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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Growth and development in developing, emerging and developed economies (4.3.6)

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

39 questions · 314 marks · Mark schemes included

Past papers October 2020 - June 2025 · 3 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
4.3.6.1 MEASURES OF ECONOMIC DEVELOPMENT		3 Qs · 3 marks	3
1. Q5	IAL Unit 4 June 2024	1	4
2. Q1	IAL Unit 4 June 2025	1	5
3. Q6	IAL Unit 4A June 2025	1	6
4.3.6.2 CONSTRAINTS ON GROWTH AND DEVELOPMENT		15 Qs · 127 marks	7
4. Q2	IAL Unit 4 January 2021	1	8
5. Q3	IAL Unit 4 June 2021	1	9
6. Q1	IAL Unit 4 June 2023	1	10
7. Q1	IAL Unit 4 October 2023	1	11
8. Q1	IAL Unit 4 January 2024	1	12
9. Q7(b)	IAL Unit 4 October 2023	4	13
10. Q7(c)	IAL Unit 4 June 2024	6	17
11. Q7(d)	IAL Unit 4 October 2021	8	22
12. Q7(d)	IAL Unit 4 October 2022	8	27
13. Q7(d)	IAL Unit 4 June 2024	8	32
14. Q7(e)	IAL Unit 4 October 2021	14	37
15. Q7(e)	IAL Unit 4 January 2023	14	43
16. Q10	IAL Unit 4 January 2022	20	49
17. Q10	IAL Unit 4 January 2025	20	50
18. Q9	IAL Unit 4 June 2025	20	51
4.3.6.3 MEASURES TO PROMOTE GROWTH AND DEVELOPMENT		21 Qs · 184 marks	52
19. Q3	IAL Unit 4 October 2021	1	53
20. Q2	IAL Unit 4 January 2022	1	54
21. Q3	IAL Unit 4 (unused) January 2022	1	55
22. Q1	IAL Unit 4 October 2022	1	56
23. Q6	IAL Unit 4 October 2023	1	57
24. Q1	IAL Unit 4 June 2024	1	58
25. Q2	IAL Unit 4 October 2024	1	59
26. Q5	IAL Unit 4 October 2024	1	60
27. Q1	IAL Unit 4 January 2025	1	61
28. Q1	IAL Unit 4A June 2025	1	62
29. Q7(d)	IAL Unit 4 October 2023	6	63
30. Q7(c)	IAL Unit 4 January 2025	6	68
31. Q7(e)	IAL Unit 4 October 2020	14	73
32. Q7(e)	IAL Unit 4 June 2022	14	79



QUESTION	SOURCE	MARKS	PAGE
33. Q7(e)	IAL Unit 4 June 2024	14	86
34. Q9	IAL Unit 4 January 2021	20	92
35. Q9	IAL Unit 4 June 2021	20	93
36. Q8	IAL Unit 4 October 2022	20	94
37. Q10	IAL Unit 4 January 2023	20	95
38. Q9	IAL Unit 4 June 2023	20	96
39. Q10	IAL Unit 4 January 2024	20	97



QUESTIONS

39 questions · 314 marks · 3 sub-topics

SUB-TOPIC 4.3.6.1

MEASURES OF ECONOMIC DEVELOPMENT

Sub-topic 4.3.6.1 · 3 questions · 3 marks · lowest tariff first



- 4 In 2021 Tanzania's index of export prices was 142.3 and its index of import prices was 121.3.

Which **one** of the following was Tanzania's terms of trade in 2021?

- ☐ A 21.0
- ☐ B 85.2
- ☐ C 117.3
- ☐ D 263.6

(Total for Question 4 = 1 mark)

- 5 The table shows selected economic data in 2021 for Chile and Uruguay.

	Human Development Index (HDI) value	Mean years of schooling (adults over 25 years old)	Life expectancy at birth (years)	Gross National Income per capita (2017 PPP)
Chile	0.855	10.9	78.9	\$24 563
Uruguay	0.809	9.0	75.4	\$21 269

Which **one** of the following statements can be deduced from the data in the table?

- ☐ A Literacy rates must be higher in Uruguay than in Chile
- ☐ B Uruguay is less economically developed than Chile
- ☐ C Average incomes are higher in Uruguay than in Chile
- ☐ D Uruguay has better provision of healthcare than Chile

(Total for Question 5 = 1 mark)

SECTION A**Answer ALL questions in this section.**

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

- 1** India has experienced a significant increase in its economic development since 2002.

Which **one** of the following is likely to have caused the increase in India's economic development?

- ☐ **A** An increase in the proportion of people with access to the internet per thousand of population
- ☐ **B** A decrease in the proportion of people with access to mobile phones per thousand of population
- ☐ **C** An increase in terrorism and civil wars
- ☐ **D** A decrease in life expectancy at birth

(Total for Question 1 = 1 mark)

- 2** Between 2020 and 2022 Sweden's national debt decreased from \$184.4 billion to \$180.2 billion.

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

- ☐ **A** An increase in debt servicing costs
- ☐ **B** An increase in the rate of inflation
- ☐ **C** A decrease in the rate of interest
- ☐ **D** A decrease in absolute advantage

(Total for Question 2 = 1 mark)



6 The table shows selected economic data in 2022 for Thailand and Malaysia.

	Human Development Index (HDI) value	Mean years of schooling (adults over 25 years old)	Life expectancy at birth (years)	Gross National Income per capita (2017 PPP)
Thailand	0.803	8.8	79.7	\$16 887
Malaysia	0.807	10.7	76.3	\$27 295

Which **one** of the following statements may be deduced from the data in the table?

- ☐ A Thailand was more economically developed than Malaysia
- ☐ B Students spent longer in education in Thailand than in Malaysia
- ☐ C Healthcare provision was better in Thailand than in Malaysia
- ☐ D Average incomes were higher in Thailand than in Malaysia

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



SUB-TOPIC 4.3.6.2

CONSTRAINTS ON GROWTH AND DEVELOPMENT

Sub-topic 4.3.6.2 · 15 questions · 127 marks · lowest tariff first



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 In September 2019 the European Central Bank (ECB) decided to restart its quantitative easing programme in the eurozone area.

Ceteris paribus, which **one** of the following is the most likely effect of this decision by the ECB for an economy in the eurozone?

- ☐ A A decrease in the money supply
- ☐ B A decrease in economic growth
- ☐ C An increase in unemployment
- ☐ D An increase in the rate of inflation

(Total for Question 1 = 1 mark)

- 2 Which **one** of the following theories suggests that a *savings gap* is a constraint on growth and development?

- ☐ A The Harrod–Domar model
- ☐ B The Lewis structural dual-sector model
- ☐ C The Marshall–Lerner condition
- ☐ D The Prebisch–Singer hypothesis

(Total for Question 2 = 1 mark)

- 3 Between June 2018 and October 2019 the Australian dollar fell by 7.4% against the US dollar.

Ceteris paribus, which **one** of the following is the most likely impact of this depreciation on Australia's economy?

- ☐ A A fall in the price of imports and a rise in the price of exports
- ☐ B An increase in public sector borrowing and an increase in national debt
- ☐ C An improvement in the capital and financial account of the balance of payments
- ☐ D A decrease in the cost of borrowing and a decrease in the reward for saving

(Total for Question 3 = 1 mark)



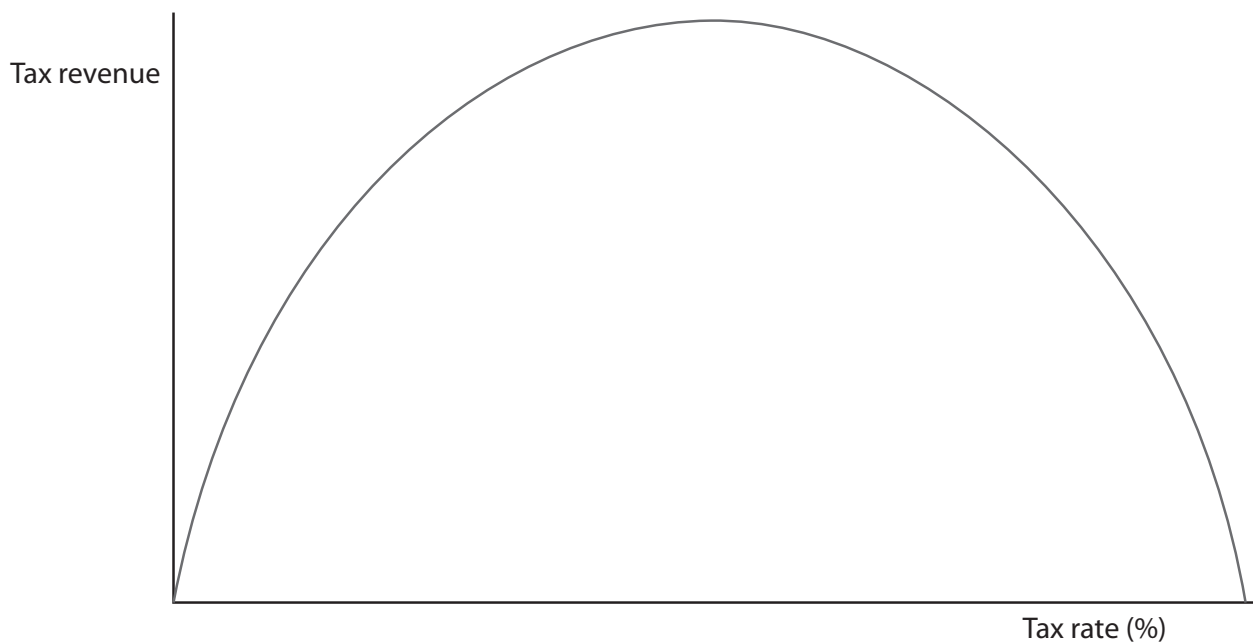
3 In 2018 the value of oil exports accounted for 85% of Nigeria's GDP.

Which **one** of the following is most likely to result from a fall in world oil prices?

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

(Total for Question 3 = 1 mark)

4 The diagram illustrates the relationship between tax rate (%) and government tax revenue.



Which **one** of the following models is represented by this relationship?

- ☐ A The J-curve
- ☐ B The Phillips curve
- ☐ C The Lorenz curve
- ☐ D The Laffer curve

(Total for Question 4 = 1 mark)

SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross ☐. 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 suggests that *primary product dependency* is a constraint on growth and development?

- ☐ A The Prebisch–Singer hypothesis
- ☐ B The Marshall–Lerner condition
- ☐ C The Lewis structural dual-sector model
- ☐ D The Harrod–Domar model

(Total for Question 1 = 1 mark)

2 In 2022 the Australian Government announced that it would invest nearly \$13.6 billion in major infrastructure projects.

This change in public expenditure is an example of an increase in which **one** of the following?

- ☐ A Transfer payments
- ☐ B Automatic stabilisers
- ☐ C Current expenditure
- ☐ D Capital expenditure

(Total for Question 2 = 1 mark)

3 In 2022 South Korea's international competitiveness ranking was four places lower than it was in 2021.

Which **one** of the following measures is most likely to increase South Korea's international competitiveness?

- ☐ A Stricter regulation of product markets
- ☐ B Privatisation of state-owned enterprises
- ☐ C Greater restrictions on free trade
- ☐ D Less spending on education and training

(Total for Question 3 = 1 mark)



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross ☐. 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 a *non-economic* factor that might constrain the rate of economic growth and economic development of a country?

- ☐ A A poorly educated workforce
- ☐ B Volatile commodity prices
- ☐ C Capital flight
- ☐ D High levels of corruption

(Total for Question 1 = 1 mark)

- 2 In 2021 the UK experienced a fall in labour productivity. It remained below the average labour productivity of its main trading partners.

Ceteris paribus, which **one** of the following can be deduced from this statement?

- ☐ A UK goods and services were less internationally competitive than those of its trading partners
- ☐ B Average export prices of UK goods and services were lower than the average export prices of its trading partners
- ☐ C Unit labour costs in the UK were the same as the average unit labour costs of its trading partners
- ☐ D The UK experienced a significant deterioration in its terms of trade

(Total for Question 2 = 1 mark)

- 3 In 2020 Japan's central bank, the Bank of Japan, increased its reserve asset (liquidity) requirements for commercial banks.

Ceteris paribus, which **one** of the following is the most likely effect of this decision?

- ☐ A An increase in the money supply
- ☐ B An increase in the level of real output
- ☐ C A decrease in the rate of inflation
- ☐ D A decrease in the rate of unemployment

(Total for Question 3 = 1 mark)



SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross ☐. 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 an economic factor that might constrain the rate of economic growth of a country?

- ☐ A A high level of corruption
- ☐ B A reduced threat of terrorism
- ☐ C An increased access to credit
- ☐ D A lack of foreign currency

(Total for Question 1 = 1 mark)

- 2 In 2022 the Government of Brazil spent \$160 million on 762 infrastructure projects.

This public expenditure is an example of which **one** of the following?

- ☐ A Expenditure on transfer payments
- ☐ B Current expenditure
- ☐ C Capital expenditure
- ☐ D Consumer expenditure

(Total for Question 2 = 1 mark)

- 3 Between 2021 and 2022 the European Union (EU) recorded an increase in the capital and financial account surplus of the balance of payments.

Ceteris paribus, which **one** of the following is the most likely reason for this increase in the EU's capital and financial account surplus?

- ☐ A An increase in inward foreign direct investment (FDI) and portfolio investment
- ☐ B An increase in the value of EU exports and a decrease in the value of EU imports
- ☐ C An increase in public sector borrowing and an increase in public sector debt
- ☐ D An increase in inflows into the primary income component of the EU's balance of payments

(Total for Question 3 = 1 mark)



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.

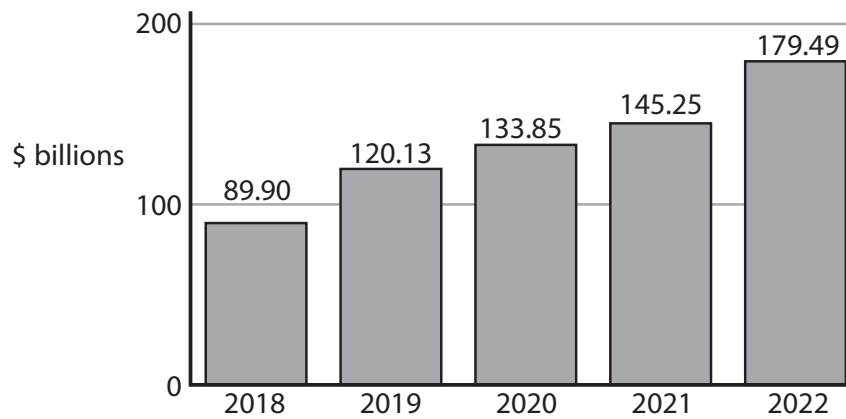
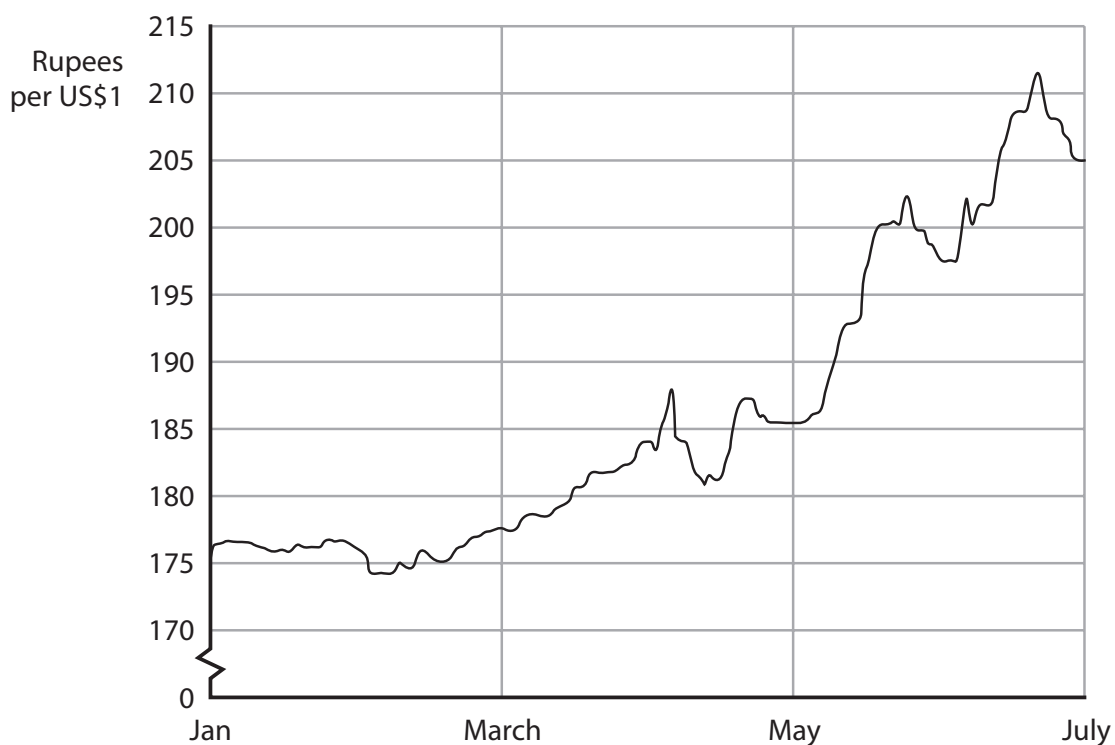
(8)

- (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



- (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)

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

(4)

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SECTION B

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

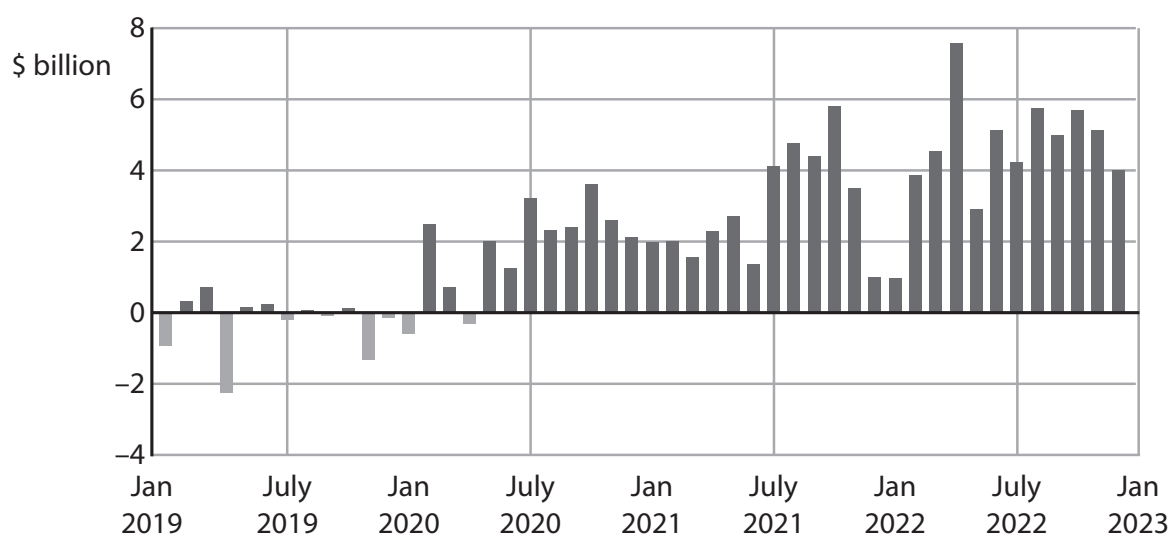
Write your answers in the spaces provided on the following pages.

- 7** (a) 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. (2)
- (b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus. (4)
- (c) With reference to Extract A, analyse **two** benefits of Indonesia's increasing population to its economy. (6)
- (d) With reference to Extract A, examine **two** likely problems for the Indonesian economy of its dependence on commodities. (8)
- (e) With reference to Extract A and your own knowledge, discuss market-orientated strategies that the Indonesian Government might use to increase its rate of economic growth. (14)



Sources for use with Section B

The Indonesian economy

Figure 1 Monthly balance of trade in goods and services, \$ billion, January 2019 to December 2022

Extract A Economic outlook

In 2022 Indonesia had a population of 276 million people. This was the largest in Southeast Asia and had increased by 26 million since 2012. In 2022 the global economy was weak and many countries experienced high rates of inflation. By contrast, Indonesia's economy performed better than several advanced economies. The country's real GDP increased by 5.3%. This was above the forecast rate of economic growth. Its annual rate of inflation of 4.6% was one of the lowest globally. However, this was before the Government removed subsidies on oil and fuel. Indonesia is a net importer of oil. 5

During 2022 Indonesia's currency, the *rupiah*, had the best-performing floating exchange rate to the US dollar in Asia. The *rupiah* depreciated less than the currencies of Vietnam and China, its main trading partners. 10

Indonesia is a resource-rich country and it is a net exporter of commodities such as nickel, coal, rubber and palm oil. In 2022 the country benefited from rising global commodity prices. It is the world's largest producer of nickel, an important component in electric vehicle batteries. 15

To take advantage of the rising global demand for electric vehicles, the Government announced plans to increase privatisation and promote foreign direct investment (FDI).

Exports from the manufacturing sector increased during 2022. These included electronics, machinery, textiles and garments. The Government relaxed its previously strict employment regulations to create more jobs, fill vacancies and promote innovation. This encouraged more FDI, as many foreign producers shifted manufacturing away from China. 20

In 2022 Indonesia's exports of commodities made a more significant contribution to the country's current account surplus and to its economic growth rate than its exports of manufactured goods. The country's current account surplus increased from \$3.5 billion in 2021 to \$13.2 billion in 2022. It was forecast that advanced economies would experience lower rates of economic growth in 2023. This would result in a fall in demand for Indonesia's commodities. 25

In 2023 it was forecast that Indonesia's rate of inflation would increase to 5.5% partly as a result of the removal of fuel subsidies. The country's central bank could respond to the rising rate of inflation by increasing its base rate of interest. 30

There are concerns about the level of corruption in the country. Indonesia scored 38 out of 100 on the corruption index – the lower the score, the greater the level of corruption. This is the same score as Brazil but lower than that of Vietnam and China. This indicates that Indonesia has relatively more corruption than Vietnam and China. 35

To remain internationally competitive, many economists have recommended that Indonesia should diversify away from its dependence on commodities. They have suggested that the Government must aim to develop the country's human capital and infrastructure, in order to improve the labour mobility of its relatively young population.

(6)



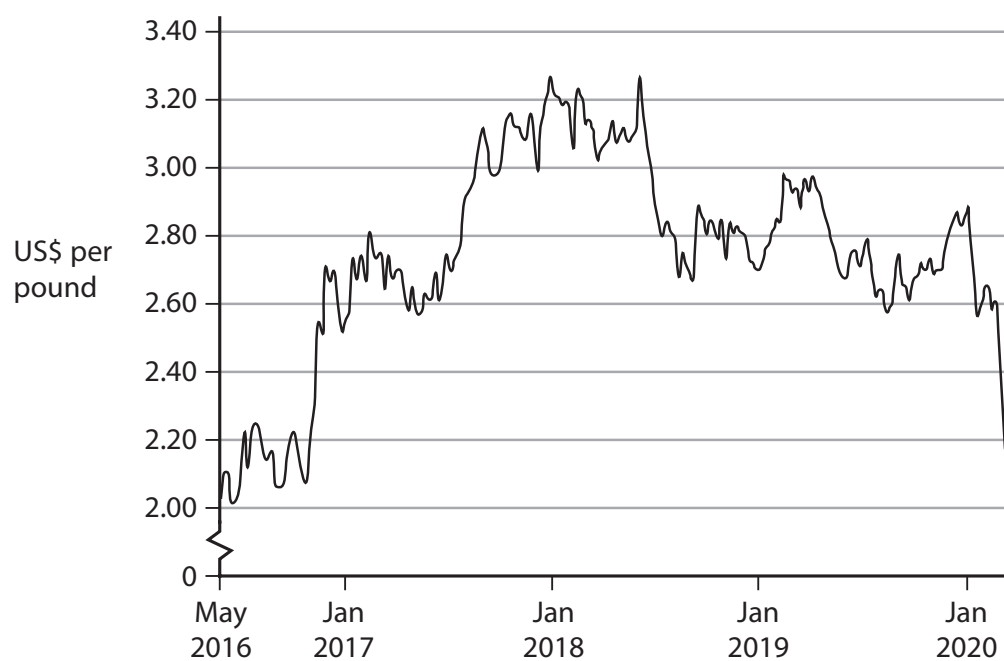
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SECTION B

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

(8)



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SECTION B

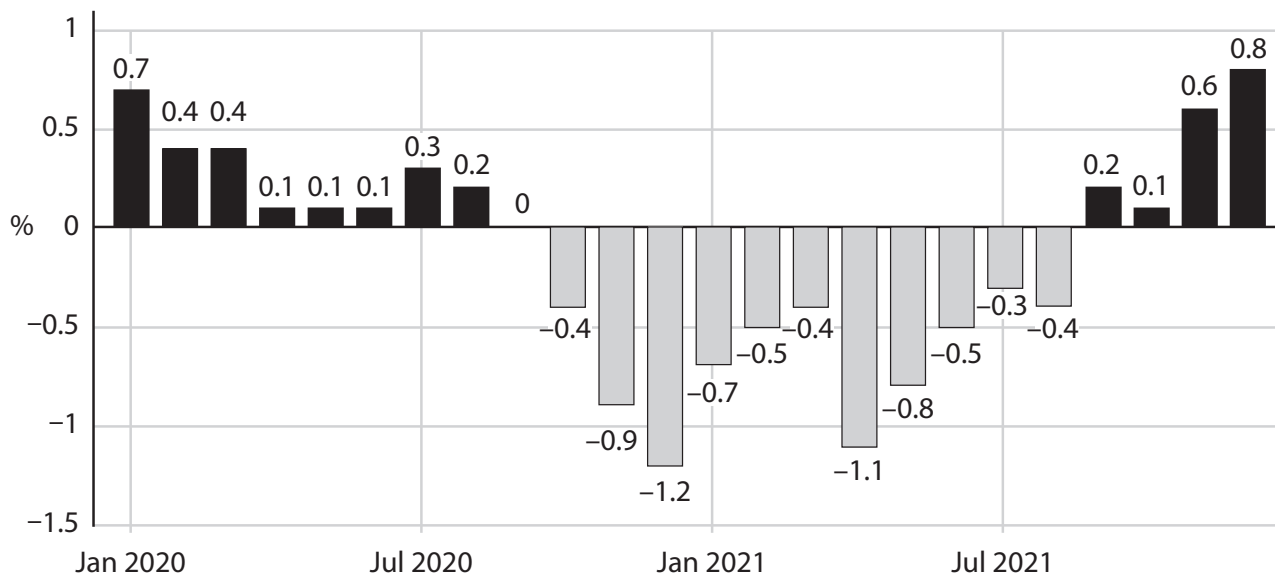
Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering Question 7.

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

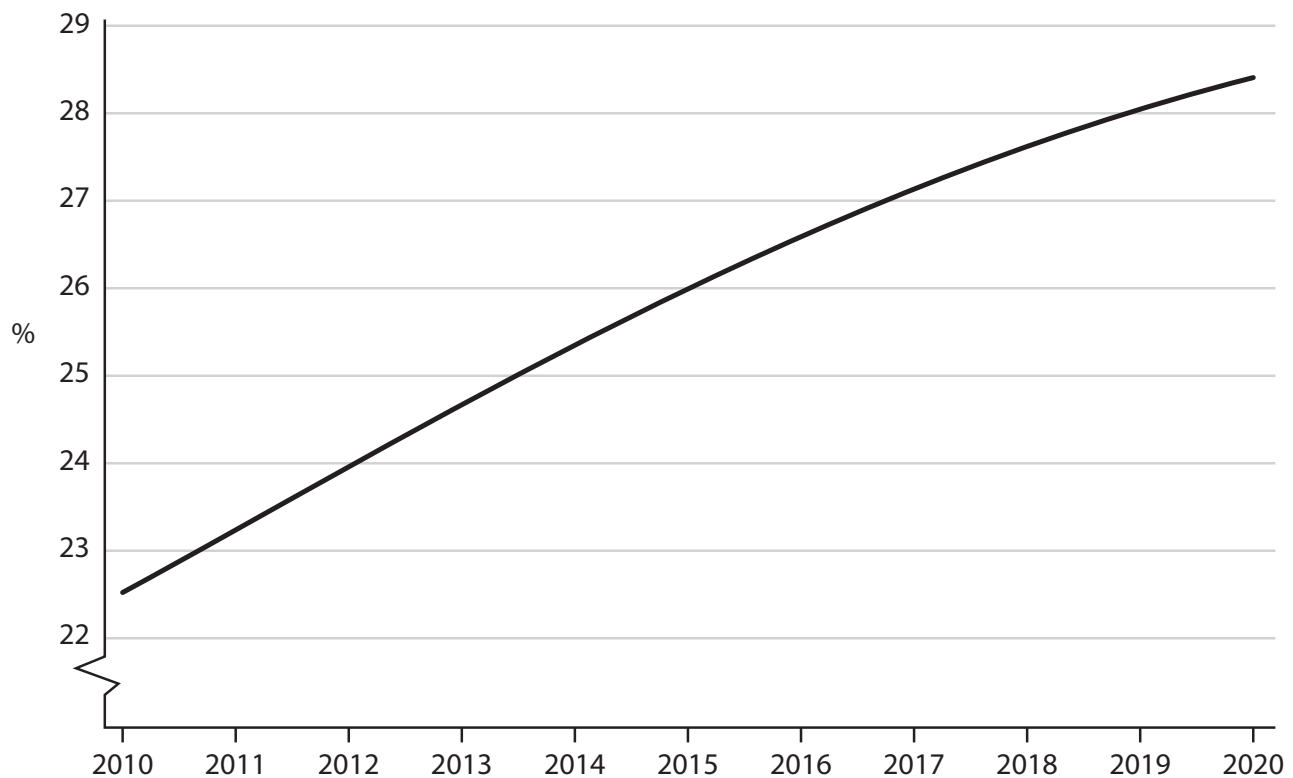
- 7** (a) With reference to the second and third paragraphs of Extract C, calculate the amount saved by Japanese citizens from the total cash payments made by the Japanese Government. You are advised to show your working. (2)
- (b) With reference to Figure 1 and Extract A, explain what is meant by an 'inflation target' (Extract A, line 5). (4)
- (c) With reference to Figure 1 and Extract A, analyse **two** ways a deflationary monetary policy can 'control the rising rate of inflation'. (6)
- (d) With reference to Figure 2 and Extract B, examine **two** reasons why the demographic changes in Japan may constrain its rate of economic growth. (8)
- (e) With reference to Extract C, discuss policies that the Japanese Government could implement to increase the country's long-term rate of economic growth. (14)

Sources for use with Section B

The economy of Japan

Figure 1 Inflation rate*, as measured by the Consumer Price Index (CPI), January 2020 – December 2021

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

Figure 2 Percentage of the population aged 65 and over, 2010–2020

Extract A Monetary policy

Japan's rate of inflation started to increase in October 2021. Traders speculated that the Bank of Japan (BoJ) would control the rising rate of inflation by ending quantitative easing or by increasing the base interest rate from -0.1% to 0% . However, Japan's inflation rate was below the BoJ's inflation target of 2% . It was also lower than the rates of inflation experienced in several other advanced economies. Consequently, in February 2022, the BoJ decided not to pursue a deflationary monetary policy, unlike the central banks of some other advanced economies. 5

Extract B Demographic changes

In 2020 Japan had a population of 125.8 million. In 2021 its population decreased by 630 000 people. Between 2022 and 2040 it is estimated that its population will decrease by a further 16 million. In 2021 the number of people under the age of 20 was at its lowest level since 1968. At the same time, the number of people over the age of 65 had increased to a record level. 5

There are significant concerns regarding how Japan's economy can continue to function with a smaller workforce.

Extract C Government expenditure

Between March 2020 and November 2021 Japan's Government spent \$770 billion in supporting the country's economic recovery.

In early 2022 many governments of advanced economies were recovering from the global health crisis and were planning to reduce their spending. By contrast, the Japanese Government made a direct cash distribution of \$872 to each household with children under the age of 18. In addition, the Government announced that cash payments would also be given to low-income households, temporary workers and students. The total cash payments made by the Japanese Government was \$350 billion. 5

However, similar payments distributed in the past have had little effect on the level of consumption and the rate of inflation in Japan. It is unlikely that the outcome will be any different this time. It is estimated that 70% of the total cash payments received by Japanese citizens will be saved. 10

Some economists suggest that Japan's Government should instead focus its spending on increasing the country's long-term rate of economic growth. They believe that there should be greater investment in the labour force, healthcare and infrastructure. However, there were concerns over additional government spending because Japan's national debt was over 250% of GDP in 2021. 15

(8)





SECTION B

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

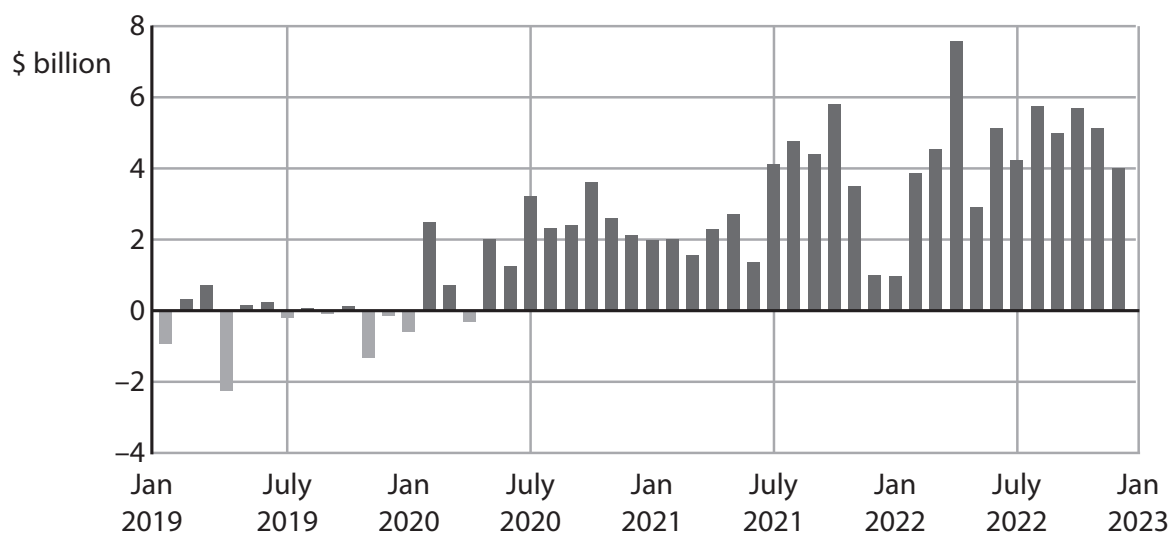
Write your answers in the spaces provided on the following pages.

- 7** (a) 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. (2)
- (b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus. (4)
- (c) With reference to Extract A, analyse **two** benefits of Indonesia's increasing population to its economy. (6)
- (d) With reference to Extract A, examine **two** likely problems for the Indonesian economy of its dependence on commodities. (8)
- (e) With reference to Extract A and your own knowledge, discuss market-orientated strategies that the Indonesian Government might use to increase its rate of economic growth. (14)



Sources for use with Section B

The Indonesian economy

Figure 1 Monthly balance of trade in goods and services, \$ billion, January 2019 to December 2022

Extract A Economic outlook

In 2022 Indonesia had a population of 276 million people. This was the largest in Southeast Asia and had increased by 26 million since 2012. In 2022 the global economy was weak and many countries experienced high rates of inflation. By contrast, Indonesia's economy performed better than several advanced economies. The country's real GDP increased by 5.3%. This was above the forecast rate of economic growth. Its annual rate of inflation of 4.6% was one of the lowest globally. However, this was before the Government removed subsidies on oil and fuel. Indonesia is a net importer of oil. 5

During 2022 Indonesia's currency, the *rupiah*, had the best-performing floating exchange rate to the US dollar in Asia. The *rupiah* depreciated less than the currencies of Vietnam and China, its main trading partners. 10

Indonesia is a resource-rich country and it is a net exporter of commodities such as nickel, coal, rubber and palm oil. In 2022 the country benefited from rising global commodity prices. It is the world's largest producer of nickel, an important component in electric vehicle batteries. 15

To take advantage of the rising global demand for electric vehicles, the Government announced plans to increase privatisation and promote foreign direct investment (FDI).

Exports from the manufacturing sector increased during 2022. These included electronics, machinery, textiles and garments. The Government relaxed its previously strict employment regulations to create more jobs, fill vacancies and promote innovation. This encouraged more FDI, as many foreign producers shifted manufacturing away from China. 20

In 2022 Indonesia's exports of commodities made a more significant contribution to the country's current account surplus and to its economic growth rate than its exports of manufactured goods. The country's current account surplus increased from \$3.5 billion in 2021 to \$13.2 billion in 2022. It was forecast that advanced economies would experience lower rates of economic growth in 2023. This would result in a fall in demand for Indonesia's commodities. 25

In 2023 it was forecast that Indonesia's rate of inflation would increase to 5.5% partly as a result of the removal of fuel subsidies. The country's central bank could respond to the rising rate of inflation by increasing its base rate of interest. 30

There are concerns about the level of corruption in the country. Indonesia scored 38 out of 100 on the corruption index – the lower the score, the greater the level of corruption. This is the same score as Brazil but lower than that of Vietnam and China. This indicates that Indonesia has relatively more corruption than Vietnam and China. 35

To remain internationally competitive, many economists have recommended that Indonesia should diversify away from its dependence on commodities. They have suggested that the Government must aim to develop the country's human capital and infrastructure, in order to improve the labour mobility of its relatively young population.

(d) With reference to Extract A, examine **two** likely problems for the Indonesian economy of its dependence on commodities.

(8)



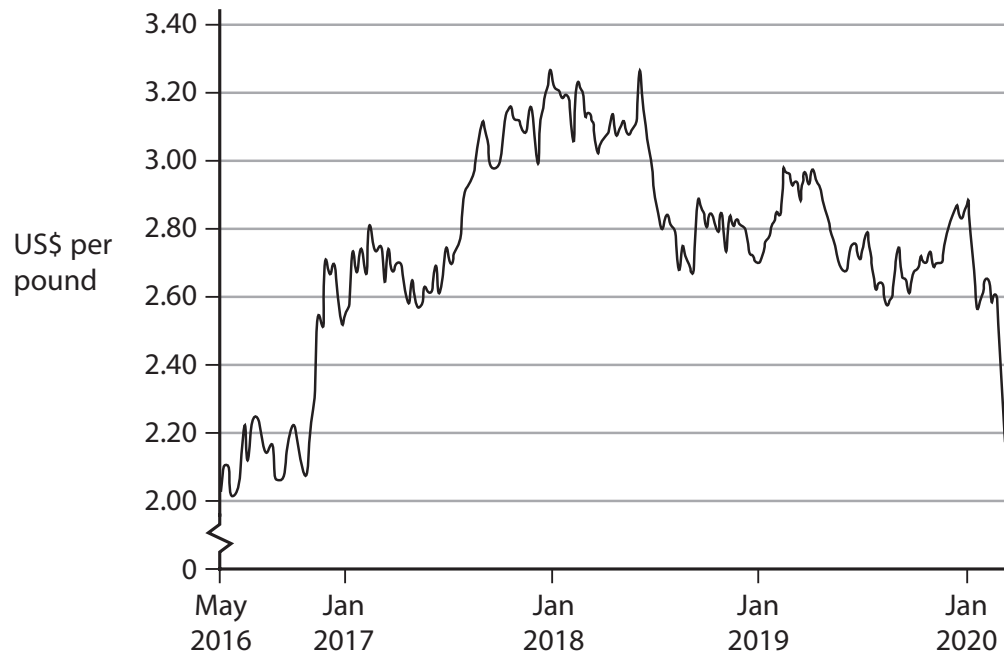
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SECTION B

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

(14)



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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



SECTION B

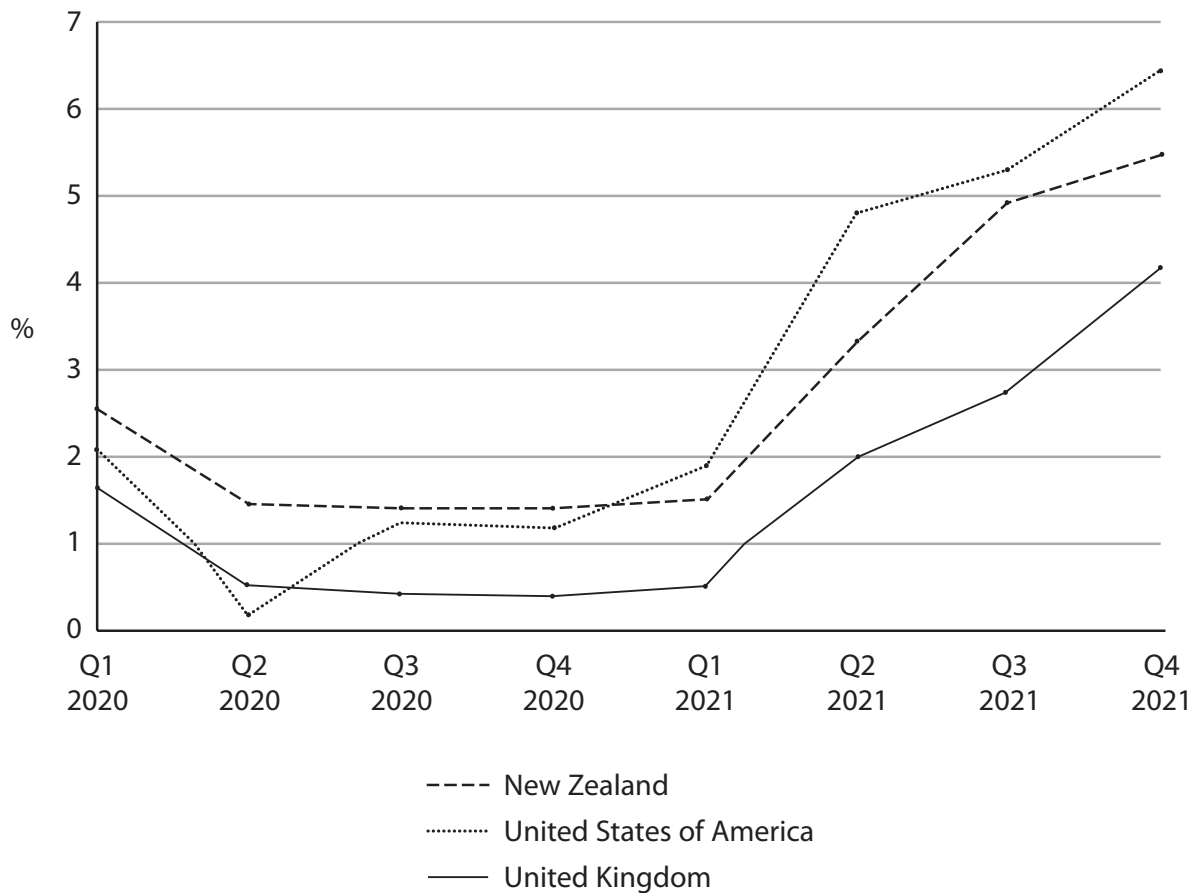
Study Figure 1 and Extracts A and B in the Source Booklet before answering Question 7.

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

- 7** (a) Between Q1 2020 and Q4 2021 the average annual rate of inflation in New Zealand increased from 2.5% to 5.4%.
- Calculate the change in the rate of inflation between Q1 2020 and Q4 2021. You are advised to show your working.
- (2)
- (b) With reference to Figure 1 and the first paragraph of Extract A, analyse **two** causes of the increase in the rate of inflation.
- (6)
- (c) Explain what is meant by 'monetary policy instruments' (Extract A, line 9).
- (4)
- (d) Examine **two** 'problems facing central banks when applying monetary policies to reduce the rate of inflation' (Extract A, lines 11–12).
- (8)
- (e) With reference to Extract B, discuss how demographic factors may constrain economic growth of developed economies.
- (14)

Sources for use with Section B

Inflation and labour markets in developed economies

Figure 1 Annual inflation rate for selected countries (%), as measured by the consumer price index (CPI), Q1 2020–Q4 2021

Extract A Rising rates of inflation

In 2021 many developed countries experienced an increase in the rate of inflation. Average price levels increased as a result of disruptions to global supply chains. These were caused by restrictions that had been in place during the global health crisis. As developed countries eased these restrictions, demand for goods, services and energy increased. There was also a significant rise in average house prices. 5

Rising rates of inflation are a challenge for central banks, especially for developed countries that have an inflation target of 2%. The central banks of these countries can adjust their monetary policy instruments to meet this target. Nevertheless, these instruments are less effective in tackling inflation created by a lack of supply. 10

There are problems facing central banks when applying monetary policies to reduce the rate of inflation. One problem is the inability of policymakers to control the rising rate of inflation caused by external factors. Another problem is estimating whether the increase in the rate of inflation is temporary or permanent.

Policymakers who believe that this is a temporary issue suggest that the rise in the rate of inflation is as a result of short-term external shocks. They attribute it to a one-off increase in supply chain disruptions and a one-off increase in consumer demand. By contrast, policymakers who believe that this is a permanent issue indicate that the increase in the average price level is a result of rising wages. 15

Extract B Labour markets

Many developed countries have ageing populations and a falling proportion of people of working age. Since the global health crisis there has been instability in global labour markets. Many workers have retired early whilst others have left the workforce to focus on other personal objectives. There has also been a decline in international migration. As a result of this fall in the labour supply, many companies have been forced to decrease production. This represents a considerable threat to global economic recovery. 5

The critical question is whether workers will rejoin the labour force or whether employers and policymakers will need to adapt to a world in which labour becomes an even scarcer resource. In the USA more than four million workers have left the labour force since the crisis. However, employment in the eurozone has almost returned to its pre-crisis level and the labour force participation rate has risen rapidly. For example, in France and Spain this rate is already higher than it was before the crisis. 10

Employers are preparing for a future in which they will need to offer greater incentives to attract more workers back into the labour market. 15

(14)



Handwriting practice area with 25 horizontal dotted lines.



(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



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

- 8** Between 1980 and 2020 it was estimated that total global shipping container volumes increased from 100 million tonnes to 2 billion tonnes.

Evaluate factors that have contributed to increased globalisation in the last 50 years. Refer to examples of countries in your answer.

(Total for Question 8 = 20 marks)

- 9** In 2020 the European Union imposed retaliatory tariffs of 25% on many US goods in a dispute over aircraft subsidies.

Evaluate possible reasons why developed countries might restrict free trade.

(Total for Question 9 = 20 marks)

- 10** In 2020 Pakistan had a Human Development Index (HDI) score of 0.60 whereas Argentina had a HDI score of 0.85.

Evaluate economic factors that constrain the growth and development of a developing country.

(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)



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

- 8** In 2022 Türkiye's deficit on the current account of the balance of payments was \$48.75 billion. In the same year, Canada's deficit on the current account of the balance of payments was \$6.65 billion.

Evaluate measures that could be taken to reduce a current account deficit on the balance of payments. Refer to a country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** In 2022 Mozambique had a Human Development Index (HDI) score of 0.46 whereas Guatemala had a HDI score of 0.63.

Evaluate economic factors that constrain the growth **and** development of a developing country. Refer to a developing country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Between 2002 and 2022 Italy's public expenditure as a proportion of GDP increased from 47.1% to 56.7%.

Evaluate the likely economic effects of an increase in public expenditure as a proportion of GDP. Refer to a developed country of your choice in your answer.

(Total for Question 10 = 20 marks)



SUB-TOPIC 4.3.6.3

MEASURES TO PROMOTE GROWTH AND DEVELOPMENT

Sub-topic 4.3.6.3 · 21 questions · 184 marks · lowest tariff first



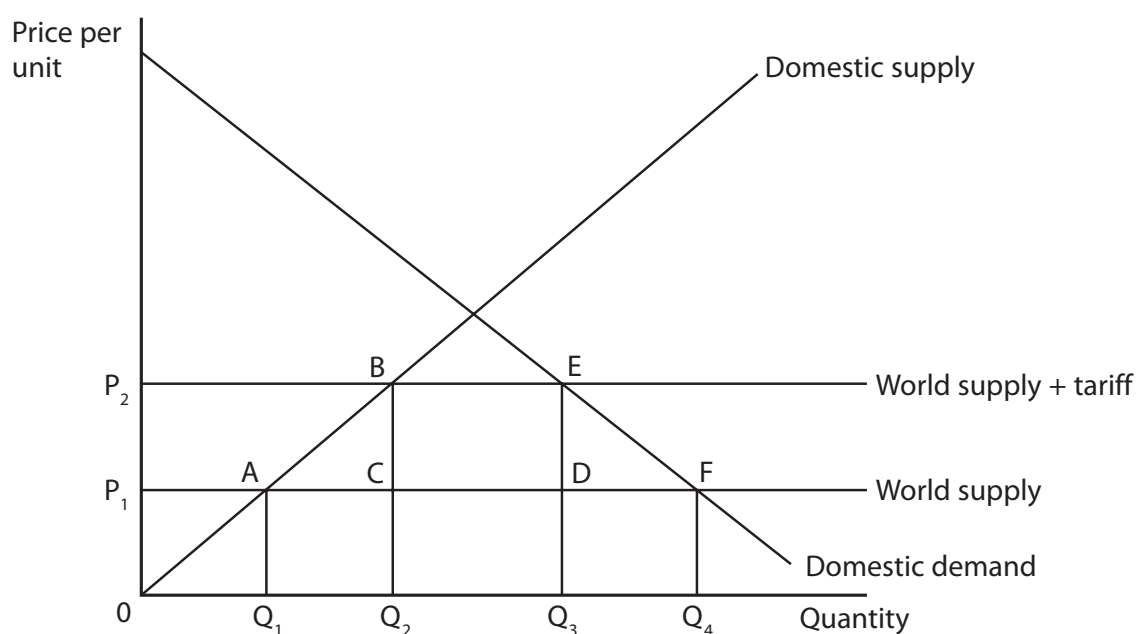
3 According to its HDI score of 0.35, Niger is the least developed country in the world.

Which **one** of the following market-orientated strategies could promote economic development in Niger?

- ☐ A The introduction of buffer stock schemes
- ☐ B State investment in human capital
- ☐ C State investment in infrastructure
- ☐ D The promotion of microfinance schemes

(Total for Question 3 = 1 mark)

4 The diagram represents the imposition of a tariff on a commodity.



Which **one** of the following statements is true?

- ☐ A Consumer surplus has decreased by the area P_1P_2EF
- ☐ B Government tax revenue is area ABEF
- ☐ C Net welfare loss areas are ABQ_2Q_1 and EFQ_4Q_3
- ☐ D Producer surplus has decreased by the area P_1P_2BA

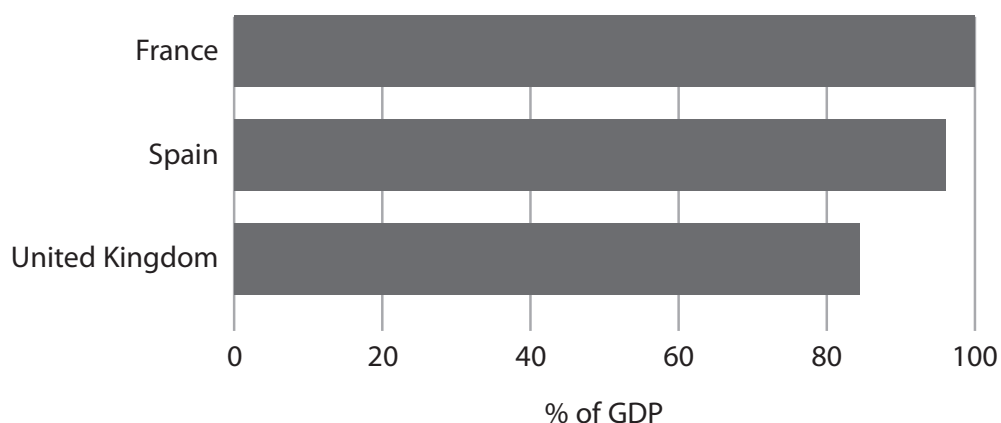
(Total for Question 4 = 1 mark)

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 The chart shows national debt as a percentage of GDP for selected countries in 2020.



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

- ☐ A In the UK tax revenues must have been lower than public expenditure in previous years
- ☐ B In Spain public expenditure as a percentage of GDP must have been higher than in France
- ☐ C In France imports must have been greater than exports
- ☐ D In the UK crowding out is more likely than in Spain

(Total for Question 1 = 1 mark)

- 2 In South Korea manufacturing as a share of GDP was 17% in 1969 and 25% in 2019.

Which **one** of the following theories suggests that industrialisation is a strategy to promote economic growth and development?

- ☐ A The Prebisch–Singer hypothesis
- ☐ B The Marshall–Lerner condition
- ☐ C The Harrod–Domar model
- ☐ D The Lewis structural dual-sector model

(Total for Question 2 = 1 mark)



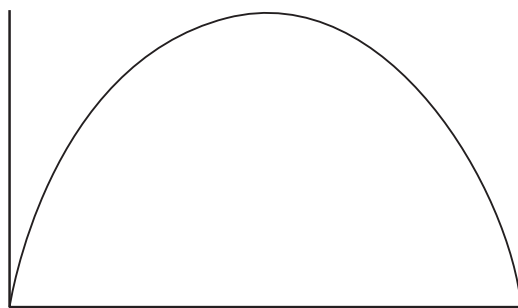
3 Chad is one of the least developed countries in the world with a HDI score of 0.40.

Which **one** of the following interventionist strategies could promote economic development in Chad?

- ☐ A Privatisation of nationalised industries
- ☐ B Removal of government subsidies
- ☐ C Implementation of protectionist policies
- ☐ D Trade liberalisation

(Total for Question 3 = 1 mark)

4 The diagram illustrates the Laffer curve for a developed country.



Which **one** of the following statements is true about the Laffer curve?

- ☐ A It shows the relationship between the level of investment and the savings rate
- ☐ B It shows the relationship between government tax revenue and the tax rate
- ☐ C It shows the relationship between the rate of inflation and the unemployment rate
- ☐ D It shows the relationship between quantitative easing and the rate of interest

(Total for Question 4 = 1 mark)

SECTION A

Answer ALL questions in this section.

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

- 1** In 2022 Mali was one of the least developed countries in the world with an HDI score of 0.43.

Which **one** of the following interventionist strategies could stimulate economic development in Mali?

- ☐ **A** Promotion of foreign direct investment
- ☐ **B** Development of human capital
- ☐ **C** Removal of government subsidies
- ☐ **D** Privatisation of nationalised industries

(Total for Question 1 = 1 mark)

- 2** Between January 2021 and November 2021 the eurozone currency, the euro, depreciated against the US dollar from €1 = \$1.23 to €1 = \$1.13.

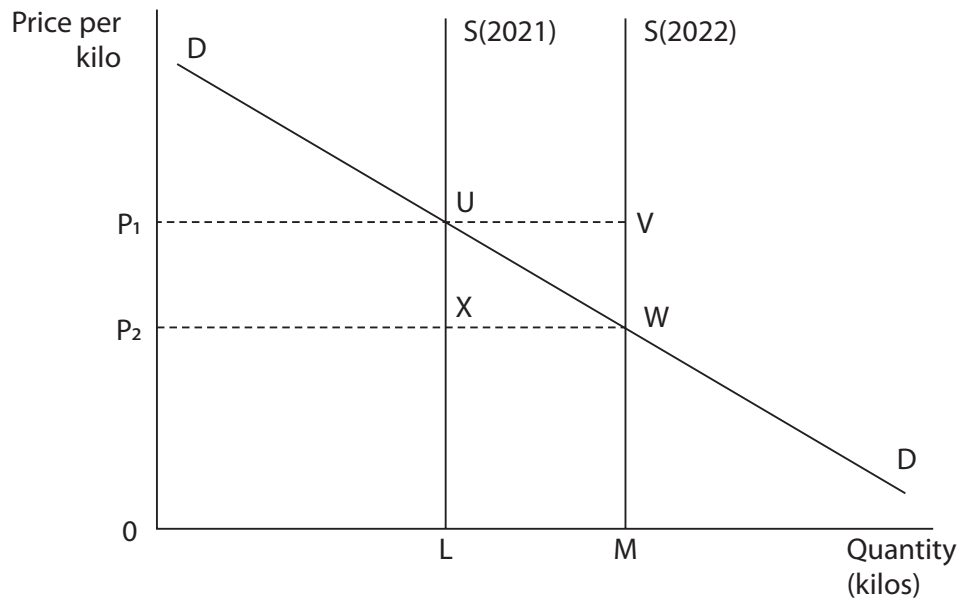
Which **one** of the following could have caused the depreciation in the exchange rate of the euro against the US dollar?

- ☐ **A** There was greater economic stability in the eurozone than in the USA
- ☐ **B** The eurozone inflation rate decreased relative to that in the USA
- ☐ **C** There was more capital flight from the eurozone than from the USA
- ☐ **D** The eurozone interest rate increased relative to that in the USA

(Total for Question 2 = 1 mark)



- 6 The graph shows the market for rice in Indonesia. The Government guarantees a minimum support price of P_1 and operates a buffer stock scheme. Between 2021 and 2022 output of rice increased from OL to OM .



Which **one** of the following areas would be the government expenditure on the buffer stock scheme?

- ☐ A UVWX
- ☐ B UVML
- ☐ C P_2P_1UX
- ☐ D P_2P_1VW

(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 best describes the role of the World Bank?

- ☐ **A** To maintain exchange rate stability by ensuring international monetary cooperation between countries
- ☐ **B** To provide loans to countries that experience temporary current account deficits on their balance of payments
- ☐ **C** To resolve trade disputes between countries and set the rules of trade
- ☐ **D** To promote economic development through poverty reduction programmes

(Total for Question 1 = 1 mark)

2 The Government of Hungary operates an income tax system in which the proportion of income paid in tax by individuals remains constant as incomes increase.

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

- ☐ **A** Hungary has a progressive tax system
- ☐ **B** Hungary has a regressive tax system
- ☐ **C** Hungary has a proportional tax system
- ☐ **D** Hungary has a specific tax system

(Total for Question 2 = 1 mark)

3 In 2018 the UK Government introduced tariffs on imported steel. In 2022 it decided to maintain these tariffs until 2024.

Which **one** of the following is the most likely reason why the UK Government maintained these tariffs until 2024?

- ☐ **A** To increase the level of unemployment in the UK steel industry
- ☐ **B** To prevent dumping of steel in the UK from foreign countries
- ☐ **C** To protect transnational companies supplying steel to the UK
- ☐ **D** To decrease government revenue from tariffs on imported steel

(Total for Question 3 = 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 2018 and 2022 New Zealand's national debt increased from \$53.6 billion to \$126.7 billion.

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

- ☐ **A** An increase in crowding out
- ☐ **B** An increase in absolute advantage
- ☐ **C** A decrease in debt servicing costs
- ☐ **D** A decrease in the rate of inflation

(Total for Question 1 = 1 mark)

- 2** In 2023 the Government of Ghana removed fuel subsidies paid to fuel producers.

This is an example of which **one** of the following?

- ☐ **A** An interventionist strategy to promote economic growth and development
- ☐ **B** A reflationary fiscal policy to reduce inflationary pressures
- ☐ **C** A deflationary monetary policy to reduce inflationary pressures
- ☐ **D** A market-orientated strategy to promote economic growth and development

(Total for Question 2 = 1 mark)

- 3** In 2022 there was an overall deficit of \$943.8 billion on the USA's balance of trade.

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

- ☐ **A** The value of consumption was lower than the value of saving
- ☐ **B** Government spending was greater than tax revenue
- ☐ **C** The value of imports was greater than the value of exports
- ☐ **D** Gross domestic investment was lower than capital flight

(Total for Question 3 = 1 mark)



- 4 The table shows the maximum production possibilities for Country X and for Country Y using all available resources.

Country	Watches		Batteries
X	26 000	OR	13 000
Y	12 000	OR	12 000

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

- ☐ **A** Country X has a lower opportunity cost in the production of watches whereas Country Y has a lower opportunity cost in the production of batteries
- ☐ **B** Country Y has an absolute advantage over Country X in the production of watches and batteries
- ☐ **C** Country X has a comparative advantage over Country Y in the production of watches and batteries
- ☐ **D** Neither country will benefit from specialisation and trade

(Total for Question 4 = 1 mark)

- 5 In 2022 there were 10 million non-government organisations (NGOs) worldwide.

Which **one** of the following best describes the role of NGOs?

- ☐ **A** To provide loans to countries that experience temporary current account deficits on their balance of payments
- ☐ **B** To promote community-based development programmes to support economic growth and development
- ☐ **C** To maintain exchange rate stability by ensuring international monetary cooperation between countries
- ☐ **D** To set the rules for trade and to resolve trade disputes between countries

(Total for Question 5 = 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** According to its HDI score of 0.39, Chad is one of the least developed countries in the world.

Which **one** of the following strategies could promote economic development in Chad?

- ☐ **A** Reducing investment in infrastructure
- ☐ **B** Restricting foreign direct investment inflows
- ☐ **C** Removing restrictions on free trade
- ☐ **D** Limiting joint ventures between domestic firms and TNCs

(Total for Question 1 = 1 mark)

- 2** The exchange rate of the United Arab Emirates (UAE) currency, the dirham, is fixed against the US dollar. Assume that the UAE Government instructed the country's central bank to reduce the exchange rate of the dirham against the dollar.

Which **one** of the following would best describe the impact of this policy?

- ☐ **A** The exchange rate would appreciate
- ☐ **B** The exchange rate would be devalued
- ☐ **C** The exchange rate would depreciate
- ☐ **D** The exchange rate would be revalued

(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** 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

**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)

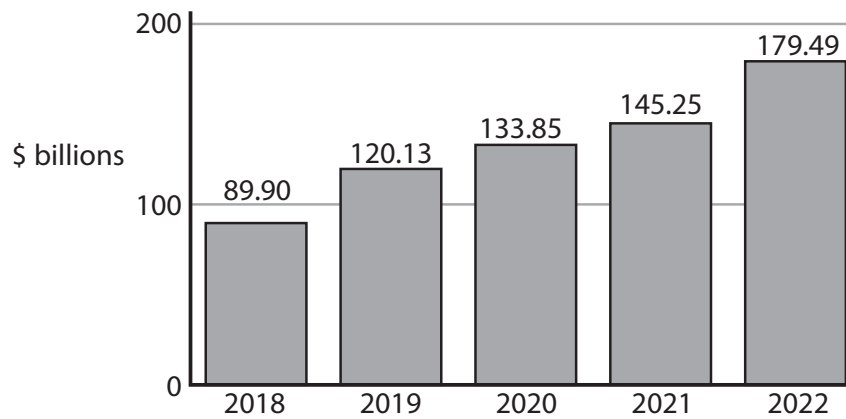
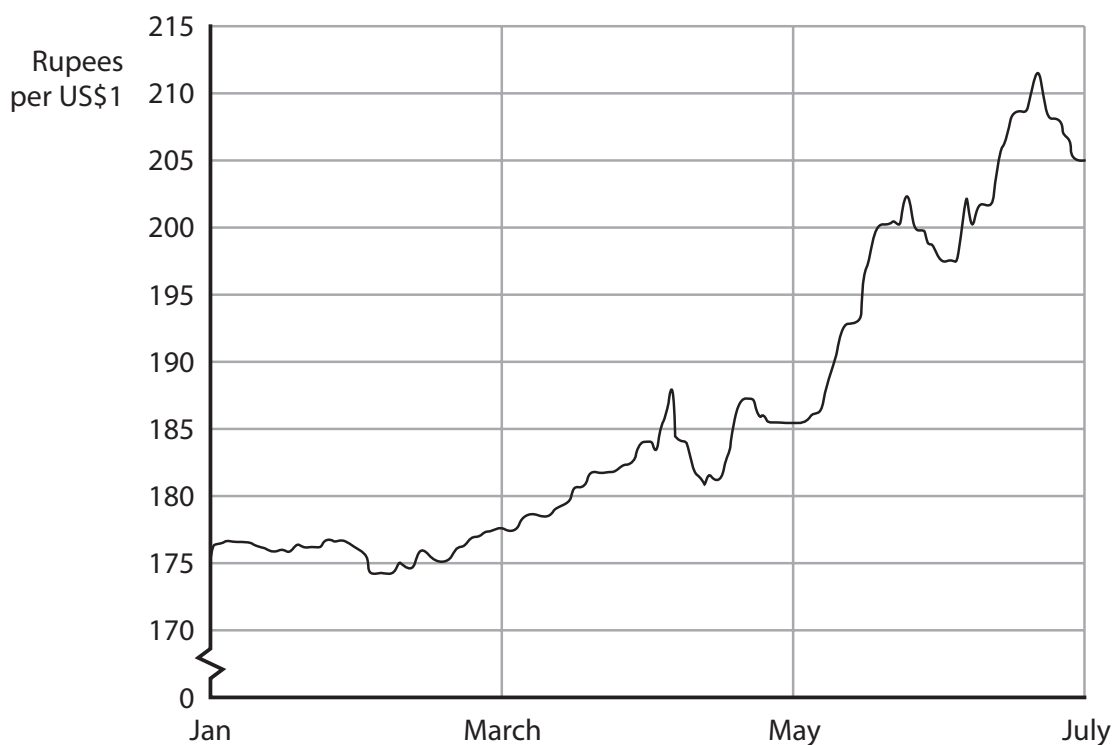
- (d) With reference to Extract A, analyse **two** roles of the IMF.

(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

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

(6)



[illegible]

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 2022, the Gross Domestic Product (GDP) of Ghana was \$72.84 billion.
With reference to Figure 1, calculate the value of Ghana's national debt. You are advised to show your working. (2)
- (b) With reference to Figure 2 and the third paragraph of Extract A, explain what is meant by the 'rate of inflation'. (4)
- (c) With reference to the fourth paragraph of Extract A and your own knowledge, analyse **two** roles of the IMF. (6)
- (d) With reference to Figure 1 and Extract A, examine **two** disadvantages of an increase in Ghana's national debt. (8)
- (e) With reference to the information provided and your own knowledge, discuss the likely macroeconomic effects of the introduction of an additional marginal rate of income tax of 35% on the economy of Ghana. (14)



Sources for use with Section B

The economy of Ghana

Figure 1 National debt, % of Gross Domestic Product (GDP), 2010–2022

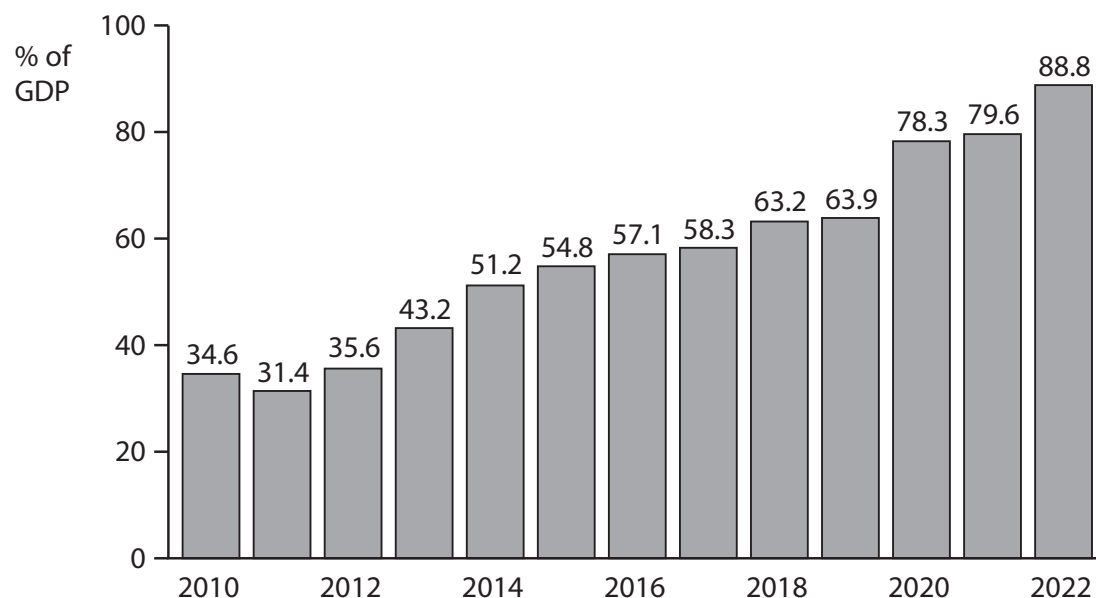
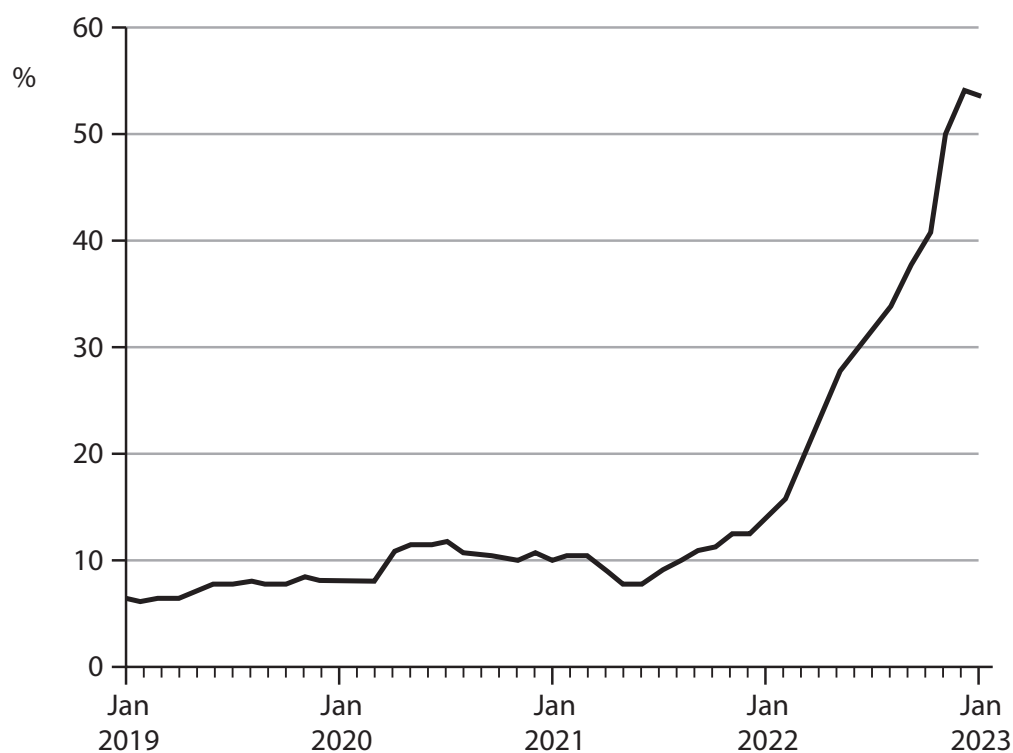


Figure 2 Annual rate of inflation*, as measured by the consumer price index (CPI), January 2019 to January 2023



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

Extract A Economic outlook

Ghana has long been considered a success story and a model for African development. It is a major producer of gold and cocoa and has one of the region's highest Gross Domestic Product (GDP) per capita. The Government provides public services, including free education for children up to 15 years of age. 5

Between 2010 and 2020, the Government borrowed significant sums of money to finance the country's transport infrastructure projects. These included spending on ports, roads, railways and airports. In 2020 the Government increased its borrowing to prevent the economy from going into a recession as a result of the global health crisis. Much of the Government's spending took place when interest rates were low. 10

In 2022 Ghana experienced a rapid increase in its rate of inflation. This was partly caused by rising global food and energy prices. Ghana is a net importer of both food and energy. The depreciation of Ghana's currency, the *cedi*, against the US dollar also contributed to this increase in the country's rate of inflation. During 2022 Ghana's central bank raised the country's base rate of interest to control the high and rising rate of inflation. 15

In December 2022 Ghana defaulted on its debts. The country had failed to generate enough income to pay back its debts. Therefore debt servicing costs increased to 70% of government revenue. In 2023 the Government agreed to a bailout of \$3 billion from the International Monetary Fund (IMF). The bailout was provided on the condition that Ghana would take measures to reduce its debt. It was hoped that this IMF deal would help to restore business confidence in Ghana and to reduce exchange rate fluctuations. 20

However, there was little confidence amongst Ghana's population that the Government would spend the funds received from the IMF effectively. It was believed that there was significant corruption in the public sector.

The Government needed to increase revenue. Initially it introduced an additional marginal rate of income tax of 35% for the highest income earners. However, the IMF expressed concerns as to why this tax only applied to a very small proportion of the population. In addition, there was an IMF requirement to broaden the tax base to include more people in the informal sector. It is estimated that the informal sector makes up at least 80% of the economy. In 2023 Ghana's tax-to-GDP ratio was 13.4%. This was below 25 30
the average in Africa of 16% and below the Government of Ghana's own target of 20%.

(c) With reference to the fourth paragraph of Extract A and your own knowledge, analyse **two** roles of the IMF.

(6)



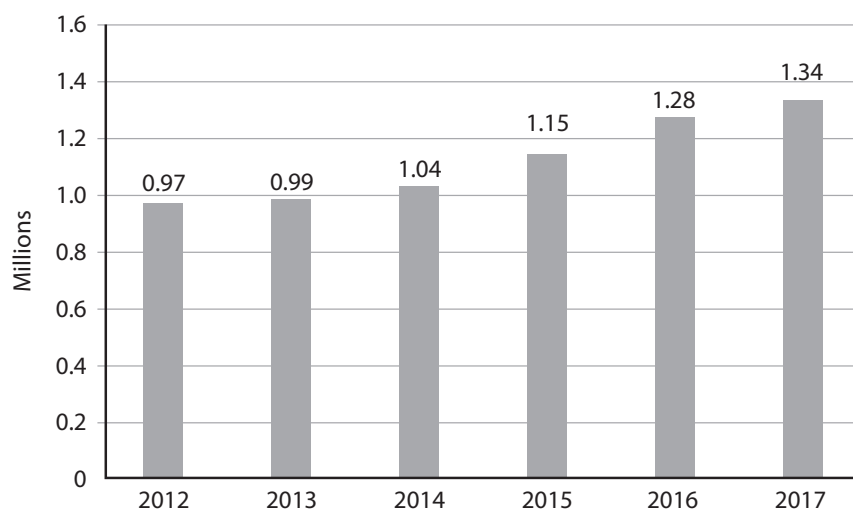
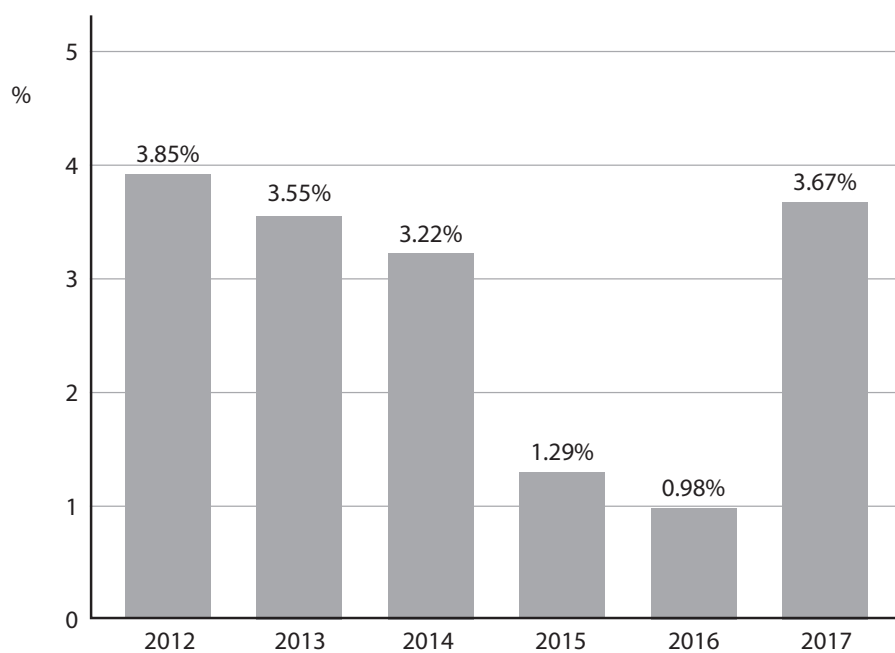
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SECTION B

Study Figures 1 and 2 and Extracts A and B 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 number of tourists between 2012 and 2017. You are advised to show your working. (2)
- (b) With reference to Figure 1 and Extract A, analyse **two** economic benefits of the growth in the number of tourists to Mauritius. (6)
- (c) Explain what is meant by a 'reduction in the fiscal deficit' (Extract A, line 16). (4)
- (d) With reference to the information provided, examine **two** likely effects on Mauritius' economy of the reduction in the 'base interest rate from 4% to 3.5%' (Extract A, line 10). (8)
- (e) With reference to Extract B, discuss measures that the Government can implement to ensure that the private sector continues to grow. (14)



Sources for use with Section B.**The economy of Mauritius****Figure 1 Number of tourist arrivals, 2012–2017 (millions)****Figure 2 Annual inflation rate as measured by the Consumer Price Index, 2012–2017**

Extract A Economic growth

Mauritius' economy has continued to grow steadily. Real GDP growth rose from 3.3% in 2013 to 3.9% in 2017. This was mainly a result of significant growth in the tourism sector. Earnings from tourism exceeded \$1 billion. The Government aims to further develop this sector and expects it to grow by an average of 6% every year between 2018 and 2023. Tourism contributes nearly 7% of Mauritius' GDP. 5

The country's economic growth was also supported by the Bank of Mauritius' reflationary monetary policy. Mauritius experienced low inflationary pressures in 2015 and 2016. This was as a result of falling global commodity and food prices. In 2017 the Bank reduced the base interest rate from 4% to 3.5%. 10

Public expenditure increased from 25.1% of GDP in 2016 to 25.4% of GDP in 2017. This was caused by a rise in government expenditure on public sector wages and major infrastructure projects. Over the same time period, total tax revenues increased from 21.7% of GDP to 22.5% of GDP. Higher tax revenue was received from income tax, corporation tax and indirect taxes. Consequently, there was a reduction in the fiscal deficit. 15

Extract B The private sector

Mauritius' private sector consists of large companies as well as many small and medium-sized enterprises (SMEs). In 2017 SMEs contributed 40% of the country's GDP and employed 55% of the country's workforce.

The private sector has the potential to grow further but a number of problems need to be addressed. The Government needs to reduce the economy's skills mismatch, increase innovation and reduce bureaucracy. It also needs to make significant improvements in the country's infrastructure. 5

The private sector in Mauritius suffers from a shortage of highly qualified labour. This is mainly as a result of insufficient skills and training. Innovation remains inadequate because there is a shortage of scientists and engineers. There is also a lack of finance to fund research and development. 10

The Government has identified several infrastructure projects for improving the country's power sources, water supply, transport and telecommunications. Financing of these infrastructure developments remains a key issue because the country has relatively high levels of public sector debt. 15

However, Mauritius continues to be amongst the most business-friendly countries in the region. There was a significant improvement in Mauritius' position on the World Bank's *Doing Business* index in 2018. This was as a result of substantial reforms under three indicators: starting a business, dealing with construction permits and registering property. 20

(e) With reference to Extract B, discuss measures that the Government can implement to ensure that the private sector continues to grow.

(14)



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SECTION B

Study Figures 1, 2 and 3 and Extracts A and B in the Source Booklet before answering Question 7. Write your answers in the space provided on the following pages.

- 7** (a) In 2020 Iran's GDP was \$635.72 billion.

With reference to Figure 3, calculate Iran's national debt in 2020. You are advised to show your workings.

(2)

- (b) With reference to Figure 3, analyse **two** disadvantages of an increase in Iran's national debt.

(6)

- (c) With reference to the second paragraph of Extract A, explain what is meant by 'trade restrictions'.

(4)

- (d) With reference to Figure 1, Figure 2 and the last paragraph of Extract A, examine **two** likely economic effects of trade restrictions reimposed by the US Government on Iran.

(8)

- (e) With reference to Extract B, discuss the strategies introduced by the Iranian Government to promote economic development.

(14)



Sources for use with Section B

The economy of Iran

Figure 1 Annual real GDP growth rate, Q1 2010 – Q4 2020

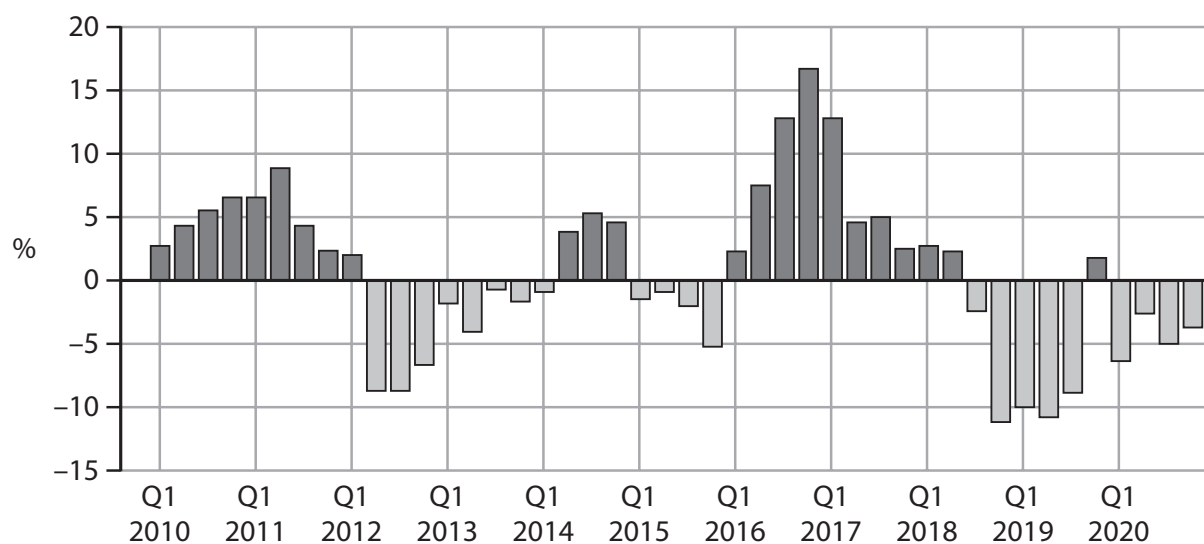


Figure 2 Monthly inflation rate, as measured by the Consumer Price Index (CPI), January 2010 – December 2020

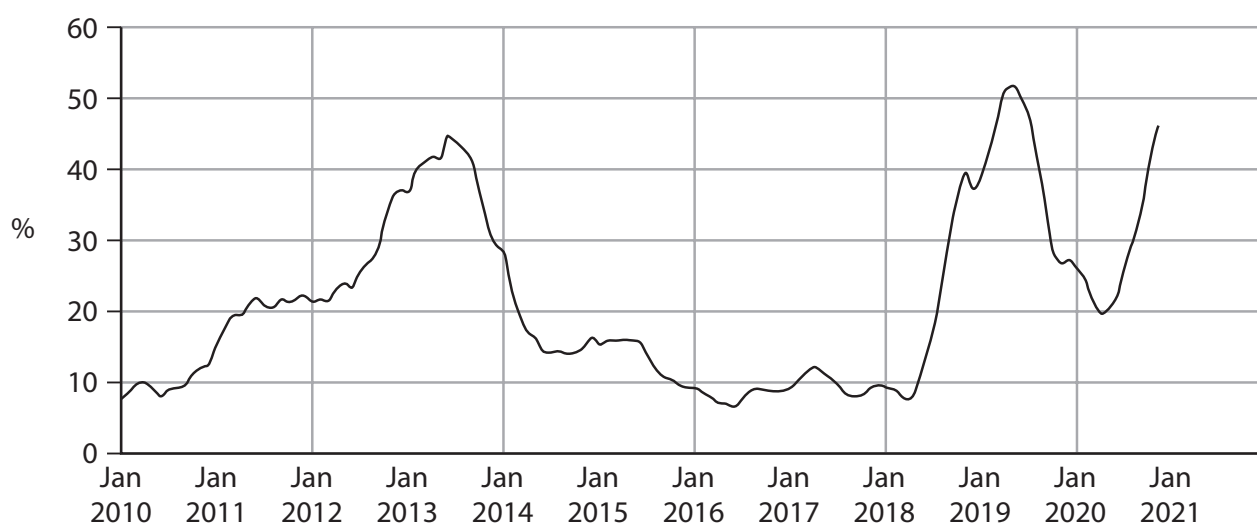
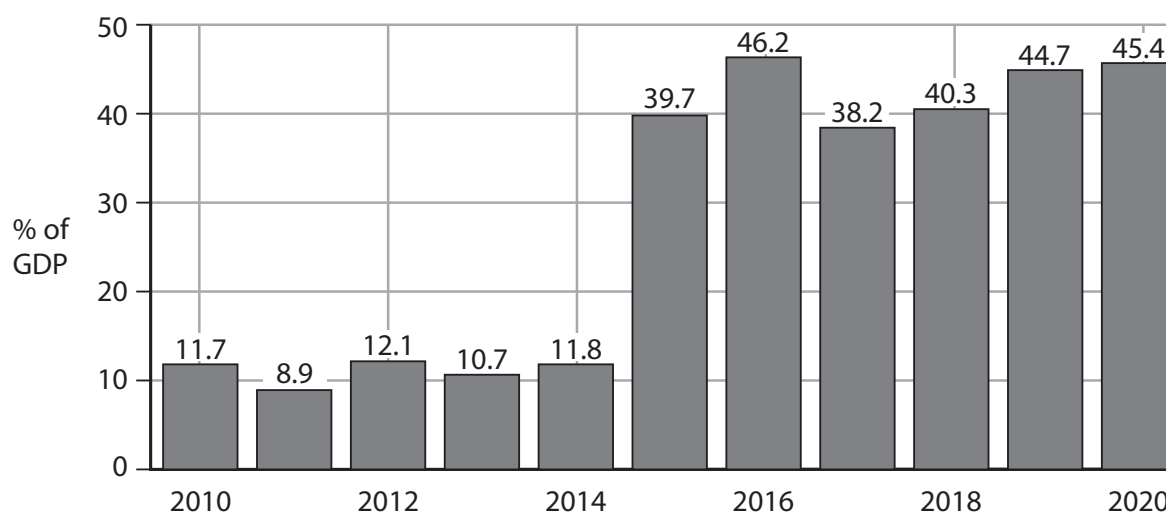


Figure 3 National debt, % of GDP, 2010 – 2020**Extract A Trade restrictions**

When Iran's President, Mr Hassan Rouhani, was elected in 2013, he promised that his Government would solve Iran's economic crisis. He said that he would save the country's economy from collapsing and create positive relationships with the rest of the world. However, when Mr Rouhani resigned as President in June 2021 many economists claimed that his Government had not kept its promises. 5

During 2013 Mr Rouhani started discussions with the USA and other advanced economies to remove the trade restrictions imposed on Iran's exports and imports. These restrictions had been imposed in response to Iran's production of nuclear energy that was above the permitted international limit. After two years of negotiations, Mr Rouhani came to an agreement with these countries and the trade restrictions were gradually reduced. This resulted in an increase in oil exports, Iran's main source of export revenue. 10

However, the US Government accused Iran of breaking the agreement and reimposed trade restrictions in 2018. As a result, Iran suffered a significant decline in oil exports and foreign direct investment. This led to a 75% fall in the external value of the country's currency, the *Rial*, against the US dollar. Subsequently, there was a fall in Iran's GDP, an increase in its unemployment rate and an increase in its inflation rate. In 2020 Iran experienced a trade deficit of \$11.68 billion, having had trade surpluses between 2005 and 2018. 15

Extract B Economic development

Since 2018 the Iranian Government has implemented a strategy of diversification into non-oil exports in order to promote economic development. It has focused on a strategy of industrialisation and infrastructure development, particularly by investing in Iran's telecommunications industries. As a result, the number of people with access to broadband increased from 590 000 in 2014 to 95 million in 2021. The number of people with access to mobile phones also increased from 59.4 million in 2013 to 131 million in 2021. However, the Iranian Government restricts the content that its citizens can access.

5

In addition, the Government has privatised many state-run companies. Consequently, many Iranians have invested a substantial amount of their savings in the country's volatile stock market.

10

Acknowledgements

Figure 1 based on data taken from tradingeconomics, <https://tradingeconomics.com/iran/gdp-growth-annual>

Figure 2 based on data taken from tradingeconomics, <https://tradingeconomics.com/iran/inflation-cpi>

Figure 3 based on data taken from tradingeconomics, <https://tradingeconomics.com/iran/government-debt-to-gdp>

Extracts A and B adapted from FT, <https://www.ft.com/content/6a2a7e0f-523b-4e79-852d-1bacba7dce70>



(14)



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SECTION B

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

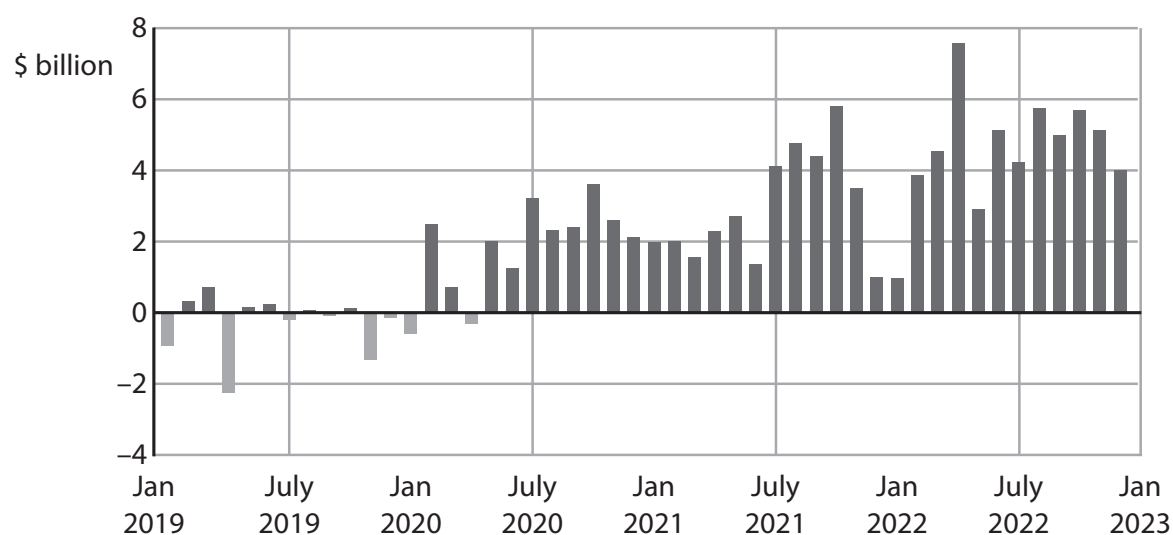
Write your answers in the spaces provided on the following pages.

- 7** (a) 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. (2)
- (b) With reference to Figure 1, explain the difference between a balance of trade deficit and a balance of trade surplus. (4)
- (c) With reference to Extract A, analyse **two** benefits of Indonesia's increasing population to its economy. (6)
- (d) With reference to Extract A, examine **two** likely problems for the Indonesian economy of its dependence on commodities. (8)
- (e) With reference to Extract A and your own knowledge, discuss market-orientated strategies that the Indonesian Government might use to increase its rate of economic growth. (14)



Sources for use with Section B

The Indonesian economy

Figure 1 Monthly balance of trade in goods and services, \$ billion, January 2019 to December 2022

Extract A Economic outlook

In 2022 Indonesia had a population of 276 million people. This was the largest in Southeast Asia and had increased by 26 million since 2012. In 2022 the global economy was weak and many countries experienced high rates of inflation. By contrast, Indonesia's economy performed better than several advanced economies. The country's real GDP increased by 5.3%. This was above the forecast rate of economic growth. Its annual rate of inflation of 4.6% was one of the lowest globally. However, this was before the Government removed subsidies on oil and fuel. Indonesia is a net importer of oil. 5

During 2022 Indonesia's currency, the *rupiah*, had the best-performing floating exchange rate to the US dollar in Asia. The *rupiah* depreciated less than the currencies of Vietnam and China, its main trading partners. 10

Indonesia is a resource-rich country and it is a net exporter of commodities such as nickel, coal, rubber and palm oil. In 2022 the country benefited from rising global commodity prices. It is the world's largest producer of nickel, an important component in electric vehicle batteries. 15

To take advantage of the rising global demand for electric vehicles, the Government announced plans to increase privatisation and promote foreign direct investment (FDI).

Exports from the manufacturing sector increased during 2022. These included electronics, machinery, textiles and garments. The Government relaxed its previously strict employment regulations to create more jobs, fill vacancies and promote innovation. This encouraged more FDI, as many foreign producers shifted manufacturing away from China. 20

In 2022 Indonesia's exports of commodities made a more significant contribution to the country's current account surplus and to its economic growth rate than its exports of manufactured goods. The country's current account surplus increased from \$3.5 billion in 2021 to \$13.2 billion in 2022. It was forecast that advanced economies would experience lower rates of economic growth in 2023. This would result in a fall in demand for Indonesia's commodities. 25

In 2023 it was forecast that Indonesia's rate of inflation would increase to 5.5% partly as a result of the removal of fuel subsidies. The country's central bank could respond to the rising rate of inflation by increasing its base rate of interest. 30

There are concerns about the level of corruption in the country. Indonesia scored 38 out of 100 on the corruption index – the lower the score, the greater the level of corruption. This is the same score as Brazil but lower than that of Vietnam and China. This indicates that Indonesia has relatively more corruption than Vietnam and China. 35

To remain internationally competitive, many economists have recommended that Indonesia should diversify away from its dependence on commodities. They have suggested that the Government must aim to develop the country's human capital and infrastructure, in order to improve the labour mobility of its relatively young population.

(14)



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

- 8** Between 2000 and 2018 Cambodia's terms of trade fell by 31.3%.

Evaluate the macroeconomic effects of a fall in a country's terms of trade on a government's macroeconomic objectives. Refer to a country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** In 2017 Yemen received over \$3 billion of development aid, an increase of almost 200% since 2013.

Evaluate the case for promoting *economic development* through aid. Refer to a developing country in your answer.

(Total for Question 9 = 20 marks)

- 10** Between 2012 and 2018 Spain's public expenditure as a proportion of GDP fell from 48.1% to 41.3%.

Evaluate the likely economic effects of a reduction in public expenditure as a proportion of GDP. Refer to a developed country of your choice in your answer.

(Total for Question 10 = 20 marks)



SECTION C

Answer TWO questions from this section.

- 8** According to the Global Competitiveness Index, Belgium's international competitiveness rank fell four places between 2015 and 2019.

Evaluate measures that a developed country might take to increase its international competitiveness. Refer to a developed country of your choice in your answer.

(Total for Question 8 = 20 marks)

- 9** Between 2014 and 2018 the average cost to developing countries of servicing and repaying their external debts increased by over 60%.

Evaluate the case for promoting *economic development* through debt relief. Refer to a developing country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Between January and August 2018, Turkey's currency, the lira, depreciated by nearly 40% against the US dollar.

Evaluate the economic effects of a depreciation of a country's currency. Refer to a country of your choice in your answer.

(Total for Question 10 = 20 marks)



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

- 8** In 2021 there was a significant increase in the number of joint ventures between local businesses and transnational companies in many developing countries.

Evaluate the likely benefits to a developing country of joint ventures between local businesses and transnational companies as a means of promoting *economic development*.

(Total for Question 8 = 20 marks)

- 9** Between 1970 and 2020 growth in international trade, a key measure of globalisation, increased significantly.

Evaluate whether the benefits of globalisation outweigh the costs. Refer to a country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** In 2020 developed countries that were members of the Organisation for Economic Cooperation and Development (OECD) spent \$238 billion on agricultural subsidies.

Evaluate the disadvantages of agricultural subsidies paid to farmers in developed countries on developing countries.

(Total for Question 10 = 20 marks)



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

- 8** In February 2021 the UK Government applied to join one of the world's largest free-trade areas, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Evaluate the likely economic benefits to a country of joining a trading bloc.

(Total for Question 8 = 20 marks)

- 9** In 2021 Singapore's surplus on its current account of the balance of payments was over \$60 billion.

Evaluate possible causes of a current account surplus. Refer to a developed country of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** In Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019.

Evaluate interventionist 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 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)



MARK SCHEMES

official mark schemes, in the same order as the questions



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 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 this would reduce economic development in India</i> <i>C is not correct because this would reduce economic development in India</i> <i>D is not correct because this would reduce economic development in India</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 most likely lead to a decrease in debt servicing costs</i> <i>B is not correct because the rate of inflation is likely to decrease</i> <i>D is not correct because there is no link between a country's national debt and absolute advantage</i>	(1)
3	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 B <i>A is not correct because export prices of Romania's goods and services would have fallen relative to the average export prices of its trading partners</i> <i>C is not correct because Romania's goods and services would have become more internationally competitive relative to its trading partners</i> <i>D is not correct because Romania would experience a worsening in its terms of trade</i>	(1)
4	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 D <i>A is incorrect because SRAS is likely to shift to the left as a result of the rising costs of imports</i> <i>B is incorrect because SRAS is likely to shift to the left as a result of the rising costs of imports/AD is likely to shift to the right as a result of rising net exports</i> <i>C is incorrect because AD is likely to shift to the right as a result of rising net exports</i>	(1)

4	QS1: Calculate, use and understand ratios and fractions. 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 <i>A is not correct because this is 6.8%/1.1% and does not calculate the terms of trade</i> <i>B is not correct because this is 1.1%/6.8% x100 and does not calculate the terms of trade</i> <i>D is not correct because this is (index of import prices/index of export prices) x100 = 98.9/93.2 x 100</i>	(1)
5	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 D <i>A is not correct because these are both instruments of monetary policy and are not represented by the Laffer curve</i> <i>B is not correct because this is represented by the Harrod-Domar model</i> <i>C is not correct because this is represented by the Phillips curve</i>	(1)
6	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 C <i>A is incorrect because Malaysia was more economically developed than Thailand</i> <i>B is incorrect because students spent longer in education in Thailand than in Malaysia</i> <i>D is incorrect because average incomes were lower in Thailand than in Malaysia</i>	(1)

Section B

Question	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. 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: • $(3.5 - 25.5 / 25.5) \times 100$ (1) • -86.27% (1) Award one mark for the calculation of the percentage point change as part of the process for calculating the correct answer • $3.5 - 25.5 = -22$ / -22 percentage-points/ 22 (1) NB Award 2 marks for correct answer (-86.27% / -86.3% / -86%) NB 2 marks may be awarded if percentage sign omitted e.g. 86.27 NB 2 marks may be awarded if the negative sign is omitted NB Do not award 22%	(2)

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	The only correct answer is D <i>A is not correct because there will be an increase in money supply</i> <i>B is not correct because there will be an increase in economic growth</i> <i>C is not correct because there will be a decrease in unemployment</i>	(1)
2	-	The only correct answer is A <i>B is not correct because this is related to industrialisation</i> <i>C is not correct because this is related to the current account position of the BOP</i> <i>D is not correct because this is related to primary product dependency</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 import prices rise and export prices fall</i> <i>B is not correct because this relates to the fiscal position and not balance of payments</i> <i>D is not correct because this is due to a fall in interest rates</i>	(1)
4	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS7: Make calculations to convert money to real terms 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 pay growth not adjusted for inflation was not the lowest in 2009</i> <i>C is not correct because there was an increasing rate of inflation between 2016 and 2017</i> <i>D is not correct because there was disinflation between 2012 and 2014</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	-	The only correct answer is A <i>B is not correct because this condition is related to the current account position of the BOP</i> <i>C is not correct because this model is related to industrialisation</i> <i>D is not correct because this model is related to the savings gap</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 transfer payments relate to payments made by government to individuals in the form of benefits</i> <i>B is not correct because automatic stabilisers are not a discretionary fiscal policy</i> <i>C is not correct because the government's current expenditure is an example of its day-to-day spending</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 stricter regulation of the product markets will reduce South Korea's international competitiveness</i> <i>C is not correct because more restrictions on free trade will reduce South Korea's international competitiveness</i> <i>D is not correct because a reduction in spending on education and training will reduce South Korea's international competitiveness</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 higher shipping costs are likely to increase production costs</i> <i>B is not correct because global inflationary pressures will increase due to higher costs of production for businesses</i> <i>C is not correct because there are likely to be changes in the patterns of world trade</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)

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 A is not correct because this is a non-economic factor B is not correct because this is a non-economic factor C is not correct because this would promote economic growth	(1)
2	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is not correct because transfer payments relate to payments made by a government to individuals in the form of benefits B is not correct because this is not an example of day-to-day expenditure D is not correct because this relates to expenditure by individuals in the private sector	(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 this relates to a current account surplus C is not correct because this relates to the public finances D is not correct because primary income is a component of the current account	(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 this is a possible benefit of globalisation B is not correct because this is a possible benefit of globalisation C is not correct because globalisation may lead to an increase in economies of scale for TNCs	(1)

Question	Explain what is meant by a 'foreign currency gap' (Extract A, line 12). 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 Up to 2 marks for understanding foreign currency gap, e.g.: • Currency inflows are less than (1) currency outflows (1) • Lack of capital/currency inflows (1) to finance the deficit on the current account of the balance of payments (1) • Lack of foreign exchange/currency reserves (1) • It is a constraint to economic growth/development (1) • Difference between the present currency reserves (1) and the reserves needed to achieve an increase in economic growth/development (1) Application Up to 2 marks for application to foreign currency gap, e.g.: • Significant decline in foreign currency reserves from \$16 billion in June 2021 to \$10 billion in June 2022 (1) • Between June 2021 and June 2022 foreign currency reserves fell by 37.5% / \$6 billion (1+1) • Rising foreign currency gap would have a negative impact on its ability to import (1) • Rising foreign currency gap was likely to increase further because of higher debt servicing payments (1) • Suggested a temporary ban on import of non-essential goods (1)	(4)

Question	With reference to Extract A, analyse two benefits of Indonesia's increasing population to its economy.	Mark
Answer		
7(c)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and analysis Up to 2 marks for identifying two benefits and up to 2 marks for linked explanations, e.g.: • Larger pool/supply of workers (1K) will put downward pressure on wages, reducing firms' cost of production and export prices / exports become more internationally competitive (1AN) • Increased tax revenue for the government (1K) can be used for spending on other areas, e.g. human capital and infrastructure to reduce labour immobility (1AN) • Increased consumption/consumer spending (1K) leads to higher real output and economic growth as AD will increase (1AN) • Increased productive potential (1K) resulting in the PPF shifting to the right / rightward shift in LRAS (1AN) • May give greater access to skilled labour (1K) which is likely to increase productivity (1AN) Application Up to 2 marks for application to Extract A (1+1): • In 2022 Indonesia had a population of 276 million people (1) • Population was the largest in Southeast Asia (1) • Population had increased by 26 million since 2012 / from 250 million in 2012 (1) • Population increased 10.4% (1+1) • Relatively young population (1) • Real GDP increased by 5.3% (1)	(6)

Question	With reference to the fourth paragraph of Extract A, explain what is meant by 'The Gini coefficient'. 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 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. 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 and Analysis	

	Up to 2 marks for knowledge of two problems, and 1 mark for linked expansion of each problem • Price fluctuations/ volatility (1) makes it difficult for copper producers to plan output, employment and investment (1) • Deterioration of public finances (1) as tax revenues are heavily dependent on copper, so a fall in price would lead to a fall in government revenue (1) • Worsening of Zambia's terms of trade (1) with reference to the Prebisch-Singer hypothesis (1) • Deterioration in current account of BOP (1) if copper price falls and remains low, export earnings would fall as Zambia is heavily dependent on copper (1) • Fall in the rate of economic growth (1) as fall in exports causes a fall in AD, leading to lower real output (1) • Higher barriers due to political tensions (1) reducing exports (1) • Higher external costs (1) due to pollution from copper mining (1) • Stock level of copper, a non-renewable resource, is likely to be depleted (1) reducing the government's tax revenue (1) Application Up to 2 marks for application to sources, e.g.: • Use of Figure 1 to show fluctuating copper prices (1) • Real GDP growth decreased from 4% in 2018 to 2% in 2019 (1) • More than 25% of its tax revenues (1) • Copper contributes to 30% of Zambia's GDP (1) • 70% of its foreign exchange earnings (1) • Increased trade tensions between the USA and China led to a decline in the global demand for copper (1) Evaluation Up to 2 marks for evaluative comments: • When copper prices are high, revenues would be high improving public finances; (1) may be used to improve public services (1) • When copper prices are high, export earnings are high, improving the balance of trade (1) which may be used to purchase imports of other goods/services so helping to increase living standards (1) • Zambia may have gained revenue from FDI in copper industries, when prices were rising (1) This would help achieve growth in GDP before the fall in the price, and thereby widening the tax base (1) • A fall in copper prices is likely to cause depreciation of <i>kwacha</i> (1) which may provide incentives to diversify into other industries (1) • Despite its dependence on copper it has grown to middle income/ fastest growing economy in Africa (1) where real GDP grew by an average of 7.5% per year (1) • Copper significantly contributes (1) to Zambia's GDP, tax revenues and foreign exchange earnings, so the impact will be large (1)	
		(8)

Question	With reference to Figure 2 and Extract B, examine two reasons why the demographic changes in Japan may constrain its rate of economic growth. 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 Up to 2 marks for identifying two reasons and 1 mark for each linked explanation linked to the rate of economic growth, e.g.: • Increased government expenditure on social welfare / proportion of older workers would require the government to increase spending on pensions, (1K) creating an opportunity cost of lower spending on capital (1AN) • Labour shortages (1K): fewer people in the workforce which could increase wages, leading to wage inflation and therefore reducing economic growth/ lower levels of real output (1AN) • Aging population (rise in the proportion of older people in the population) / high dependency ratio (1K): workers experience an increase in income tax to support older population creating disincentive to work: lower economic growth (1AN) • The decrease in population (1K) could potentially lead to a decrease in consumption/AD and therefore real GDP (1AN) • Fall in the size of the working population in the future (1K) could lead to lower productivity and therefore potential output (1AN) Application 1 mark for application to Figure 2, e.g.: • Proportion of over 65s has increased to just above 28% in 2020 / • Between 2010 and 2020, the proportion of over 65s has risen by around six percentage points (1) 1 mark for application to Extract B, e.g.: • Number of people under the age of 20 was at its lowest level since 1968 / • The number of people over the age of 65 had increased to a record level / • Between 2022 and 2040 it is estimated that its population will decrease by a further 16 million / • Population decreased by 630 000 people in 2021 (1)

Evaluation

Up to 2 marks for evaluative comments (2+0 or 1+1):

- Most significant reason is labour shortages **(1)** as there are “significant concerns regarding how Japan’s economy can continue to function with a smaller workforce” **(1)**
- If older workers are still part of the labour force, they may have valuable skills and experience to pass on to the next generation **(1)** helping with long-term productivity and hence economic growth **(1)**
- Older people are available to support younger families with childcare if they retire early **(1)**, allowing younger workers to attend/focus on work; contributing to higher productivity and hence economic growth **(1)**
- Size of the population decreased (630 000) **(1)** therefore the overall impact on economic growth will be quite substantial **(1)**
- Size of the population decreased (630 000/125.8 million) by 0.5% **(1)** thus the overall impact on economic growth may be less significant **(1)**
- Long-term issue **(1)** as the population is estimated to decrease significantly (by 16 million/approximately 12.5%) in the future **(1)**

Question	With reference to Extract A, examine two likely problems for the Indonesian economy of its dependence on commodities.	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 Up to 2 marks for identifying two problems and up to 2 marks for linked explanations, e.g.: • Commodities are subject to large price fluctuations (1K) giving producers unstable incomes / making it difficult for producers to plan future output and investment (1AN) • A fall in prices of commodities would cause a decline in the rate of economic growth (1K); fall in exports causes AD to fall, lower real output and employment – can be shown diagrammatically (1AN) • Export earnings are heavily dependent on commodities (1K) so if prices of commodities fall and remain low, this would result in a deterioration in the balance of trade (1AN) • Tax revenues are heavily dependent on commodities (1K) so if prices of commodities fall and remain low, this would result in deterioration in Indonesia's public finances (1AN) • If the prices of commodities fall, export prices will fall and this would result in deterioration in Indonesia's terms of trade (1K); reference made to the Prebisch-Singer hypothesis (1AN) • Commodities such as nickel and coal are finite resources, which will eventually be depleted, (1K) hence Indonesia will need to diversify its economy into other industries (1AN) Application Up to 2 marks for application to Extract A, e.g.: • Indonesia is a net exporter of commodities/nickel, coal, rubber and palm oil (1) • Indonesia is the world's largest producer of nickel, an important component in electric vehicle batteries (1) • Indonesia's exports of commodities, make a more significant contribution to the country's current account surplus and to its economic growth rate (1) • It was forecast that advanced economies would experience lower rates of economic growth in 2023. This would result in a fall in demand for Indonesia's commodities (1) • The current account surplus increased from \$3.5 billion in 2021 to \$13.2 billion in 2022 (1)	(8)

	Evaluation Up to 2 marks for evaluative comments: • Forward markets in commodities may reduce the impact of price fluctuations on the producers of commodities (1+1) • With growth in real GDP before the fall in the price of commodities (1), there was an opportunity to widen the tax base (1) • When prices of commodities are high, export earnings are high so improving the balance of trade (1); these export earnings may be used to purchase imports of other goods and services so helping to increase living standards (1) • When prices of commodities are high, tax revenues would be high, so improving the public finances (1) and these tax revenues may be used to improve public services (1) • A fall in prices of commodities might cause a depreciation in the exchange rate (1) which may provide an incentive to diversify into other industries / increase competitiveness of other industries (1) • Indonesia may have gained revenue from FDI in the commodity industries (1), especially when prices were rising (1) • Indonesia's dependence on commodities is unlikely to be an issue if it has a comparative advantage in their production (1) as Indonesia can continue to specialise and trade in these commodities (1) • Exports from the manufacturing sector increased during 2022 (1) so may reduce its dependence on commodities in the long-run (1)	
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Question	Discuss economic factors, apart from primary product dependency, that may constrain Zambia's economic growth.	
	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 • High inflation rate – “rose from 7.5% in 2018 to 9.2% in 2019”: leads to uncertainty and reduces investment as the demand for exports fall as a result of relatively higher export prices • Higher interest rate – “raise the base interest rate by 1.75 percentage points to 11.5%”: increases the cost of borrowing and reward for saving reducing consumption and investment, hence real output and economic growth • Higher interest rates could lead to currency appreciation against South Africa's currency, resulting in a fall in net trade and lower real output • Poor human capital – “The quality of education, healthcare ... has also been weak”: leading to lower productivity and lower potential output • Poor infrastructure – “The quality of ... infrastructure has also been weak”: increases unit costs and relative export prices as efficiency decreases • Foreign exchange gap – the “falling foreign currency reserves caused by debt servicing and low production in the copper mining sector”: Zambia will find it hard to import capital goods for investment reducing potential growth • Debt – funds being diverted towards “debt servicing” instead of being used to improve potential output, e.g. human capital and infrastructure	
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 integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. Answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (6 marks) – indicative content • High inflation rate impact will depend on inflation rates in trading partners • Impact on the <i>kwacha</i> would depend on the price elasticity of demand for exports and imports; reference to Marshall-Lerner condition • Foreign exchange gap could be filled through debt relief – “falling foreign currency reserves caused by debt servicing”: may not be significant • Higher base interest rate of “11.5%” could control inflationary pressures • TNCs are likely to have access to unskilled labour – “Wages in Zambia are lower than in most middle-income countries”: this will help keep unit labour costs low enabling firms to remain competitive and increase investment • As Zambia has copper endowments, TNCs could improve infrastructure to facilitate its business investment in exchange for copper: may gain from increased inward FDI • SR vs LR considerations: progress in being made to diversify the economy through the “developments in tourism, infrastructure, and information and communication technology”, so economic growth is “expected to increase in the long-term”	
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	In 2019 the rate of economic growth was over 6% in both India and China. Evaluate the likely impact of rapid economic growth in emerging economies on world trade patterns. Refer to countries of your choice in your answer. 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 world trade patterns • Understanding of emerging economies Possible impacts could include: • Emerging economies tend to mostly produce and export manufactured goods (secondary sector), and some also have the tendency to produce and export primary products (primary sector) • Developed economies respond by specialising more in high-tech secondary sector, tertiary and quaternary sector goods and services • Changes in trade balance of emerging and developed economies - emerging economies are likely to run trade surpluses, and perhaps the more developed countries run trade deficits • Developed economies tend to move to importing more goods and exporting more services • Increase in the overall size of trade flows due to the increase in proportion of world trade conducted by emerging economies • Increase in investment flows to and from emerging countries • Increase in trade deficits and surpluses for individual countries N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to countries 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.

Question	With reference to Extract B, discuss how demographic factors may constrain economic growth of developed economies. 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 Understanding of economic growth Understanding of demographic factors • Ageing population and early retirement – could lead to: ○ labour shortages: there will be low participation rates/decrease in numbers of economically active people in the population; shortage of workers could increase wages, leading to wage inflation and thus reducing growth ○ a rise in dependency ratio: workforce may experience a rise in income tax in order to support older population. This creates disincentives to work and will discourage firms to invest - therefore there could be fall in productivity and economic growth ○ increased social welfare responsibilities: a higher proportion of older workers would require the government to increase its spending on health care/pensions, whilst older people pay lower income taxes as they are not working; opportunity cost of lower spending on capital/infrastructure • Migration – “decline in international migration” could lead to: ○ fewer migrant workers bringing a range of skills/human capital to the labour market that complement each other, reducing productivity and lowering average incomes ○ job vacancies being unfilled and firms unable to increase production: “many companies decreasing production due to a lack of workers” – impact on PPF/LRAS

	○ reduction in labour force participation as there will be lower working-age population, hence increasing the dependency ratio (as size of the population falls) and decreasing the potential output of the economy ○ a reduction in consumer spending/consumption within the economy, lowering aggregate demand and hence real output
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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 • Different impact on different developed countries, e.g. the UK and the USA • Consideration that it is likely to be a combination of factors have severely constrained the economic growth of developed countries • Significance of factors over time, e.g. demographic pressures, especially an ageing population that has now been exacerbated by the “decline in international migration” • Demographic factors may not be the main reason that constrains economic growth of developed countries; a more important factor could be reduction in labour force participation rate where some workers “have left the workforce” and do not want to “rejoin the labour force” • Ageing population and early retirement: ○ If workers are still part of the labour force, they may have valuable skills and experience to pass on to the next generation: helping with long-term productivity and growth ○ Available to support younger families with childcare when they retire early, allowing them to attend/focus on work; contributing to higher productivity and hence growth ○ In France and Spain, employment has returned to its pre-crisis level and labour force participation rates have risen rapidly • Migration: ○ If migrants are not employed, they would not participate in the labour force leading to greater unemployment and lost output ○ Migrants may not possess the skills to effectively contribute to output
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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	In February 2021 the UK Government applied to join one of the world's largest free-trade areas, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Evaluate the likely economic benefits to a country of joining a trading bloc. 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 a trading bloc • Trade creation: An analysis based on the law of comparative advantage; greater specialisation and more trade • Benefits to domestic firms: increased production so that they can benefit from economies of scale; firms have access to larger and potentially more lucrative markets so they could increase sales • Increase in competition between firms: this could lead to a reduction in x-inefficiency; increase in allocative efficiency • Benefits to consumers: lower prices and therefore increase in consumer surplus; more choice and variety of goods and services • Increase in GDP/rising incomes/falling unemployment • Greater weight in trade negotiations/global trade agreements • Improvement in current account of BOP if the country increases its exports • Increase in labour market flexibility if free movement of labour is in place • Increase in innovation and transfer of ideas: could lead to an increase in dynamic efficiency • Reduction in transaction costs involved in international trade e.g. less bureaucracy N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country in their answer

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 2020 Pakistan had a Human Development Index (HDI) score of 0.60 whereas Argentina had a HDI score of 0.85. Evaluate economic factors that constrain the growth and development of a developing country. 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/definition of economic growth • Understanding/definition of economic development Economic factors include: • Volatility of commodity prices: due to price fluctuations, the producers do not have stable incomes and hence, cannot plan future output and investment • Primary product dependency (the Prebisch-Singer hypothesis): countries that export commodities would be able to import less for given volume of exports; terms of trade between primary products and manufactured products worsen over time due to the low-income elasticity of demand for primary products • Savings gap (the Harrod-Domar model): low savings, low investment, low capital accumulation, low growth/income; can be caused by factors such as lower GDP per capita, debt repayments, capital flight, absence of FDI • Foreign currency gap: developing countries may face a shortage of foreign exchange because of their dependence on export earnings from primary products; this is lower than their expenditure on imports of manufactured goods/capital • Capital flight: individuals/firms in developing countries decide to remove their deposits in domestic banks and place them in foreign banks, or buy shares or assets in foreign countries – contributes to savings gap and foreign currency gap restricting economic growth and reducing the tax base of the country • Demographic factors (size and age distribution of population; migration): population growth leads to greater supply of labour and hence lower wages, GDP per capita will fall if GDP does not rise as fast as the population; ageing population will raise	

	dependency ratio, puts an upward pressure on public goods/services; emigration of skilled labour will lead to less productive workforce available • Debt (household and overseas): developing countries borrowed funds when interest rates were low and face debt servicing costs, hence fewer funds available for capital investment; poorer households in these countries borrow money to pay off previous debt rather than using it productively • Access to credit and banking: there is an absence of credit markets in many developing countries, which deters lenders and borrowers; markets do not form as a result of high risks associated with lending in developing countries • Infrastructure: poor network of utilities/structures makes it difficult for many developing countries to attract both domestic and foreign investment • Education and skills: Developing countries' education standards are not very high and they usually have low school enrolment; this is likely to reduce the human capital and productivity of the workforce – HDI falls - will deter FDI N.B. Non-economic factors e.g. corruption/poor governance should only be rewarded if they are linked to economic growth and development N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to both growth and development 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.
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Evaluation (8 marks) – indicative content

- Volatility of commodity prices: when prices rise, the producers will earn high incomes and increase their foreign exchange earnings as demand for, and the supply of, primary goods is price inelastic
- Primary product dependency: some countries have grown on the basis of their primary products; if a country has comparative advantage in primary products, then its resources will be used more efficiently in specialising in the production of that product
- Savings gap (the Harrod-Domar model): could be filled by aid, FDI, debt relief, microfinance, borrowing from IMF/World Bank; other factors apart from savings also affect investment such as confidence, interest rate, etc
- Capital flight: not an issue if developing countries establish good governance to ensure the political stability within a country; the government must stamp out corruption that results in capital outflows; few developing countries have successfully reduced capital flight by introducing capital control policies
- Demographic factors: population growth may increase technical progress and thus increasing AS/rightward shift in the PPF; more workers are available to produce goods/services, so output may rise faster than population, therefore increasing per capita incomes
- Debt: if household debt and overseas debt are accumulated as a result of investment in human capital/capital goods, then it will improve long term growth and development prospects; not an issue if external debt is a small percentage of GDP and if it can be paid off at low interest rates
- Access to credit and banking: microfinance schemes are available to help low income families grow their business or engage in productive activities – helps increase incomes of the poor and reduce vulnerability to external shocks
- Infrastructure: less of a constraint for the resource-rich developing countries who are benefiting from foreign investment in return for commodities; TNCs may build infrastructure for the country to support its business investment
- Education and skills: developed countries usually demand workers with low levels of human capital for unskilled work as they can pay them lower wages
- Significance of factors in short-run and long-run/changes over time; e.g. primary product dependency could be the most significant constraint on growth and development in light of falling commodity prices
- Non-economic factors may be more significant than economic factors in limiting growth and development e.g. civil wars/terrorism

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	Evaluate the possible causes of the increase in global commodity prices. Refer to examples of commodities 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 commodities • Candidates may separate causes into demand-side or supply-side factors and there may be evidence of a diagram(s) • Increasing growth rates of emerging economies/economic recovery in developed and developing countries since the global health crisis has increased demand for all commodities • Saudi Arabia/OPEC reduction in supply of oil/keeping oil supply low; may refer to overt collusion by oil exporting nations / a decrease in non-OPEC production for oil • Price inelasticity of supply and/or demand increasing global commodity prices e.g. oil • Slowdown in technological progress e.g. USA and shale oil production due to increased environmental concerns • Reduction in supply due to external shocks e.g. greater conflict/civil wars in countries • Significant decline in production and/or productivity in the agriculture sector, increasing unit costs and export prices of commodities/oil e.g. weather/climate change • Increase in price of fertilisers caused by a large reduction in supply of agricultural commodities • Lack of reliability of non-renewable sources of energy e.g. solar, wind, therefore increasing demand for oil • Stricter government regulations on pollution associated with commodity production in certain countries • Weaker external value of the US dollar (as most commodities are generally priced in dollar terms) • Increased sanctions against commodity/oil exporting countries; would reduce commodity/oil exports • Under-investment in commodity production e.g. metals and oil N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to examples of commodities 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 • Significance of causes change over time • Prioritisation of the most significant cause • Different causes will be important for different commodities • Combination of factors will have a greater impact on commodity prices • SR v LR/time period considerations, e.g. oil prices may fall in the future • Cyclical effects – economies could fall back into recession or experience low rates of economic growth, thus reducing demand • Increase in current investment into new mines etc. will eventually lead to a fall in price e.g. as a result of increase in global supply • Comment on why oil prices may have increased faster than commodity prices in general • Significance of PED and PES in explaining the extent of the rise in price • Some commodities may have fallen in price over the same period		

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 Mozambique had a Human Development Index (HDI) score of 0.46 whereas Guatemala had a HDI score of 0.63. Evaluate economic factors that constrain the growth and development of a developing country. Refer to a developing 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/definition of economic growth • Understanding/definition of economic development Economic factors include: • Volatility of commodity prices: due to price fluctuations, the producers do not have stable incomes and hence cannot plan future output and investment • Primary product dependency (the Prebisch-Singer hypothesis): a country that exports commodities would be able to import less for a given volume of exports. Terms of trade between primary products and manufactured products worsen over time due to the relatively low-income elasticity of demand for primary products • Savings gap (the Harrod-Domar model): low savings, low investment, low capital accumulation, low growth/income; can be caused by factors such as lower GDP per capita, debt repayments, capital flight, absence of FDI • Foreign currency gap: a developing country may face a shortage of foreign exchange because of its dependence on export earnings from primary products. This is lower than its expenditure on imports of manufactured goods/capital • Capital flight: individuals/businesses in a developing country decide to remove their deposits in domestic banks and place them in foreign banks, or buy shares or assets in foreign countries – contributes to the savings gap and the foreign currency gap, restricting growth and development • Demographic factors (size and age distribution of population; migration): e.g. population growth leads to a greater supply of labour and hence lower wages. GDP per capita will fall if GDP does not rise as fast as the population. Ageing population will raise the dependency ratio, puts an upward pressure on public goods/services. Emigration of skilled labour will lead to a less productive workforce available

		- Debt: developing countries borrowed funds when interest rates were low and consequently face higher debt servicing costs when interest rate increase. Hence less funds are available for capital investment. - Access to credit and banking: there is an absence of credit markets in many developing countries, which deters lenders and borrowers. Markets do not form as a result of the high risks associated with lending in developing countries - Infrastructure: poor network of utilities/structures may make it difficult for a developing country to attract both domestic and foreign investment - Education and skills: education standards in a developing country may not be very high with a low school enrolment. This is likely to reduce the human capital and productivity of the workforce – HDI falls - will deter FDI N.B. Non-economic factors e.g. corruption/poor governance should only be rewarded if they are linked to economic growth and development N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to both growth and development 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		
• Volatility of commodity prices: when prices rise, the producers will earn high incomes and increase their foreign exchange earnings as demand for, and the supply of, primary goods is price inelastic • Primary product dependency: some developing countries have grown on the basis of their primary products. If a developing country has a comparative advantage in their primary products, then its resources will be used more efficiently in specialising in the production of those products • Savings gap (the Harrod-Domar model): could be filled by aid, FDI, debt relief, microfinance, borrowing from IMF/World Bank. Other factors apart from savings also affect investment such as confidence, interest rate, etc • Capital flight: may not be an issue if a developing country establishes good governance to ensure political stability • Demographic factors: population growth may increase technical progress and thus increasing AS/rightward shift in the PPF. More workers are available to produce goods/services, so output may rise faster than population, therefore increasing per capita incomes • Debt: if household debt and overseas debt are accumulated as a result of investment in human capital/capital goods, then it will improve long-term growth and development prospects. Not an issue if external debt is a small percentage of GDP and if it can be paid off at low interest rates • Access to credit and banking: microfinance schemes are available to help low-income families grow their businesses or engage in productive activities. • Infrastructure: less of a constraint for the resource-rich developing countries who are benefiting from foreign investment in return for commodities. TNCs may build infrastructure benefitting local businesses • Education and skills: TNCs may improve the quality of the workforce by investing in training in a developing country • Significance of factors in short-run and long-run/changes over time, e.g. primary product dependency may be the most significant constraint on growth and development as a result of falling commodity prices • Non-economic factors may be more significant than economic factors in limiting growth and development e.g. civil wars/terrorism • Different factors affect different countries at different time periods		
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 2002 and 2022 Italy's public expenditure as a proportion of GDP increased from 47.1% to 56.7%. Evaluate the likely economic effects of an increase in public expenditure as a proportion of GDP. Refer to a developed 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 Definition or understanding of public expenditure as a proportion of GDP • If public expenditure on infrastructure/education/healthcare is increased, then the productive potential of the economy will increase and aggregate supply may increase • Government spending is a component of aggregate demand and is also an injection into the circular flow of income. An increase in public expenditure may lead to a positive multiplier effect leading to greater economic growth • Unemployment is likely to fall as there will be greater demand for labour (derived demand), thus increasing average incomes • There is likely to be greater inflationary pressure in the economy as the level of aggregate demand increases • Income inequality may decrease if the government increases transfer payments, thereby meeting the objective of greater income equality • Greater quality/quantity of public services implies more access to these services and hence the standard of living is likely to rise • Government budget balance may worsen requiring more borrowing and hence resulting in an increase in the national debt • More financial and resource crowding out as the government will have to finance its spending through borrowing (higher interest rates), and there will be fewer factors of production available to the private sector • Reduction in economic efficiency because there would be a smaller role for the private sector N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developed country in their answer N.B. Award positive effects as KAA and negative as evaluation (or vice versa)	
Level	Mark	Descriptor
	0	No rewardable material.



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 <i>A is not correct because there will be an increase in unemployment</i> <i>C is not correct because there will be a decrease in injections</i> <i>D is not correct because there will be a decrease in inflationary pressures</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 it is a regressive tax</i> <i>B is not correct because it is a regressive tax</i> <i>D is not correct because it is an indirect tax</i>	(1)
3	–	The only correct answer is D <i>A is not correct because this is an example of an interventionist strategy</i> <i>B is not correct because this is an example of an interventionist strategy</i> <i>C is not correct because this is an example of an interventionist strategy</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 government tax revenue area is BCDE</i> <i>C is not correct because net welfare loss areas are ABC and DEF</i> <i>D is not correct because producer surplus has increased by the area $P_1 P_2 B A$</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 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)



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 this is not an example of day-to-day expenditure</i> <i>C is not correct because this example relates to government revenues rather than expenditure</i> <i>D is not correct because transfer payments relate to payments made by a government to individuals in the form of benefits</i>	(1)
2	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 the central bank would sell the US dollar</i> <i>C is not correct because this would further depreciate the krone against the US dollar</i> <i>D is not correct because the central bank would buy the krone</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. QS11: - Understand composite indicators	The only correct answer is C <i>A is not correct because this is an example of a market-orientated strategy</i> <i>B is not correct because this is an example of a market-orientated strategy</i> <i>D is not correct because this is an example of a market-orientated strategy</i>	(1)
4	QS9: Interpret, apply and analyse information in written,	The only correct answer is B	



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)

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	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	Mark
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)

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 the role of the IMF, not the World Bank</i> <i>B is not correct because this is the role of the IMF, not the World Bank</i> <i>C is not correct because this is the role of the WTO, not the World Bank</i>	(1)
2	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 <i>A is not correct because Hungary has a proportional tax system</i> <i>B is not correct because Hungary has a proportional tax system</i> <i>D is not correct because Hungary has a proportional tax system</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 these tariffs are likely to protect employment in the steel industry</i> <i>C is not correct because these tariffs are likely to protect the domestic steel industry</i> <i>D is not correct because these tariffs will increase tax revenue</i>	(1)
4	QS1: Calculate, use and understand ratios and fractions. QS5: Calculate and interpret index numbers 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 incorrect formula $(142.3-121.3)$ has been used to calculate Tanzania's terms of trade</i> <i>B is not correct because incorrect formula $(121.3/142.3 \times 100)$ has been used to calculate Tanzania's terms of trade</i> <i>D is not correct because incorrect formula $(142.3+121.3)$ has been used to calculate Tanzania's terms of trade</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 A <i>B is not correct because there is no link between a country's national debt and absolute advantage</i> <i>C is not correct because this would lead to an increase in debt servicing costs</i> <i>D is not correct because the rate of inflation is likely to increase</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 this is a market-orientated strategy to promote economic growth and development</i> <i>B is not correct because this is a market-orientated strategy to promote economic growth and development</i> <i>C is not correct because this is a market-orientated strategy to promote economic growth and development</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 does not relate to the current account of the balance of the payments</i> <i>B is not correct because this relates to a fiscal/budget deficit</i> <i>D is not correct because this does not relate to the current account of the balance of the payments</i>	(1)
4	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 <i>B is not correct because Country X has an absolute advantage over Country Y in the production of both goods</i> <i>C is not correct because Country X does not have a comparative advantage over Country Y in the production of both goods</i> <i>D is not correct because this will happen when the opportunity cost for producing both goods for both countries is the same</i>	(1)

5	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 is the role of the IMF</i> <i>C is not correct because this is the role of the IMF</i> <i>D is not correct because this is the role of the WTO</i>	(1)
6	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 B <i>A is incorrect as AD is likely to shift to the left as a result of falling net exports</i> <i>C is incorrect as SRAS is likely to shift to the right as a result of the falling costs of imports for firms</i> <i>D is incorrect as SRAS is likely to shift to the right as a result of the falling costs of imports for firms/AD likely to shift to the left as a result of falling net 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 C A is not correct because this would reduce economic development B is not correct because this would reduce economic development D is not correct because this would reduce economic development	(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 is associated with a floating exchange rate C is not correct because this is associated with a floating exchange rate D is not correct because this is when the value of the currency increases in a fixed exchange rate system	(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 specialisation and trade will lead to an increase in the volume of exports and imports B is not correct because specialisation and trade will lead to an increase in living standards D is not correct because specialisation and trade will reduce absolute poverty	(1)
4	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 this is the index number for 2012 using 2022 as base year C is not correct because this is the index number for 2022 using 2012 as base year D is not correct because this is the index number for 2022 using 2002 as base year	(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 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)

Question	With reference to Extract A, analyse two roles of the IMF. Answer	Mark
7(d)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and analysis Up to 2 marks for identifying two roles and one mark for each linked explanation, e.g.: • Help ease the balance of payments adjustment/reduce a country's current account deficit (1K) by providing loans/temporary financial assistance to countries (1AN) • Promotes exchange rate stability (1K) to maintain confidence in financial markets (1AN) • Fosters international monetary co-operation (1K) by ensuring orderly exchange rate arrangements to secure financial stability (1AN) • Offers debt relief (1K) to help reduce absolute poverty (1AN) • Encourage economic growth/higher levels of employment (1K) by promoting global trade (1AN) • Provides capacity development such as technical assistance/policy advice/training of government officials (1K) to support developing countries strengthen their economic institutions (1AN) • To provide research and monitoring of member countries' (1K) to inform policy decisions within those countries (1AN) Application Up to 2 marks for application to the sources (1+1): • Pakistan's Government borrowed \$1.2 billion from the IMF to prevent a further fall in foreign currency reserves (1) • IMF required the Government of Pakistan to meet certain conditions and reduce its fiscal deficit, partly by the removal of fuel and energy subsidies (1) • The IMF also required Pakistan's central bank to raise its base rate of interest to stabilise the rupee (1) • Previous governments of Pakistan have not always met the terms of their loan agreements with the IMF (1) • The IMF proposed that high-income households should pay significantly more income tax than low-income and middle-income households (1)	(6)

Question	With reference to the fourth paragraph of Extract A and your own knowledge, analyse two roles of the IMF. Answer	Mark
7(c)	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and analysis Up to 2 marks for identifying two roles and one mark for each linked explanation, e.g.: • Provides loans/temporary financial assistance to countries (1K) to help ease the balance of payments adjustment (1AN) • Promotes exchange rate stability/reduce exchange rate fluctuations (1K) to maintain confidence in financial markets (1AN) • Offers debt relief (1K) to help reduce absolute poverty/improve economic development/increase living standards (1AN) • Encourage economic growth/higher levels of employment (1K) by promoting trade/investment (1AN) • Fosters international monetary co-operation (1K) by ensuring orderly exchange rate arrangements to secure financial stability (1AN) • Provides capacity development such as technical assistance/policy advice/training of government officials (1K) to support developing countries in strengthening their economic institutions • Implements structural reforms (1K) to help countries improve the state of their economy (1AN) • To provide research and monitoring of member countries (1K) to support/inform policy decisions within those countries (1AN) Application Up to 2 marks for application to Extract A (1+1): • A bailout of \$3 billion from the IMF (1) • Ghana would take measures to reduce its debt (1) • This IMF deal could help restore business confidence in Ghana (1)	(6)



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. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (8 marks) – indicative content Measures include: - Increasing training programmes to increase labour productivity through development of skills and human capital. This will “reduce the economy’s skills mismatch”, increasing the private sectors access to “scientists and engineers”. It will allow firms to raise competitiveness in global markets - Subsidies/tax incentives may encourage firms to invest in innovation which would not otherwise be started due to the high risk and cost involved. This allows firms to gain technical economies of scale and dynamic efficiency. It helps reduce problem of “lack of finance to fund research and development” - Decreasing administrative/regulatory burdens on large companies and SMEs. Reducing “bureaucracy” simplifies the processes of buying land and gaining environmental clearances. This would otherwise hinder entrepreneurship in the private sector - Improving infrastructure helps to address the bottlenecks in “power sources, water supply, transport, and telecommunications”. It ensures the stability of electricity, no water shortages, good transport and telecommunication links. This helps raise total factor productivity through fall in costs for the private sector, thereby allowing more efficient use of productive inputs	
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 • Government needs to significantly spend on improving the private sector, especially the SMEs as they “contributed to 40% of the country's GDP and employed 55% of the country's workforce” • Spending on training and infrastructure requires large public expenditure – “Financing of these infrastructure developments remains a key issue because the country has relatively high levels of public sector debt”. • Investment in training carries time lags. There may be no guarantee of work after training as the skills may become obsolete. Therefore the “shortage of highly qualified labour” is likely to remain • Risk of funding inefficient firms could lead to a misallocation of resources. It is likely to encourage inefficiency in large companies and SMEs in the private sector • Bureaucracy is not the main factor that is restricting growth of the private sector. Mauritius is the “most business-friendly countries in the region.” It has already made progress in “starting a business, dealing with construction permits and registering property” which have simplified regulatory burdens • Planning infrastructure projects takes time, so it is not clear how quickly growth from this investment would become evident for the private sector. The benefits to the private sector depend on the quality of infrastructure		

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 Extract B, discuss the strategies introduced by the Iranian Government to promote economic development.
	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 Understanding of economic development • Industrialisation: ○ reduces dependency on primary products, e.g. oil ○ allows for the optimum utilisation of scarce resources – increases the quantity and quality of manufactured goods and contributes to Iran’s national income by adding value to primary resources ○ large scale production of goods available to consumers at low prices - increases consumer surplus and quality of living/living standards ○ creates job opportunities and raises per capita incomes, reducing poverty – reference to the Lewis structural dual-sector model ○ savings and the share of profits should both rise as a proportion of GDP – more funds available for investment in infrastructure and/or technology • Infrastructure development: ○ a strong network of utilities will make it easier for Iran to attract both domestic and foreign investment – improve infrastructure/technology ○ broadband users increased by 94.4m (between 2014 and 2021) and mobile phone users increased by 71.6m (between 2013 and 2021) ○ reduces geographical immobility of labour allowing workers to move for work – increases long term productivity and raises incomes ○ reduces unit costs and relative export prices as efficiency improves – trade/globalisation increases and incomes in Iran rise

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| | <ul style="list-style-type: none"> ○ helps to reduce bottlenecks in transport and telecommunications - this helps raise the total factor productivity through a fall in costs for the private sector, allowing more efficient use of productive inputs • Privatisation: <ul style="list-style-type: none"> ○ selling industries can raise government revenue that could be used to fund spending on improving human capital/technology/infrastructure ○ private sector may be more innovative than state-run firms and this leads to a more dynamic economy, which raises living standards ○ firms are run more efficiently, increasing economic welfare as prices will be lower for consumers – leading to higher real incomes ○ private sector firms will be able to raise additional capital for further investment in infrastructure/technology ○ if privatisation allows foreign ownership this may attract flows of FDI, which could be invested into technological advancements |
|--|--|

NB Award maximum of level 2 for strategies not included in the extract

NB Award maximum of level 2 if strategies do not link back to economic development

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 - Industrialisation: - Primary product dependency has enabled development in Iran and some other countries - Not desirable if Iran has a comparative advantage in oil production - Large industries lead to a fall in the number of infant industries – the gradual displacement of manpower will lead to rising unemployment - Increase in external costs – pollution, congestion, global warming; health issues; livestock close to extinction due to damage of habitat - Exploitation of workers including children and women – usually long working hours, poor working conditions, and relatively low wages - Infrastructure development: - Spending on infrastructure carries an opportunity cost and requires large public expenditure – Iran has a large national debt: Figure 3 - Planning infrastructure projects takes time, so not clear how quickly growth from this investment would become evident (time lags) - Economic development would depend on the quality of infrastructure projects undertaken

	○ “Iranian Government restricts the content its citizens can access.” – highly regulated by Government • Privatisation: ○ May lead to job losses as objective of private firms is to maximise profits whereas state-run firms’ objective is to maximise welfare ○ If private firms gain monopoly power, they could charge higher prices (e.g. on energy, gas, water) to increase supernormal profits – this will reduce consumer surplus and greatly impact low income households ○ If the industry is not contestable, there is no guarantee that private firms would be necessarily more efficient than state-run firms ○ “many Iranians invested ... in the country’s volatile stock market.” – when the stock market crashes, people are likely to lose incomes
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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	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. 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 tax • Impact on incentives to work: could act as disincentive for Chile'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); help reduce the country's fiscal deficit and improve Chile's public finances • 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: 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

Question	With reference to Extract A and your own knowledge, discuss market-orientated strategies that the Indonesian Government might use to increase its rate of economic growth.	
	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 economic growth rate • Understanding of market-orientated strategies • Removal of government subsidies – forcing firms to focus on being more competitive rather than relying on subsidies, e.g. by increasing productivity: “removal of government subsidies on oil and fuel” • Floating exchange rate systems – might make exports more internationally competitive, increasing export-led growth • Privatisation – increases efficiency in markets due to greater competition; attracts more investment, therefore greater injections into the circular flow of income: “To take advantage of the rising global demand for electric vehicles, the Government announced plans to increase privatisation” • Deregulation – it reduces the costs for businesses to comply and implement regulation, quicker to employ and lay off workers as required: “Government relaxed its previously strict employment regulations to create more jobs, fill vacancies and promote innovation. This encouraged more FDI” • Promotion of FDI – e.g. tax breaks could help technology transfer and help with training of the workforce; leads to increased productivity and economic growth: “To take advantage of the rising global demand for electric vehicles, the Government announced plans to ... promote foreign direct investment” • Trade liberalisation/removal of trade barriers	
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 - Problems of each of the strategy discussed: - removal of government subsidies – on e.g. essential goods such as oil, may lead to an increase in absolute poverty - floating exchange rate systems – the depreciation is likely to make Indonesia's imports relatively more expensive, leading to cost-push inflation and hence poverty - deregulation- could result in exploitation of labour - privatisation – could result in monopolies that may exploit their market power and charge higher prices/reduce quality - promotion of FDI – could lead to TNCs exploiting the environment and labour; engage in tax evasion/avoidance or transfer pricing - Assessment of the significance of the strategies considered in analysis - Policy may be less effective as an increase in inflation might reduce economic growth because it could lead to greater uncertainty/lower international competitiveness of firms – "In 2023 it was forecast that Indonesia's rate of inflation would increase to 5.5%" - Policy may be less effective if the central bank raises the base interest rate to tackle inflation as this might restrict economic growth in the long-run - Corruption might limit future economic growth as any Government revenue may be diverted into the wrong channels: "Indonesia scored 38 out of 100 on the corruption index" - Interventionist strategies could be more successful in increasing economic growth: "the Government must aim to develop the country's human capital and infrastructure"		
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	Evaluate policies that can be used to prevent a country's exchange rate from depreciating. Refer to a developed country of your choice in your answer. 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 government intervention in the currency markets Possible policies might include: - Sale of foreign currency/dollar (or gold) reserves on the foreign exchange market in order to decrease the supply of the yen - Purchase of domestic currency/yen in order to decrease the supply of the yen and increase the external value of the currency - Reduction in the money supply in the Japanese economy through reduced asset purchases (ending quantitative easing) - Increase in the (relative) interest rates in Japan: this will result in greater hot money flows and increase the demand for the yen - Pegging currency against a more stable currency, e.g. dollar, will fix the exchange rate and prevent further depreciations - Other policies to encourage inflow of FDI and/or portfolio investment into Japan; will increase demand for the yen - Other policies to restrict outflow of funds from Japan (e.g. through remittances, repatriation of profits, capital flight etc.); will reduce the supply of yen - Policies to reduce demand for foreign currencies e.g. protectionism 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.

Question Number	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. Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, application and analysis (12 marks) – indicative content Definition or understanding of economic development and aid • Money could be used to reduce absolute poverty; this will help lower child and maternal mortality, increasing HDI • Reduction of inequality and relative poverty as GNI per capita incomes would increase significantly • Increase level of human capital – through resources provided for education; increase in the mean years of schooling would increase standard of living • Can fill in the savings gap that can be used to invest in capital, which would not be possible due to low levels of savings to finance investment • Can fill in the foreign currency gap which may be used to import the necessary capital equipment. This will increase prospects for higher economic growth and employment and therefore greater living standards in the future • Can use funds for investment in infrastructure; essential for industrialisation as investment is an injection into the circular flow of income. This would increase the mobility of labour allowing access to employment, education and healthcare • Promote entrepreneurship which will help establish new businesses and lead to higher development through higher incomes • Countries could use saved interest repayments to reduce absolute poverty. This will help reduce child and maternal mortality. • The aid often comes with advice to help make it more effective 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 • Dependency culture could arise as developing countries are likely to become dependent on aid. They are unlikely to pursue sound macroeconomic policies to become independent, leading to moral hazard. • Dependency theory usually reinforces the dominance of donor countries over developing countries • Corruption in developing countries means that funds might not reach those for whom it's intended/may be diverted to government officials • IMF and World Bank have conditions attached to aid. This may include cuts in food subsidies to reduce government spending, or removal of import controls which could harm the countries' development	

		• Danger of tied aid/aid fatigue/wrong type of aid leading to an inefficient allocation of resources as aid distorts market forces • Proportion of aid could be relatively small and might not have a significant impact on the country's economic development. Recently the aid given to relatively rich developing countries has been greater than that given to poorer developing countries • Aid in the form of concessionary loans involves interest repayments and hence carries an opportunity cost; less spending on education and health • The advice given with the aid may not be best suited to the local context • The size of the aid given – in the case of Yemen (an increase of almost 200%), it is significant
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 Number	Between 2014 and 2018 the average cost to developing countries of servicing and repaying their external debts increased by over 60%. Evaluate the case for promoting <i>economic development</i> through debt relief. Refer to a developing 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. Knowledge, Application and Analysis (12 marks) – indicative content Understanding of economic development Understanding of debt relief • Countries could use saved interest repayments to reduce absolute poverty – this will help reduce child and maternal mortality • Can fill in the savings gap that can be used to invest in capital, which would not be possible due to the low levels of savings to finance investment, e.g. investment in hospitals will help the improve life expectancy/ investment in schools would help improve the means years of schooling and literacy rates • Can fill in the foreign currency gap which may be used to import necessary capital equipment. This will increase prospects for higher economic growth and employment in the future. Higher GDP will result in higher tax revenues and could be spent on e.g. housing, healthcare • Can use funds for investment in infrastructure; essential for industrialisation as investment is as an injection into the circular flow of income. Would also increase the mobility of labour – allowing access to employment, education and healthcare • Promote entrepreneurship which will help establish new businesses and lead to higher development through higher per capita incomes • Helps increase the level of human capital through resources provided for education, healthcare that would increase productivity and FDI inflows • Could help conserve the environment/promote environmental sustainability, e.g. debt for nature swaps

	N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate refers to economic growth and not economic development 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		
• Dependency culture could arise as the developing countries are likely to become heavily reliant on debt relief • It could lead to moral hazard: they may not pursue sound macroeconomic policies if they expect future debts to be written off • Dependency theory reinforces the dominance of debt relieving countries over developing countries • Corruption in developing countries means that funds might not reach those for whom it's intended/may be diverted to government officials • IMF and World Bank have conditions attached to debt relief. This may include cuts in food subsidies to reduce government spending, or removal of import controls which could harm the country's development • Many developing countries cannot have the debts written off if their income per capita is too high (to meet the IMF and World Bank criteria). Benefits of debt relief not realised by all developing countries • Some developing countries do not qualify for debt relief, if their debts were seen as sustainable • Proportion of debt relief could be relatively small and might not have a significant impact on the country's economic development • Takes a very long time to qualify for the debt relief programmes • Poor governance may mean that debt relief is not used efficiently		
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 Number	Between January and August 2018, Turkey's currency, the lira, depreciated by nearly 40% against the US dollar. Evaluate the economic effects of a depreciation of a country's currency. Refer to a 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. Knowledge, Application, Analysis (12 marks) – indicative content Understanding of currency depreciation • An improvement in the current account position of the balance of payments as exports would become relatively cheaper and imports become relatively more expensive, improving Turkey's international price competitiveness • Increase in net exports due to greater injections and lower leakages, thereby increasing aggregate demand: leading to economic growth and higher living standards in Turkey • Reduction in unemployment/increase in employment as there will be greater demand for labour (derived demand) due to economic growth and increased tourism in Turkey • Inflationary pressures are likely to increase as aggregate demand increases. The depreciation may cause an increase in the cost of imported raw materials and finished goods leading to cost-push inflation. • More inward FDI flows into Turkey and less outward FDI flows from Turkey, thereby improving the financial account position of the balance of payments N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country in their answer N.B. Award positive effects as KAA and negative 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.

Question	Evaluate the likely benefits to a developing country of joint ventures between local businesses and transnational companies as a means of promoting economic development.
	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 joint ventures • Understanding of economic development Benefits may include: • Allows sharing of costs with TNCs – could gain internal economies of scale thus reducing cost of production and export prices, leading to growth: this raises government revenue for investment in infrastructure/human capital • Local businesses could gain access to resources including technology human capital and finance – investment in R&D/innovation allows for economic development by improving access to the internet • Risks are shared as the firms contribute a portion of the resources needed, lowering financial burden of R&D. The risk of the product and the project failing and having negative impact on profits is lower - firms will undertake more investment in technology and infrastructure, leading to development • Access to newer/wider geographic markets, customer bases and larger distribution networks: increasing output and exports, hence increased employment, incomes and standard of living • Increase in allocative efficiency – new range of products, lower price and higher quality, making goods attractive in export markets: raised demand for exports, hence increased employment, incomes and standard of living • An increase in government tax revenues which could be spent on health and education, so improving HDI and therefore economic development • Positive externalities – other local businesses benefit from skill transfer as workers move to their businesses, capital transfer, multiplier effects as

	workers of the joint venture spend money in the wider economy leading to higher living standards N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer
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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 • Depends on the number and size of the joint ventures taking place • Impact on economic development is likely to be large as there has been a “significant increase in the number of joint ventures between local businesses and transnational companies” • Impact depends on the industries which experience a rise in joint ventures and their contribution to the country’s GDP • If joint ventures use large quantities of capital rather than labour, then the improvements in skills/incomes will not be achieved • It takes much time and effort to build business relationship with TNCs; if there are conflicting business objectives it may not enable growth and development: leading to firms reducing their investment • Diseconomies of scale – communication and coordination issues may arise; costs increase, and export prices may rise, leading to low exports • A joint venture is only temporary arrangement with TNCs: once this ends investment may decrease and hence economic development may not be sustained for a longer time period due to reduced infrastructure/technology spending • Success of joint ventures with TNCs depends on business objectives – may not allow firms to invest in R&D, thus restricting economic development • Any extra tax revenues generated from joint ventures may not be used to promote economic development e.g. they may be used on defence • If tax incentives are offered to the joint venture/TNC this is likely to reduce the tax revenues earned and the ability to improve health and education
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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 Libya the HDI was 0.80 in 2010 and it was 0.72 in 2019. Evaluate interventionist strategies that a government in a developing country of your choice might use to increase <i>economic development</i>. 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 economic development/HDI • Development of human capital – government investment in healthcare and education can increase human capital and productivity; increases HDI as it increases life expectancy and mean years of schooling • Protectionism – by imposing restrictions on free trade, the government helps domestic (infant and geriatric) industries therefore maintaining employment; increases HDI as per capita incomes increase • Managed exchange rates – countries with an overvalued exchange rate can import raw materials and capital goods at a relatively lower price promoting advances in technology; e.g. increases proportion of people with access to mobile phones and the internet • Infrastructure development – investment in physical capital, e.g. power and water supplies, transport links and telecommunication networks will increase efficiency and reduce unit costs; e.g. increases the proportion of people with access to energy and clean water • Promoting joint ventures with TNCs – allows sharing of costs with the TNCs thereby gaining internal economies of scale that reduces export prices; local businesses could access resources including technology/human capital • Buffer stock schemes – by setting a floor and a ceiling price, governments reduce uncertainty caused by price volatility; this would therefore stabilise incomes and increase HDI

	N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development 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		
• Increase in government spending could worsen fiscal position; if government spending is financed through borrowing it could increase external debt and subsequently lead to crowding out: resource and financial • Impact of the policies employed might depend on the state of the economy • A combination of policies may have to be implemented by the government to experience a large increase in economic development and HDI • Depends on the quality of education and healthcare programmes, e.g. if the government is investing in science/technology/maths based subjects, it may have a larger impact on economic development • Protectionism could lead to a distortion of comparative advantage and hence resources will be allocated inefficiently; the lack of competition for domestic industries could result in higher x-inefficiency • Overvalued exchange rate would make exports relatively more expensive therefore reducing demand for domestic goods and causing unemployment • Depends on the quality of the infrastructure developments • A joint venture is only a temporary arrangement with TNCs: once this ends, investment may fall and economic development may not be sustained; may not raise investment if firms have conflicting objectives and reaches a point of diseconomies of scale, causing export price to rise • Government failure: information gaps for the government, unintended consequences, moral hazard, excessive administrative costs e.g. due to high costs of storage and security associated with buffer stock schemes • Some of these policies will only have an impact after a significant time lag e.g. infrastructure developments		
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 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 <i>economic development</i>. Refer to examples of developing countries 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 economic development • Understanding of international institutions • The IMF – ○ fosters international monetary co-operation and provides temporary financial assistance to countries to help ease the balance of payments adjustment ○ promotes trade, economic growth and high levels of employment ○ promotes exchange rate stability, and ensures orderly exchange rate arrangements to secure financial stability ○ provides capacity development: technical assistance, policy advice and training of government officials to support developing countries strengthen economic institutions ○ offers debt relief/cancellation to help reduce absolute poverty • The World Bank – ○ gives grants, interest-free credit and provides low-interest loans ○ focuses on strengthening the private sector in developing countries ○ offers debt relief/cancellation to help reduce absolute poverty ▪ These can be used by developing countries for education, infrastructure, healthcare, housing projects; link to HDI ▪ Candidates may refer to other relevant institutions e.g. WTO, NGOs N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country/developing countries in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to more than one international institution 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.
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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 - Financial assistance by international institutions may be dependent on the countries adopting free market economic strategies e.g. removal of price controls, tariffs, that may reduce economic development - Questions raised on the extent of debt relief offered by the World Bank and the IMF: the data is for all low-income developing countries, so does each low-income country get enough funds to generate economic development - There are political power imbalances in their governance structures: the poor developing countries are structurally under-represented in decision-making processes - Economic policies promoted by IMF and World Bank have conditions attached – it undermines the sovereignty of borrower (developing) countries, limiting their ability to make policy decisions and reducing their ownership of national development strategies - International institutions may be perpetuating low levels of development by supporting corrupt governments - Conditions set by international institutions for aid and loans may result in the protection of inefficient industries and result in higher prices for domestic citizens, so reducing economic welfare		



		- To what extent do international institutions know what is best for developing countries? The governments of developing countries may be best placed to know what the most urgent problems and best solutions are - Problems of debt relief/aid - the type of aid, tied aid, aid fatigue etc. - Criticisms of international institutions, e.g. of the IMF's poverty reduction strategies; transparency/engagement of institutions has been questioned
Level	Mark	Descriptor
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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

Question	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 <i>economic development</i>. 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 HDI • Understanding of economic development Strategies include: • Trade liberalisation - removing protectionist measures and exposing the domestic economy to global competition, resulting in higher efficiency; link to comparative advantage and living standards • Promotion of FDI – e.g. tax breaks could help technology transfer and help with training of the workforce: increases productivity/employment/incomes • Removal of government subsidies – government’s scarce tax revenue can be spent on improving health and education, increasing HDI • Privatisation – increases efficiency in markets due to greater competition hence contributing to lower prices, better quality and more choice: this is likely to improve living standards • Floating exchange rate systems – makes exports more internationally competitive, increasing domestic employment/incomes and thus HDI • Microfinance schemes – these small-scale loans allow low-income producers to invest in physical and human capital, improving productivity/incomes N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer	
Level	Mark	Descriptor
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Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.

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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 - Problems of each of the strategies discussed - Trade liberalisation – could harm domestic infant and geriatric industries, increasing unemployment and hence reducing HDI - Promotion of FDI – could lead to TNCs exploiting the environment and labour; engaging in tax evasion/avoidance or transfer pricing - Removal of government subsidies – on e.g. essential goods, such as fuel, food, electricity and water supply, may lead to absolute poverty - Privatisation – could result in monopolies that could exploit their monopoly power and charge higher prices/reduce the quality - Floating exchange rate systems – imports could become relatively more expensive, leading to cost-push inflation and hence poverty - Microfinance schemes: lenders charge borrowers very high interest rates to cover the risk of default, and can result in more indebtedness - Assessment of the significance of the strategies considered in the analysis - Interventionist strategies could be more successful in increasing the HDI - Contrast the effectiveness of strategies used by different countries		
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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.

