

Mark Scheme for June 2012

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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Annotations

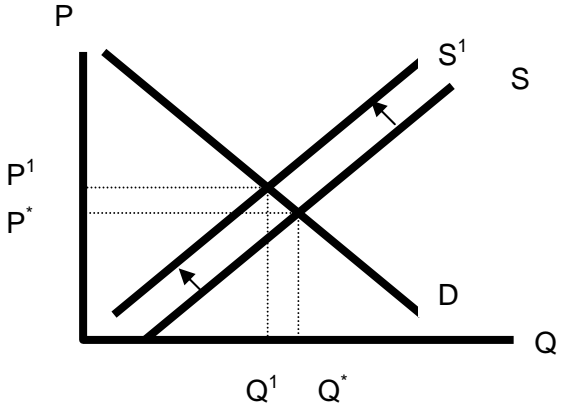
Annotation	Meaning
	Unclear
	Benefit of doubt
	Cross
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Own figure rule
	Repeat
	Noted but no credit given
	Too vague
	Tick
	Omission mark

Question		Answer	Marks	Guidance														
1	(a)	<table border="1"> <thead> <tr> <th>Statement</th> <th>Tick (✓)</th> </tr> </thead> <tbody> <tr> <td>GDP growth in Greece was positive at the beginning and negative at the end of the period.</td> <td>✓</td> </tr> <tr> <td>Germany's lowest GDP growth was -3.3%.</td> <td>✓</td> </tr> <tr> <td>In Q1 2008 GDP growth in Spain was -2.0.</td> <td></td> </tr> <tr> <td>In Q2 2010 GDP growth in the US was -0.6%.</td> <td></td> </tr> <tr> <td>Japan had the lowest GDP growth of -4.2%.</td> <td>✓</td> </tr> <tr> <td>The UK was in recession for the whole period.</td> <td></td> </tr> </tbody> </table>	Statement	Tick (✓)	GDP growth in Greece was positive at the beginning and negative at the end of the period.	✓	Germany's lowest GDP growth was -3.3%.	✓	In Q1 2008 GDP growth in Spain was -2.0.		In Q2 2010 GDP growth in the US was -0.6%.		Japan had the lowest GDP growth of -4.2%.	✓	The UK was in recession for the whole period.		3	Where more than three ticks, accept first three only.
		Statement	Tick (✓)															
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The UK was in recession for the whole period.																		
(b)	UK inflation stays positive throughout the period (1) whereas Japanese inflation starts positive in 2006 and becomes negative in 2009 (1). UK and Japan follow a similar pattern/trend (1) at different rates (1) UK inflation is always higher than Japanese inflation (1)	4	A second mark may be awarded if data is used to illustrate a comparison. However a maximum of one mark for trawling through the data.															
2	(a)	<table border="1"> <thead> <tr> <th>Meaning</th> <th>Tick (✓)</th> </tr> </thead> <tbody> <tr> <td>A UK export is a good or service firms in the UK produced and sold in the UK.</td> <td></td> </tr> <tr> <td>A UK export is a good or service which is produced overseas and sold in the UK.</td> <td></td> </tr> <tr> <td>A UK export is a good or service produced in the UK and sold overseas.</td> <td>✓</td> </tr> </tbody> </table>	Meaning	Tick (✓)	A UK export is a good or service firms in the UK produced and sold in the UK.		A UK export is a good or service which is produced overseas and sold in the UK.		A UK export is a good or service produced in the UK and sold overseas.	✓	1	No marks if more than one tick.						
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A UK export is a good or service produced in the UK and sold overseas.	✓																	
(b) (i)	US – 1 mark	1																
(ii)	India – 1 mark	1																
(c)	Chemicals – 1 mark	1																

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(d)	<p>Of the top 15 trading partners, 14 have seen a decrease in exports. Only one country (China) has had an increase in our exports and this was only a small increase.</p> <p>Impact on jobs in exporting sectors, where unemployment may rise. Regional unemployment – some areas may be more affected than others due to heavier reliance on the exporting sector.</p> <p>Unemployment in export sectors is likely to have reverse multiplier/cyclical effects and lead to further unemployment.</p>	6	<p>Award also reference to information found in Fig 4. Unemployment may have risen in some sectors, particularly petrol, cars and other oils. However, unemployment may have fallen in sectors where exports have risen, especially chemicals, engines and medicines.</p> <p>When awarding Level 2 or above, candidates must analyse the impact a specific factor from the case study might have upon UK unemployment.</p>	<p>Level 3 (5-6 marks) Candidate evaluates two or more factors from the case study that will affect UK unemployment.</p> <p>Level 2 (3-4 marks) Candidate analyses one or more factors from the case study that will affect UK unemployment.</p> <p>Level 1 (1-2 marks) Candidate applies knowledge of how unemployment might be affected by exports.</p>

Question		Answer	Marks	Guidance
3	(a)	Between 2003 and 2009 the current account remained negative (1) (also award deficit). In 2003 the deficit was -£18 billion (+/-£0.5bn) (1), it improved over the period/2007 onwards (1) to -£15.5 billion (+/- £0.5bn) (1). However, the deficit worsened considerably in/until 2006 (1) to -£45 billion (1).	3	Maximum of one mark for trawling through the data.
	(b)	(i) The balance of trade in goods and services (1) plus net investment incomes (1) and/or transfers (1)	2	An awareness that it contains exports and imports – one mark.
		(ii) When there is a deficit the value (1) of imports is greater than exports (1). Imports are greater than exports (1) meaning money is leaving the country (1).	2	One mark for imports greater than exports (no mention of value).
	(c)	(i) Any of – supply–side reforms, keep minimum wage increases low, encourage research and development, lower the exchange rate/depreciation), deflationary monetary policy/higher interest rates, deflationary fiscal policy.	2	One mark for each policy stated. Do not accept simply 'interest rate policy' or 'monetary policy' or 'fiscal policy'. Do not accept 'protection' unless a method other than tariffs and quotas is specified. Maximum of two marks.

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	(ii)	<p>E.g. Lower interest rates – to weaken the pound (L1) which will cause imports to become more expensive (L2) and therefore less competitive and exports to become cheaper and therefore more competitive (L3).</p> <p>E.g. Keeping minimum wage increases low (L1) – wages are a cost and if wages rise too fast the cost of producing rises (L2) and therefore prices may rise making UK goods less competitive (L3).</p> <p>E.g. Raising taxes (L1) would mean that people spend less (L2) including buying fewer imports and improving the deficit (L3).</p>	8	<p>For Level 4, the chosen methods (examples opposite) need to be compared.</p> <p>E.g. Raising taxes would also reduce the demand for UK goods and cause unemployment, so keeping the NMW down would be better.</p> <p>E.g. Depreciation of the £ would also help employment in UK firms as they become more competitive, so is better than a deflationary policy.</p>	<p>Level 4 (7-8 marks) Candidate evaluates which method is best for improving the deficit.</p> <p>Level 3 (5-6 marks) Candidate analyses one/both methods for improving the deficit.</p> <p>Level 2 (3-4 marks) Candidate demonstrates an understanding of one of the methods for improving the deficit.</p> <p>Level 1 (1-2 marks) Candidate demonstrates knowledge of one or two methods for improving the deficit.</p>

Question		Answer	Marks	Guidance
4	(a)	A quota is a set amount or limit (1) of an import allowed into a country (1).	2	If phrased as a limit a country may export to the quota-setting country, then accept this.
	(b)	(i) A tariff is a tax (1) placed on an import (1).	2	
		<p>(ii) Diagram – maximum of four marks for diagram</p> <p>Correct axes label (p and q) – one mark. Original equilibrium price and quantity labelled – one mark. Supply curve shifted to the left – one mark. New equilibrium price and quantity labelled – one mark.</p> <p>Explanation – maximum of two marks for explanation. One mark – state price rises. One mark – state quantity/amount demanded or demand falls (do not credit supply).</p>	6	<p>Own Figure Rule (OFR) can be applied to the explanation only if candidate shows an incorrect shift, however logic must be carried through from the diagram, e.g. if the diagram shows a fall in price, then this must be stated in the explanation. However, the supply and demand model must be valid, e.g. supply and demand curves the correct way around</p> 

Question		Answer	Marks	Guidance	
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	(c)	<p>Benefits – protect jobs, protect infant industries, prevent dumping, prevent negative externalities, protect vital industries.</p> <p>Costs – less competition, higher prices, lower quality, less variety, less choice for consumers. Benefits of absolute advantage are lost. Lower World living standards. Encourages inefficiency in domestic firms. Leads to trade disputes between countries. Retaliation makes all worse off.</p>	10	<p>A simple analysis of costs and/or benefits of protection should be awarded a Level 3 mark.</p> <p>NB Reward answers relating to the costs/benefits of protectionism rather than methods of protectionism.</p>	<p>Level 4 (8-10 marks) Candidate evaluates the impact of protectionist policies.</p> <p>Level 3 (5-7 marks) Candidate analyses costs and/or benefits of protectionist policies.</p> <p>Level 2 (3-4 marks) Candidate demonstrates an understanding of the costs and/or benefits of protectionist policies.</p> <p>Level 1 (1-2 marks) Candidate demonstrates knowledge of costs and/or benefits of protectionist policies.</p> <p>0 marks No evidence submitted or response does not address the question.</p>

Question		Answer	Marks	Guidance
5	(a)	Globalisation is the integration of countries (1) through trade (1).	2	Allow any correct clear explanation (example opposite) for two marks. One mark for some understanding shown.
	(b)	<p>Transportation – cheaper transport has allowed firms to transport their goods further and for less money meaning that costs are kept low (1) making their products more competitive (1).</p> <p>Information and Communication Technology – the use of the internet has allowed firms to advertise and sell their products in a global market (1) allowing trade to increase (1).</p> <p>Faster communication – firms can get information quickly from other firms, eg via the internet (email) (1) allowing trade to take place more easily (1).</p> <p>Higher living standards – consumers have more to spend (1), and so buy more imports, e.g. they may go anywhere in the world for holidays (1).</p>	4	Two marks for each clear explanation (examples opposite). One mark each for some understanding shown.

Question		Answer	Marks	Guidance	
				Content	Levels of response
6	(a)	Relative poverty is when people are poor compared with most people/the average person in a country.	4	<p>Candidates can score up to two marks (Level 1) for an explanation of absolute poverty (see opposite).</p> <p>Any knowledge of relative poverty, however, should be rewarded with Level 2.</p>	<p>Level 2 (3-4 marks) Candidate demonstrates knowledge of poverty with respect to relative poverty, e.g. when people have 60% of median income or less.</p> <p>Level 1 (1-2 marks) Candidate demonstrates knowledge of poverty with respect to absolute poverty.</p> <p>Or some understanding demonstrated of income differences.</p> <p>0 marks No evidence submitted or response does not address the question.</p>

Question		Answer	Marks	Guidance
	(b)	The UK's poverty line is much higher than Greece's (1). In the UK it is approximately 13,000 euros (accept between 12,500 and 13,500 euros) (1) and in Greece it is approximately 6,300 euros (accept between 6,000 and 6,600 euros) (1).	4	Also reward any other logical comparison such as: Relative position compared to other countries on the chart (1), comparison to average poverty line of all countries (1), calculation of relative values between Greece and UK, e.g. Greece is approximately half that of the UK (1).

Question		Answer	Marks	Content	Guidance
					Levels of response
7		<p>Benefits – More competition benefits consumers, more variety and choice, higher quality.</p> <p>Larger markets to sell to means that firms can gain economies of scale, lower average costs and lower prices for consumers. Global competition leads to more innovation.</p> <p>Increases economic growth and living standards. May reduce poverty. Increases employment opportunities. Enables consumption of goods which UK cannot produce.</p> <p>Costs – Increase in relative poverty, negative externalities, interdependence of countries meaning if one goes into recession the rest might, trade conflicts and protectionism causing higher prices. Loss of absolute advantage leading to unemployment. Balance of payments deficits.</p>	12	<p>In addition to the context shown in the answer column, award references to the data. Fig 1 shows that all six countries suffered recession which trade could have helped to spread. Fig 2 – trade may help keep inflation low. Figs. 3 and 4 – export sectors hit badly. Fig 5 – balance of payments deficits. Figs. 6 and 7 do not directly relate to UK, but show danger of trade disputes. Figs 10 and 11 could be related to international trade.</p> <p>There may be costs to the UK of international trade (see opposite), but in the long run UK has gained greatly from this trade in terms of economic growth and living standards.</p> <p>To move into Level 3, candidates have to relate the point in question to the UK.</p>	<p>Level 4 (10-12 marks) Candidate evaluates the benefits and costs of international trade for the UK with a conclusion reached – complex issues are discussed with clear reference to data. Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs are consistently relevant, and have been well structured, using appropriate technical terminology. <i>There may be few, if any, errors of spelling, punctuation and grammar. Candidate has been able to demonstrate and apply knowledge and understanding. The candidate should have analysed with reference to the question.</i></p> <p>Level 3 (7-9 marks) Candidate analyses costs and/or benefits of international trade for the UK economy. Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. <i>There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning. Knowledge and understanding has been demonstrated and applied/understood.</i></p>

Question			Answer	Marks	Content	Guidance
						Levels of response
						<p>Level 2 (4-6 marks) Candidate demonstrates an understanding of international trade – simple ideas are expressed in an appropriate way. <i>Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive. A basic knowledge and understanding has been demonstrated.</i></p> <p>Level 1 (1-3 marks) Candidate demonstrates knowledge of international trade – some simple ideas have been expressed. <i>There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.</i></p>

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