GCSE

Economics

Unit **A593**: The UK Economy and Globalisation

General Certificate of Secondary Education

Mark Scheme for June 2015

Annotations

Please annotate **every** response, even if no credit is given.

Annotation	Meaning
✔	Tick
✘	Cross
?	Unclear
BOD	Benefit of doubt
L1	Level 1
L2	Level 2
L3	Level 3
L4	Level 4
NAQ	Not answered question
OFR	Own figure rule
REP	Repeat
SEEN	Noted but no credit given
TV	Too vague
∧	Omission mark

Highlighting is also available to highlight any particular points on the script.

'SEEN' to be inserted on every blank page and in every question space where NR is the mark.

Question			Answer	Marks	Guidance
1	(a)		What is meant by specialisation?		
			Indicative content/exemplar response: Where a worker/firm/region/country concentrates on producing a narrow range of goods and services OR on one stage in the production process.	1	For one mark. Do **not** reward benefits.
	(b)	(i)	Identify the value of exports of services to France in 2011		
			£4.1 billion.	1	For one mark. Do **not** reward references to £4.1
		(ii)	Identify the value of services imported into the UK from Sweden in 2011		
			£1.4 billion.	1	For one mark. Do **not** reward references to £1.4
2	(a)		<table><tr><td>Trade in goods</td><td>✓</td></tr><tr><td>Bank loans between countries</td><td></td></tr><tr><td>Trade in services</td><td>✓</td></tr><tr><td>The purchase of factories overseas</td><td></td></tr></table>	2	One mark for each correct identification up to a maximum of two identifications. If more than two boxes are ticked, then only mark the first two boxes.

Question			Answer	Marks	Guidance
	(b)		Using calculations, compare the UK's balance of trade in Accommodation and Food Services with the UK's balance of trade in Information and Communication Services in 2011. Show your working.		
			One mark for calculating the balance of trade in Accommodation and Food Services: Value of exports = £71 million Value of imports = £271 million Balance of trade in Accommodation and Food Services = -£200 million **One mark** for calculating the balance of trade in Information and Communication Services: Value of exports = £ 21799 million Value of imports = £ 12292 million Balance of trade in Information and Communication Services = £9507 million **One mark** for stating that there is a **deficit** in trade in Accommodation and Food Services. **One mark** for stating that there is a **surplus** in trade in Information and Communication Services.	4	One mark for each correct calculation/ statement up to a maximum of four marks, but allow development marks. **One mark** for stating that the balance of trade in Information and Communication Services is greater than the balance of trade in Accommodation and Food Services. Do **not** award marks for simply stating how to calculate the balance of trade.

Question			Answer	Marks	Guidance
	(c)		Explain **two** possible reasons why the UK may have a deficit on the current account of the balance of payments.		
			Two marks for knowledge: Indicative content: • higher wage costs/unit wage costs compared to competitors • loss of absolute advantage • high/overvalued exchange rate • a high quality of manufactured goods • low productivity growth • rapid growth in real disposable incomes • low levels of product innovation. • higher inflation • other UK demand-side factors e.g. lower interest rates • globalisation **Two marks are available for a basic explanation of these factors:** Exemplar responses: The UK has lost its absolute advantage in certain industries such as shipbuilding and steel (1) as other countries are able to produce these at lower costs due to lower labour costs (1). **Two marks are available for each clear analysis** of how the named factor leads to a balance of payments deficit existing. For example: The UK has lost its absolute advantage in certain industries such as shipbuilding and steel (1) as other countries are able to produce these at lower costs due to lower labour costs (1). This has resulted in the value of UK exports falling, while the value of imports has risen (1).	6	One mark for each correct identification up to a maximum of two identifications, plus a further one mark for each of two explanations/ developments and an additional one mark for each of two analytical points. NOTE: this is a (1+1+1) x 2 question.

Question			Answer	Marks	Guidance
3	**(a)**	**(i)**	Explain what is meant by 'negative externality'.		
			Exemplar responses: A cost (1 mark) which is imposed upon an innocent third party (1 mark) **OR** where social costs exceed private costs (2 marks) A bad effect of an action imposed on others (1 mark)	2	Up to two marks. Do **not** award a mark for a simple reference to "a bad effect of an action". It must be clear that it is a bad effect imposed upon OR resulting to someone else. Do **not** reward examples as this occurs in Q3(a)(ii).
		(ii)	Identify **two** possible negative externalities which might result from increased world trade.		
			Indicative content: • air/noise/water pollution • destruction of environment (e.g. building new ports) • congestion • costs of the miles that products, e.g. food, travel from producer to the customer/consumer • global warming	2	One mark for each correct identification of a negative externality up to a maximum of two identifications. Nb only award one mark for the impact not the cause e.g. air pollution **not** air miles
	(b)		Explain what is meant by global interdependence.		
			Where one country depends on - or is reliant on (1 mark) – other countries (1 mark) When events in one country have an impact upon others (1 mark) **OR** for a reference to the fact that events in one country have an impact on other countries (1 mark).	2	Up to two marks.

Question		Answer		Marks	Guidance
(c)		Embargoes	✓	2	One mark for each correct identification up to a maximum of two identifications.
		Joining a customs union			
		Quotas	✓		If more than two boxes are ticked, then only mark the first two boxes.
		Reducing tariffs			

Question			Answer	Marks	Guidance	
	(d)		Evaluate whether or not the benefits of globalisation are greater than the costs for the UK economy.			
					Content	**Levels of response**
			Indicative content: Relevant benefits could include: • Cheaper consumer goods imported from overseas (increasing material living standards for consumers and reducing inflation) • Increased Foreign Direct Investment • Growth of UK export markets • Increased production for UK firms means possible gains from economies of scale • Increased international labour migration helping to solve skills shortages. Relevant drawbacks could include: • Possible (structural) unemployment • UK firms outsourcing production overseas • Possible environmental problems due to increased air and sea transport • Balance of payments deficit. Exemplar response: Globalisation or the expansion of world trade which has led to greater international interdependence (L1) has generated both benefits and costs for the UK economy. Some of the benefits include the fact that many economies have gained more Foreign Direct Investment (L2), while at the same time their consumers have benefited from cheaper, imported consumer goods (L2). In the UK economy, these cheaper goods have led to reduced cost-push inflationary pressures (L3).	**8**	**Level 4:** Answers come to a conclusion/ judgement as to whether or not the benefits of globalisation are greater than the costs for the **UK economy**. **Level 3:** Answers analyse the benefits and/or costs of globalisation for the **UK economy**. **Answers which do not relate to the UK economy will gain a maximum of four marks (top of Level 2).** **Level 2:** Application of knowledge and understanding: answers will identify different benefits and/or costs of globalisation.	**Level 4: 7-8 marks** – Candidate evaluates whether or not globalisation has benefited the **UK economy**. Answers need to analyse both advantages **AND** disadvantages as well as offering a conclusion with clear judgement in order to reach the top of Level 4. **Level 3: 5-6 marks** – Candidate analyses the benefits AND/OR drawbacks of globalisation to the **UK economy**. Answers need to analyse both advantages **AND** disadvantages in order to reach the top of Level 3. **Level 2: 3-4 marks** – Candidate demonstrates an understanding of the advantages and/or disadvantages of globalisation.

Question			Answer	Marks	Guidance	
			In addition, the UK economy has benefited from growing export markets which have enabled the UK to benefit from export-led growth (L3). On the other hand, there have also been costs to the UK economy from globalisation. For example, some UK industries have not been able to compete with overseas firms due to higher costs of production (L2). With these firms not being able to compete as effectively, structural unemployment may occur in the UK (L3). Overall, whether or not the UK economy has benefited from globalisation depends upon many factors, perhaps including which industry is being considered (Level 4).		**Level 1:** Answers demonstrate some knowledge of what globalisation is.	**Level 1: 1-2 marks** – Candidate demonstrates some knowledge of what globalisation is, without identifying any relevant impacts.

Question			Answer	Marks	Guidance
4	**(a)**	**(i)**	What is the full name of the WTO?		
			World Trade Organisation	1	For one mark. Only award the mark if all three words are correct.
		(ii)	Explain how the WTO promotes free trade.		
			The WTO hosts discussions OR trade negotiations (1 mark) in which countries agree to possible reductions in tariffs/quotas/forms of protectionism (1 mark) By negotiation/discussion (1 mark) **OR** The WTO resolves some trade disputes (1 mark) and so causes reductions in tariffs/quotas/forms of protectionism (1 mark) By resolving trade disputes (1 mark) **OR** The WTO has a set of rules (1 mark), which aim to ensure that countries do not introduce tariffs/quotas/forms of protectionism (1 mark) By having a set of rules (1 mark)	2	Up to two marks. One mark for each correct identification plus a further one mark for the explanation.

Question	Answer	Marks	Guidance

			Content	Levels of response
4 **(b)**	Analyse how a fall in a country's export trade might affect that country's economy.			
	Indicative content: • With lower export sales there will be a corresponding fall in demand (or AD) in the economy which will lower National Income/GDP. The overall level of equilibrium output will be lower. • There will be negative multiplier effects. • The balance of trade/balance of payments will worsen. • There will be a rise in unemployment/fall in employment. Relevant analysis includes: A fall in export trade will lower output and there will also be a fall in the derived demand for labour and, hence, employment levels will fall. With less demand for their products, firms will now produce less and, hence, overall output in the economy will also fall. Exemplar response: A fall in export sales will reduce both output and employment levels in an economy (L1). This is because, with lower export sales, demand will fall across the UK economy, thus leading to lower output (L2). At the same time, given that labour is a 'derived demand', lower demand for goods and services will lead to lower levels of employment (L2).	6	**Level 2:** Answers will use economic terms and concepts to analyse why lower export sales will affect an economy. **Level 1:** Answers will simply state that lower export sales will affect an economy.	**Level 2 (3-6 marks)** Candidates analyses the impact of lower export sales on an economy. **Level 1 (1-2 marks)** Candidates demonstrate some knowledge of the impact of lower export sales on an economy.

Question			Answer	Marks	Guidance
5	**(a)**		Using Fig. 7 compare the level of National Income per capita in Benin with the level of National Income per capita in the UK.		
			One mark for stating that Benin's National Income per capita is lower than the UK's **OR** that the UK's National Income per capita is higher than Benin's. One mark for some use of data to exemplify this. For example, the UK's National Income per capita is approximately 50 (actually 47.225) times larger than Benin's **OR** the UK's National Income per capita is $36,980 higher than Benin's.	2	Up to two marks Do **not** award the data mark if candidates simply repeat the data from the stimulus material.
	(b)		Using Fig. 7 calculate the total level of National Income in Benin. Show your working.		
			One mark for identifying that Benin's per capita income is $800 One mark for $800 x 9.4 million One mark for $7520 million **OR** $7.52 billion	3	Up to three marks Three marks for correct answer, if working not shown. **Without working do not accept $8 Bn.** **Maximum of two marks if $ symbol and/or millions/billions or m/bn is/are missing in the answer.** N.B. Do not forget OFR.
	(c)	**(i)**	Using Fig. 8 compare the number of people in poverty in Nigeria in 1980 with the number of people in poverty in Nigeria in 2010.		
			One mark for stating that the number of people in poverty has risen One mark for some idea of the magnitude of the change – for example, that the number has risen by around six times **OR** 600% (actually 657.7%) **OR** around 100 million (actually 95.37 million).	2	Up to two marks Do **not** award the data mark if candidates simply repeat the data from the stimulus material.
		(ii)	Explain what is meant by the term 'absolute poverty'.		
			On a world basis, this is defined as earning (1 mark) less than US $1.25 a day (1 mark) **or** having less than US $1.25 (1 mark) a day to live on (1 mark) **OR** this is where people have insufficient income or cannot afford to buy basic essentials such as food, clothing/shelter and clothing (2 marks) **OR** a general statement that this is where someone has insufficient income to live on (2 marks). 1 mark for a statement such as: 'When people have no food.'	2	Up to two marks for a clear explanation.

Question			Answer	Marks	Guidance

| | (d) | | Evaluate the likely effectiveness of **two** different policies a government might introduce to reduce poverty. | | | |

					Content	**Levels of response**
			Indicative content: • progressive income tax/less reliance on indirect taxes • welfare payments/means tested benefits • education and training • government provision of basic necessities • subsidies to reduce prices of basic necessities • the introduction of a national minimum wage. Exemplar response: Using education and training schemes (L1) could increase the level of skills and productivity of workers (L2). Workers with higher levels of skill are, on the whole, paid more and, as a result, this policy should increase the amount available to be spent on food and so reduce the levels of poverty in a country (L3). Nevertheless, education and training schemes are a very long term response to the problem of poverty and can be very expensive for a government to introduce – thus giving rise to opportunity cost (L3). Overall, the effectiveness of the policy may well depend on how much the government is willing or able to spend on education and training schemes and how the money is spent, e.g. on improving basic literacy as opposed to additional degree courses in universities. (L4).	8	**Level 4:** At the top of the level, candidates will evaluate two policies. Answers which only evaluate one policy can gain a maximum of 7 marks. **Level 3:** At the top of the level, two different policies will be analysed. Answers which only analyse one policy will gain a maximum of 5 marks. **Level 2:** Candidate describes different policies, rather than analysing them. **Level 1:** Answers will identify/name policies. N.B: Question DOES NOT specify developing countries. Therefore, accept answers which relate to policies used in countries such as the UK.	**Level 4 (7-8 marks)** Candidate evaluates the effectiveness of each of two policies to reduce poverty. **Level 3 (5-6 marks)** Candidate analyses the advantages AND/OR disadvantages of each of two policies to reduce poverty. **Level 2 (3-4 marks)** Candidate demonstrates knowledge of what policies could be used and / or describes these, rather than analysing how they can reduce poverty. **Level 1 (1-2 marks)** Candidate demonstrates knowledge of which policies may be used to reduce poverty.

Question			Answer	Marks	Guidance
6	(a)	(i)	Explain what is meant by foreign aid.		
			Indicative content: Aid is resources (1 mark) given from one country/organisation to another country (1 mark) Aid is given from one country/organisation to another country (1 mark).	2	Up to two marks for a clear explanation. 1 mark for a statement such as: 'Help for developing countries.' For 'resources' allow money/finance, capital/technology, expertise, etc.
		(ii)	Other than 'Aid for Trade', give an example of foreign aid.		
			Indicative content: • grants by governments • provision of money/funding • provision of machinery • provision of specialists/skills • low interest loans ('soft loans') • emergency aid • free university education for foreign students in donor country • 'tied' aid – linked to buying exports from donor country • bilateral or multilateral aid • debt relief	1	For one mark.

Question	Answer	Marks	Guidance
(b)	Discuss **two** factors which limit developing countries benefiting from globalisation.		

			Content	**Levels of response**
	Indicative content: • poor infrastructure • poor education and training • poor health care • high levels of debt • population problems • institutional weaknesses • low inward investment • lack of foreign currency • dependency upon primary products • lack of public funds/finance • protectionism in developed/ing countries. Exemplar answer: One factor could be poor infrastructure (L1) such as poor quality roads and railways (L2), which increase transport costs and may deter potential investment from MNC's so reducing the rate of technological progress (L3). This is important to many developing countries as they need to close the 'technology gap' to increase the quantity and quality of their products (particularly for export) and require foreign firms to help with this (L4). In addition, poor education and training (L1) can lead to lower levels of labour productivity (L2), which can lead to reduced international competitiveness and reduced export sales due to high average costs of production (L3). Overall, this is important to developing countries as labour costs are a higher proportion of total costs of production than in developed countries. (L4).	8	**Level 4:** At the top of the level, candidates will evaluate two factors which limit developing countries from benefitting from globalisation. Answers which only evaluate one policy can gain a maximum of 7 marks. **Level 3:** At the top of the level, two different policies will be analysed. Answers which only analyse one policy will gain a maximum of 5 marks. **Level 2:** Answers will explain or describe factors. **Level 1:** Answers will identify/name factors.	**Level 4: 7-8 marks** – Candidate evaluates two factors which may result in developing countries not benefitting from globalisation. **Level 3: 5-6 marks** – Candidate analyses one/two factors which may limit developing countries from benefitting from globalisation. **Level 2: 3-4 marks** – Candidate demonstrates an understanding of one/two factors which may limit developing countries from benefitting from globalisation. **Level 1: 1-2 marks** – Candidate demonstrates some knowledge **OR** lists some factors without explaining them.

Question	Answer	Marks	Guidance
7	Using information in the case study and your own knowledge of economics, evaluate the effectiveness of international trade as a method of supporting economic growth in developing countries.		

	Content	Levels of response
Indicative content: • Export-led growth: with increased export sales there will be increased demand for a country's goods and services – hence, increased output and employment • Countries will be able to specialise in the production of goods and services in which they have absolute advantage as they will be able to sell to a much larger world market. This results in increased efficiency • With selling to a larger market firms can gain the benefits of economies of scale – hence, more efficient production at lower AC's • Countries will be able to import goods including 'high-tech' machinery to help industrialise. Possible analysis of why trade may NOT support growth includes: • If a country runs a trade deficit then it represents a reduction in demand/economic activity and trade will lead to a net outflow of money from the economy • If industries are subject to cheaper foreign competition then they may not survive and close down resulting in unemployment • Is Foreign Direct Investment always in appropriate technology? For example, labour saving technology.	12 **Level 4:** Answers will reach a clear conclusion as to how effective trade is in supporting economic growth in developing countries. **Level 3:** Answers will analyse how trade may and may not be effective in supporting economic growth in developing countries. **Answers which fail to make any use of the stimulus material will gain a maximum of six marks (top of Level 2).** **Answers which do not relate to developing countries will gain a maximum of six marks (top of Level 2).** **Level 2:** Answers will explain or describe the role played by trade in promoting	***To achieve Levels 3 and 4 candidates must use some supportive evidence from the data.*** Possible examples of supportive evidence from the case study to achieve marks in Level 3 and Level 4 include: Use of **Fig. 3** to link how UK imports could be exports from developing countries and so generate export earnings. Use of **Fig. 4** to suggest that increased free trade and globalisation has disadvantages and can lead to potential problems. Use of **Fig. 5** to suggest developing countries might find it hard to sell in international markets due to factors such as increased protectionism and lower economic growth in developed countries. Use of **Fig. 6** to show how possible failure of world trade talks could increase protectionism and lower the volume of world trade. Use of **Fig. 7** to suggest how absolute advantage in the production of specific products could assist developing

Question	Answer	Marks	Guidance
	Exemplar answer: Trade enables countries to sell to a much larger market and, therefore, enables developing countries to benefit from greater economies of scale in production (L2). As a result, firms will benefit from lower average costs of production and, thus, may well be able to lower prices, making exports from developing countries more price competitive such as clothing exports from Bangladesh (see Fig. 7). On the other hand, if a developing country's industry is subject to competition from cheaper imported goods, then reduced growth and structural unemployment may result which will not be beneficial to growth (L3). Overall, where exports of goods and services represent a larger share of GDP in developing countries such as Ghana compared to Bangladesh (see Fig. 12), this means that any growth in exports from such developing countries will have a larger impact upon the rate of economic growth and so trade is likely to be beneficial to helping promote growth (L4).		development. **Level 1:** Answers identify what trade **OR** development **OR** economic growth is. countries to increase the level exports they sell. Use of **Fig. 10 & 11** to suggest that aid could be used to assist international trade by developing countries. Use of **Fig. 12** to suggest that some countries might be in a better position to benefit from international trade than others or have greater scope to increase exports as a proportion of GDP. Use of **Fig. 12** and **Fig. 13** to suggest that trade has been a major cause of growth in some countries. **Level 4: 10-12 marks** Candidate evaluates the effectiveness of trade as a method of supporting economic growth **in developing countries**. *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.* *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*

Question			Answer	Marks	Guidance
					reference to the question.

Level 3 (7-9 marks):
Candidate analyses why trade is and is not beneficial **for developing countries**.

Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question.

There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning. Knowledge and under-standing has been demonstrated and applied/understood

Level 2 (4-6 marks):
Candidate demonstrates an understanding of how trade may and/or may not be beneficial, but describes/explains the impact of trade on developing countries rather than analysing it.

Some 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

Question			Answer	Marks	Guidance
					Level 1 (1-3 marks): Candidate demonstrates knowledge of trade and how this can be of benefit/cost to developing countries – some simple ideas have been expressed but not explained. *There will be some errors of spelling, punctuation and grammar which will be noticeable and intrusive. Writing may also lack legibility.*

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