity and employability • Improvements in state provision of public services such as healthcare and social housing will assist lower income households • Reducing discrimination will allow for equal opportunities in employment and lead to higher wages/living standards for those underrepresented groups • Increasing minimum wages – higher wages for the lowest-paid workers has the potential to help people out of poverty and increase real incomes • Increase in progressiveness of tax system, e.g. by introducing more tax bands; increasing tax free allowance – this will provide more economic support for the working poor: ‘a reconsideration of how economic gains are shared.’

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (6 marks) – indicative content - Increased complexity and cost of running welfare, risk of poverty trap from withdrawal of income-related benefits; this does not address main causes of inequality such as low pay or skills gaps - Depends on the quality of education and training programmes in place; workers may not take up jobs in which they are educated and trained and productivity is likely to remain low - State provision might have a relatively insignificant effect in the advanced economies, as this provision is already extensive - Increase in the NMW might result in higher unemployment and increase in inequality; wages and unearned incomes of those in highest income bracket might increase at faster rate; has no impact on the unemployed or students - Progressive tax increases may cause increase in number of tax exiles and/or increase in tax evasion and avoidance: fall in tax revenue (using Laffer curve analysis). It could also reduce incentive to work - Some of the gender/age gap may reflect cultural norms - Time lag and implementation lag issues	



Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of an increase in income tax rates, aimed at high-income households, on the economy of Pakistan.	
	Indicative content	
7(e)	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (8 marks) – indicative content • Definition/understanding of income tax • "IMF proposed that high-income households should pay significantly more income tax than the low-income and middle-income households." • Impact on incentives to work: it could act as a disincentive for Pakistan's citizens to take higher paid jobs; less overtime hours worked and/or less promotion opportunities sought by high income earners • Tax revenues: these might be expected to increase (reference to Laffer curve analysis); improve Pakistan's public finances and "help reduce its fiscal deficit" • Could cause an increase in tax evasion (illegal) and tax avoidance (legal); could also lead to an increase in the number of tax exiles • Increased income equality: the tax system is more progressive; if taxes collected are used to redistribute incomes to the low-income households, then income distribution will become more equal • Impact on AD and economic growth, unemployment, and inflation: this can be represented by an AD/AS diagram; reference to the multiplier • Improvement of trade balance: increase in top rate of income tax would cause a fall in disposable income for top earners and this reduces their consumption and imports • Fall in FDI flows: entrepreneurs and senior managers from TNCs would see a fall in their disposable income, assuming they would be based in the country for which the FDI was destined N.B. Positive effects may be awarded as KAA and negative effects as evaluation (or vice versa)	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.

Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (6 marks) – indicative content • Depends on the extent of the disincentive effects of the income tax; high income earners in Pakistan might continue to work hard to maintain their standard of living • Tax revenues may fall if the tax rate is increased beyond the optimal rate; reference to the Laffer curve analysis; also depends on the overall impact on AD and on economic growth • Depends on powers of Pakistan's tax authorities to collect taxes; extent of tax evasion and tax avoidance; income tax is not the only factor influencing a person's decision on where to live • Depends on how the tax revenues are used by Pakistan's Government and whether other fiscal changes offset the impact of this increase in income tax rates • Depends on the elasticity of the LRAS/level of spare capacity; impact could depend on the changes in other components of AD; if savings are reduced to pay for the higher income tax, then the effects will be minimal • Depends on taxpayer's marginal propensity to consume/marginal propensity to import; depends on the PED of Pakistan's imports • Other factors also affect FDI flows and are not just dependent on changes in income tax, e.g. business confidence, rate of economic growth, interest rate • Overall impact would depend on how many people in Pakistan are affected by the top rate of income tax • Impact depends on magnitude of the increase in the top rate of income tax • Pakistan's Government should focus on increasing property taxes as only a small proportion of tax is currently raised from this source; opportunity for significant increases in tax revenue if the proportion of property tax is raised		

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Section C

Question	Between 2000 and 2020, Gibraltar's terms of trade worsened by 44.6% and Greece's terms of trade worsened by 14.3%. Evaluate factors that might cause a country's terms of trade to worsen. Indicative content	
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of terms of trade • Understanding of worsening in terms of trade Possible factors could include: • Low relative inflation rates: decreases relative export prices • Higher relative productivity rates: reduces cost per unit and therefore export prices • Lower relative labour costs (both wage and non-wage costs): decreases cost per unit and therefore export prices • Depreciation/devaluation of the exchange rate: reduces export prices and increases import prices • Higher relative levels of capital investment: increases productivity, thereby decreases cost per unit and export prices • Change in the price of commodities, e.g. oil (a fall in the price of commodities for net exporters, and rise in price of commodities for net importers) • Falling competition in the markets of a country's main imports/ rising competition in the markets of a country's main exports • Protectionist policies, e.g. if a country raises a tariff on imported goods then this would cause an increase in import prices	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.

Question	Between 2007 and 2017 income inequality increased in Denmark and in Italy. Evaluate possible causes of an increase in income inequality within a developed country of your choice. Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of income inequality Possible causes include: • Changes in wages of different groups including e.g. training and skills: wage differentials between the unskilled and skilled workers have been increasing; minimum wage increasing slower than average earnings • Education: the earnings of those with certain qualifications have increased at a much faster rate than others • Disproportionate increase in earnings of top 1% as a result of e.g. incomes of the asset-rich have increased relative to the asset-poor; exploitation of tax loopholes • Pensions: especially amongst the elderly and ending of final salaries pension schemes; inflation for pensioners has been higher than the CPI rate as they spend a higher percentage of income on goods like council tax, fuel and food • Tax rates, e.g. such as VAT cut in taxes on incomes and wealth and/or rise in expenditure taxes that take higher percentage of people's disposable income • Globalisation: the demand for, and wages of, the unskilled workers have fallen relative to those of highly skilled workers in developed economies

		- Immigration, e.g. of unskilled workers putting downward pressure on wages for those on low incomes – there appears to be growing number of low paid immigrant workers, who work for cash and are paid much less than the NMW - Trade union power has been eroded: an increasingly flexible labour market, with more workers being employed part-time or zero hour contracts, as opposed to full time – they are not largely protected by the unions - Macroeconomic policies, e.g. deregulation and privatisation that contributes to concentration of ownership of assets - Reduction in out-of-work benefits and/or the reduction of in-work benefits. Increase in inter-generational inequality in some countries where state pensions have been increased - Monopoly power of firms (especially TNCs) / the monopsony power of firms - Increase in unemployment - Pandemic affecting younger workers more than older workers N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.

		Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Prioritisation and significance of the causes discussed – a combination of factors is likely to have a larger impact on income inequality • Changes in inequality over time, e.g. discussion if the rise is significant over 10 years – different factors affect a country during different times • Consideration of what is actually being measured, e.g. gross incomes or personal disposable income • This takes no account of the changes in the distribution of wealth, which might be more significant than income inequality • Unemployment rate may be more significant than level of skills and education or than state benefits • Globalisation has helped to reduce inequality through greater economic integration across national borders • The significance of a cause will be different in different countries, e.g. depending on policies to redistribute income • Differences may be explained by lifestyle rather than the causes above • Data might be either inaccurate or unreliable as it is difficult to collect	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.

Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.
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Question	In 2020 Argentina's currency, the peso, fell by 75% against the US dollar. Evaluate factors that influence the exchange rate of a currency. Refer to a developing country of your choice in your answer. Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of exchange rate Factors include: • Relative inflation rates: reference to purchasing power parity theory – e.g. if inflation in Argentina is relatively higher than elsewhere, then Argentina's exports will become less competitive, and there will be a fall in demand for peso. Therefore, higher inflation rates will lead to a depreciation of the peso • Relative interest rates – e.g. if Argentina's interest rate falls relative to other countries, it will become less attractive to deposit money in Argentina. There will be less hot money flows and the demand for peso will fall. The currency would depreciate • Speculation – e.g. if speculators believe the peso will fall in the future, they will demand less of the currency now. This fall in demand will cause its value to fall. Therefore, the currency would depreciate • Balance of payments: current account balance – e.g. if there is a persistent current account deficit, it would lead to a greater supply of currency relative to demand leading to fall in exchange rate and the peso will depreciate • Relative strength of the economy: debt crisis – e.g. if markets feared that Argentina's Government may default on its debt, then investors would sell their bonds causing a fall in value of the peso exchange rate • Developing countries tend to rely on exports of primary products that are often volatile in price, and this can have an impact on the exchange rate –

Question	Between 2008 and 2018, income inequality, as measured by the Gini coefficient, increased from 0.43 to 0.51 in Angola and from 0.34 to 0.41 in Bulgaria. Evaluate government policies that could be used to reduce income inequality in a developing country of your choice. Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of income inequality • May be shown by a Lorenz curve diagram • Increase in progressiveness of tax system, for e.g. by introducing more tax bands/increasing tax free allowance; increase in taxes on unearned incomes e.g. rental and dividend income – increases government revenues that can be used as welfare payments to support the low-income households • Increasing means-tested benefits (not universal benefits), e.g. food stamps, unemployment benefit and housing benefit – provides income support to only those households that need it the most • Introduction of/increasing the National Minimum Wage: higher incomes; wage differentials between the unskilled and skilled workers will decrease • Improvements in education and training for those without qualifications: increases human capital, productivity and therefore incomes • Measures to reduce unemployment - for e.g., governments could implement reflationary fiscal policy or supply side policies to create jobs • Place restrictions on immigration of unskilled workers as this will reduce downward pressure on wages of those on low incomes • Reduction in taxes on expenditure and/or other regressive taxes: will take lower percentage of disposable income of the low-income households

- | | |
|--|---|
| | <ul style="list-style-type: none">• Improvements in government provision of public services such as healthcare, education, social housing; provision of pension schemes• Measures that increase the power of trade unions: more workers are likely to be employed permanently/full-time rather than part-time or on zero-hour contracts – stable incomes; help to reduce monopsony power of employers• Reduction in incentives to have large families e.g. reduction in child benefits• Price caps/subsidies on essential goods and services e.g. energy, food• Measures to reduce discrimination e.g. age and gender |
|--|---|

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



Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.



Evaluation (8 marks) – indicative content

- Progressive tax increases may cause increase in number of tax exiles or increase in tax evasion and avoidance; fall in tax revenues (using Laffer curve analysis); does not address the underlying cause of income inequality
- Administrative costs associated with means-testing may be high; inflation may mean that the benefits might not increase in real terms; can also act as a disincentive to work
- Introduction/increase in the NMW might result in higher unemployment and an increase in inequality; wages/unearned incomes of those in the highest income brackets might increase at a faster rate; this has no impact on the unemployed, students, pensioners, etc.
- Depends on quality and relevance of improvements in education and training – what courses have been promoted; time lags before reduction in inequality
- Even after reducing unemployment, wages may still be below benefits hence not creating an incentive to work; could have inflationary consequences
- Could result in a decline in the working population and therefore productive potential could decrease in the long run
- Might lead to a reduction in government revenues and hence less spending on measures which could reduce inequality
- Increasing the trade union power will lead to inflexible and inefficient labour markets; unlikely to attract FDI and hence less jobs may be created
- Different factors more or less important for different countries; prioritisation
- One policy on its own is unlikely to be effective but a combination of policies needs to be implemented to reduce the rising income inequality

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question	Between 2003 and 2019, income inequality, as measured by the Gini coefficient, increased from 0.25 to 0.29 in Sweden and from 0.32 to 0.37 in Indonesia. Evaluate possible causes of an increase in income inequality within a country of your choice. Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of income inequality • Understanding of Gini coefficient Possible causes include: • Changes in wages of different groups including e.g. training and skills: wage differentials between the unskilled and skilled workers have been increasing; minimum wage increasing slower than average earnings • Education: the earnings of those with certain qualifications have increased at a much faster rate than others • Disproportionate increase in earnings of top 1% due to e.g. incomes of the asset-rich have risen relative to the asset-poor; exploitation of tax loopholes • Pensions: especially amongst the elderly and ending of final salaries pension schemes; inflation for pensioners has been higher than the CPI rate as they spend a higher percentage of income on goods like council tax, fuel and food • Changes in tax rates: e.g. rise in indirect taxes, cut in wealth/income taxes • Globalisation: the demand for, and wages of, the unskilled workers have fallen relative to those of highly skilled workers in developed economies • Immigration: e.g. of unskilled workers putting downward pressure on wages for those on low incomes – there appears to be a growing number of low-paid immigrant workers, who work for cash and are paid less than the NMW • Trade union power has been eroded: an increasingly flexible labour market, with more workers being employed part-time, as opposed to full-time – they are not largely protected by trade unions • Macroeconomic policies, e.g. deregulation and privatisation that contributes to concentration of ownership of assets • Reduction in out-of-work benefits and/or the reduction of in-work benefits • Monopoly power of firms (especially TNCs)/the monopsony power of firms • Increase in wealth inequality is likely to cause increase in income inequality N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country of their choice in their answer

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • Prioritisation and significance of the causes discussed • It is likely that there has been more than one factor that has caused an increase in income inequality within a country • Changes in inequality over time, e.g. the rise is significant over 16 years – different factors affect a country during different times • Consideration of what is actually being measured, e.g. gross incomes or personal disposable incomes • Gini coefficient takes no account of changes in the distribution of wealth, which might be more significant than income inequality • Unemployment rate may be more significant than level of skills and education or than state benefits • Globalisation has helped to reduce inequality through greater economic integration across national borders • The significance of a cause will be different in different countries, e.g. depending on policies to redistribute income • Differences may be explained by lifestyle rather than the causes above • Data might be either inaccurate or unreliable as it is difficult to collect		

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Section C

Question	Between 2007 and 2022 income inequality increased in both Sweden and the USA. Evaluate possible causes of an increase in income inequality within a developed country of your choice. Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of income inequality Possible causes include: • Changes in wages of different groups including e.g. training and skills: wage differentials between the unskilled and skilled workers have been increasing; minimum wage increasing slower than average earnings/discrimination • Education: the earnings of those with certain qualifications have increased at a much faster rate than others • Disproportionate increase in earnings of top 1% as a result of e.g. incomes of the asset-rich have increased relative to those who are asset-poor; could be due to exploitation of tax loopholes • Pensions: especially amongst the elderly and ending of final salaries pension schemes; inflation for pensioners has been higher than the CPI rate as they spend a higher percentage of income on goods like council tax, fuel and food • Tax rates, e.g. such as increases in indirect taxes (regressive taxes) / cuts in taxes on incomes and wealth (progressive taxes) • Globalisation: the demand for, and wages of, unskilled workers have fallen relative to those of highly skilled workers in developed economies • Immigration, e.g. of unskilled workers, putting downward pressure on wages for those on low incomes – appears to be a growing number of the low-paid immigrant workers, who work for cash and are paid much less than the NMW • Trade union power has been eroded: an increasingly flexible labour market, with more workers being employed on part-time or zero-hour contracts, as opposed to full-time – they are not largely protected by the trade unions • Macroeconomic policies, e.g. deregulation and privatisation that contributes to the concentration of ownership of assets • Reduction in out-of-work benefits and/or the reduction of in-work benefits. Increase in inter-generational inequality in some countries where state pensions have been increased



		• Increase in the rate/level of unemployment/decrease in the employment rate • Global health crisis of 2020-2022 affecting younger workers more than older workers • Monopoly power of firms (especially TNCs) / the monopsony power of firms N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
		Evaluation (8 marks) – indicative content • Prioritisation and significance of the causes discussed • A combination of factors is likely to have a larger impact on income inequality • Changes in inequality over time, e.g. discussion if the rise is significant over 10 years – different factors affect a country during different times • Consideration of what is actually being measured, e.g. gross incomes or personal disposable incomes • This takes no account of the changes in the distribution of wealth, which might be more significant than income inequality



		• Unemployment rate may be more significant than level of skills and education or state benefits • Differences may be explained by lifestyle rather than the causes above • Globalisation has helped to reduce inequality through greater economic integration across national borders • The significance of a cause will be different in different countries, e.g. depending on policies to redistribute income • Data might be either inaccurate or unreliable as it is difficult to collect
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	According to the World Trade Organization (WTO), between 1995 and 2022, the share of developing economies' exports in world trade increased and the share of developed economies' exports decreased. Evaluate factors influencing patterns of trade between countries. Indicative content	
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of trade patterns Factors include: • Emerging economies/the collapse of communism has led to the opening-up of many former-communist countries, e.g. China and Eastern Europe • Comparative advantage: a detailed analysis of the significance of this theory may be represented with numerical example or diagram • The number and size of trading blocs / bilateral trade agreements: has resulted in an increase in trade creation between member countries • Exchange rate/'currency wars' of recent years, e.g. China: currency controls to prevent appreciation of their currency • Protectionist policies e.g. increase in tariffs imposed by countries and increased subsidies to support their domestic industries to make imports relatively more expensive • Competitiveness, e.g. USA & UK loss of low-cost manufacturing industries compared with the rise in the emerging economies (could count as two points) • Level of foreign direct investment (FDI) which has increased manufacturing in developing economies • Many advanced economies have experienced deindustrialisation, with less national output generated by their manufacturing sectors	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.

Question	Between 2000 and 2022 globalisation was a significant factor that led to an increase in average incomes in Indonesia. However, income inequality within the country also increased during the same period. Evaluate reasons why globalisation may lead to an increase in income inequality within a country. Refer to a country of your choice in your answer. Indicative content	
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Understanding of globalisation • Understanding of income inequality Reasons may include: • Inward migration of low-skilled workers may depress wage rates and could widen the wage gap between skilled or semi-skilled, and unskilled workers who are likely to experience a reduction in their relative wage • Skilled workers can earn higher incomes as there will be increased global demand for their services • Workers who are mobile and who have the skills can move from declining to expanding industries • Workers who lack the skills and occupational mobility are likely to face structural unemployment • Businesses may gain greater profits as they are able to locate to low-cost countries, and therefore workers in developed economies may be made redundant N.B. Accept why globalisation increases income inequality as KAA and why it does not as EV, or vice versa N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country(s) in their answer	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context.



		A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • Improvements in labour mobility as a result of globalisation might help to reduce income inequality • Economic growth resulting from globalisation could lead to an increase in tax revenue for governments that may be spent on raising incomes of low-income groups • TNCs usually spend on training, so human capital may increase resulting in a decrease in unemployment and income inequality • Higher profits of businesses can be used to raise wages of unskilled workers • Increased protectionism may be reducing the impact of globalisation on income inequality • Higher average incomes associated with globalisation might not necessarily result in increased income inequality i.e. the impact is unlikely to be the same for different countries • Other factors are more important than globalisation in causing inequality		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	In 2022 Pakistan's currency, the rupee, fell by 27% against the US dollar. Evaluate factors that might cause a depreciation of the exchange rate of one currency against another currency. Refer to a developing country of your choice in your answer. Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Understanding of the depreciation of an exchange rate Factors include: • Relative inflation rates: reference to purchasing power parity theory – e.g. if inflation in Pakistan is relatively higher than elsewhere, then Pakistan's exports will become less competitive, and there will be a fall in demand for rupee. Hence, higher inflation rates will lead to a depreciation of the rupee • Relative interest rates – e.g. if Pakistan's interest rate falls relative to other countries, it will become less attractive to deposit money in Pakistan. There will be less hot money flows and the demand for the rupee will fall, and the currency would depreciate • Speculation – e.g. if speculators believe the rupee will fall in the future, they will demand less of the currency now. This fall in demand will cause its value to fall. Therefore, the currency would depreciate • Balance of payments: current account balance – e.g. if there is a persistent current account deficit, it would lead to a greater supply of currency relative to demand leading to a fall in exchange rate and the rupee will depreciate • Relative strength of the economy: debt crisis – e.g. if markets feared that Pakistan's Government may default on its debt, then investors would sell their bonds causing a fall in the value of the rupee exchange rate • Developing countries tend to rely on exports of primary products that are often volatile in price, and this can have an impact on the exchange rate – e.g. if prices of commodities fall, the exchange rate of exporting countries will depreciate (reference to "commodity currencies") • Macroeconomic management – e.g. quantitative easing/asset purchases has caused a depreciation in the value of some currencies such as Chile, Poland • Allow analysis based on government/central bank manipulation of exchange rate through the buying and selling of the currency • Political instability/capital flight/reduction in FDI might result in depreciation

Section C

Question	Evaluate government policies, apart from changes in income tax rates, that could be used to reduce income inequality in a developed country of your choice. Indicative content	
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content Understanding of income inequality - Increasing means-tested benefits (not universal benefits), for e.g. food stamps, unemployment benefit and housing benefit – provides income support to only those households that need it the most - Improvements in education and training for those without qualifications: increases human capital, productivity and therefore incomes - Introduction of/increasing the National Minimum Wage: higher incomes; wage differentials between the unskilled and skilled workers will decrease - Measures to reduce unemployment, e.g. a government can implement reflationary fiscal policy or supply-side policies to create more jobs - Impose restrictions on immigration of unskilled workers as this will reduce downward pressure on wages for those on low incomes - Reduction in taxes on expenditure and/or other regressive taxes: will take lower percentage of disposable income of the low-income households - Improvements in government provision of public services such as social housing, healthcare, education; provision of pension schemes - Measures that increase power of trade unions: more workers are likely to be employed permanently/full-time rather than part-time or on zero-hour contracts – stable incomes; can reduce monopsony power of employers - Cuts in incentives to have large families e.g. reduction in child benefits - Price caps/subsidies on essential goods and services e.g. energy, food - Measures to reduce discrimination e.g. age and gender N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer	
Level	Mark	Descriptor
	0	No rewardable material.



Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • Administrative costs of means-testing may be high; inflation means that the benefits may not rise in real terms; can act as a disincentive to work • Depends on quality and relevance of improvements in education/training – what courses have been promoted: time lags before reduction in inequality • Introduction/increase in the NMW might result in higher unemployment and an increase in inequality; wages/unearned incomes of those in the highest income brackets might increase at a faster rate; this has no impact on the unemployed, students, pensioners, etc. • Even after reducing unemployment, wages may still be below benefits thus not creating an incentive to work; could have inflationary consequences • Restrictions on immigration can result in a decline in the working population and therefore productive potential could decrease in the long-run • Reduction in the rate of expenditure taxes might lead to a reduction in government revenues and hence less spending on measures that could reduce inequality • Increasing the trade union power will lead to inflexible and inefficient labour markets; unlikely to attract FDI and hence fewer jobs may be created • Different factors more or less important for different countries; prioritisation • One policy on its own is unlikely to be effective but a combination of policies needs to be implemented to reduce income inequality		

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.