



General Certificate of Secondary Education  
2015

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## **Economics**

Paper 2

[G9272]

THURSDAY 4 JUNE, AFTERNOON

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**MARK  
SCHEME**

## General Marking Instructions

### Introduction

Mark schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

### The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of students in schools and colleges.

The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes, therefore, are regarded as part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

## Section A

AVAILABLE  
MARKS

- 1 (a) Unemployment is when a person is out of work but is available for, and actively seeking employment. In 2013, there were 2.5 million people in this position.

Award [2] for a clear and accurate definition or [1] for a flawed or partial definition.

(AO1: [2]) [2]

- (b) Frictional unemployment is when workers are unemployed between leaving one job and finding another.

Award [2] for a clear and accurate definition or [1] for a flawed or partial definition.

(AO1: [2]) [2]

- (c) Cyclical unemployment is when demand falls for goods and services. When this happens there is also a fall in demand for the workers who provide these goods and services. It is associated with a general downturn in economic activity across the economy.

Award [2] for a clear and accurate definition or [1] for a flawed or partial definition.

(AO1: [2]) [2]

- (d) There are several costs of unemployment to the UK economy. These may include:

- lost output that the workers could have produced had they been employed
- increased government spending on benefits
- loss of tax revenue paid in income tax and national insurance contributions to the government
- social costs (negative externalities) such as a rise in crime or deterioration in health standards.

Award [2] for a clear and accurate explanation of one of the above points or [1] for a flawed or partial explanation.

(AO1: [2]) [2]

8

- 2 (a) A trade union is an organisation of workers that represents its members' interests and tries to secure for them the best possible pay and working conditions.

Award [2] for a clear and accurate definition and [1] if definition is partial or flawed.

(AO1: [2])

[2]

- (b) Trade unions perform a number of roles for their members. These may include:

- Representing workers' interests in negotiations with management about terms and conditions of employment, including levels of pay
- Providing advice and representing individual members at disciplinary hearings
- Organising industrial action on behalf of workers
- Providing representation at national level
- Encouraging educational opportunities for members and their families through subsidies and sponsorship.

Allow [2] a clear and accurate description of a relevant trade union function or [1] for a flawed or partial description.

(AO1: [1]; AO3 [1])

[2]

- (c) Trade union membership has dropped for a number of reasons. These include:

- Many workers no longer see trade union membership as necessary as laws have changed that protect many of their rights
- Changes in the law have reduced the power of trade unions and this has made them less attractive to workers
- Sectors of the economy where there was strong trade union membership such as mining and manufacturing, and the public sector, employ considerably fewer workers
- Increased numbers of part-time and casual workers in the economy who are less likely to join a trade union.

Allow [2] a clear and accurate explanation of one possible cause of the fall in trade union membership or [1] for a flawed or partial explanation.

(AO1: [1]; AO3 [1])

[2]

AVAILABLE  
MARKS

6

- 3 (a) Economies of scale are the advantages that a firm gains when it increases its size or scale of production and this results in lower average costs in the long run.

Award [2] for a clear and accurate definition or [1] for a flawed or partial definition.

(AO1: [2])

[2]

- (b) Economies of scale can be either internal or external.

Internal economies of scale include:

- technical economies that occur when a firm can purchase a specialist piece of machinery to increase production and this helps to lower average costs
- managerial economies that may result when a firm is large enough to make it worthwhile to take on a specialist worker such as employing their own accountant
- purchasing economies that may result from a firm's ability to buy in bulk and obtain units of raw materials or components at a lower average cost
- marketing economies that occurs when a firm implements a specialist marketing strategy and gains the benefits across a wide spectrum of its operation, e.g. Marks and Spencer's television advertising
- financial economies that may be enjoyed by firms operating on a large scale and they are able to borrow at lower rates of interest
- risk bearing economies of scale where firms can sell across a range of markets

External economies of scale are a benefit enjoyed by the whole industry such as the availability of a well trained workforce in a particular area, or good infrastructure links, hence all firms can enjoy the benefits.

Award [2] for a clear and accurate explanation, [1] for a flawed or partial explanation. (2 × [2])

(AO1: [1]; AO2: [1])

[4]

AVAILABLE  
MARKS

6

**Total for Section A**

**20**

## Section B

AVAILABLE  
MARKS

- 4 (a) Inflation is a significant and persistent rise in the general level of prices that results in a fall in the purchasing power of the money. In the UK the government's preferred method of measurement of inflation is the Consumer Prices Index (CPI).

Allow [3] for a clear and accurate definition, or allow up to [2] for a partial or flawed definition.

(AO1: [3])

[3]

- (b) Between January 2010 and October 2014, the rate of inflation changed as follows:

- In January 2010, inflation was 3% and apart from a 0.5% increase in the first six months, it remained at this rate for most of the year.
- Towards the end of 2010, inflation started to increase and over the next year it rose to a peak for the period of just over 5%.
- For the next 9 months from October 2011, the rate fell quite sharply to 2%.
- During 2014, inflation fell from 2% to 1%.

Allow [4] for a clear and accurate interpretation of the data and the trends that includes relevant reference to the data.

Allow up to [3] for a partial or incomplete interpretation of the trends shown by the data.

(AO2: [4])

[4]

- (c) When prices rise faster than wages it can result in the following:

- the real value of wages falls therefore consumers and households will be worse off
- consumers will feel the pinch in terms of their everyday cost of living expenses and will have to adjust their spending plans
- there will be a fall in demand in sectors of the economy that are considered as 'luxuries' and this will affect business profits and sustainability
- there may also be a fall in demand for everyday essential items such as heat and this may lead to extreme hardship for poorer groups
- if the fall in aggregate demand is sustained, this may lead to a fall in GDP and the economy could dip into recession.

Allow [5] for a clear detailed and accurate explanation of how prices rising faster than wages could cause problems for the economy.

Allow up to [4] if responses lack detail and/or make insufficient reference to the impact on consumers and the macro economy.

(AO2: [2]; AO3: [3])

[5]

- (d) The source material refers to two schemes that the government has introduced to make it easier for banks to lend money to businesses and households. These are the *Funding for Lending* and the *Help to Buy* schemes. Candidates are not expected to know any specific details about individual schemes but rather understand the general principle that the government has stepped in to ease the credit situation in the economy.

Possible advantages and disadvantages may include:

#### Advantages

- Banks will be more willing to lend to house buyers thus stimulating an increase in demand for houses and associated goods and services
- Banks will be willing to lend to businesses thus stimulating an increase in investment
- Home owners may become more confident in using credit to increase their consumption based on short term increases in the value of their houses and this will create an injection into the economy so long as spending on imports is minimised
- An increase in demand may boost the economy and contribute to an increase in growth.

#### Disadvantages

- If the increase in demand for houses leads to an increase in house prices, this could create another housing boom with associated economic problems if people over-extend themselves financially
- Some businesses may obtain loans that are not viable in the longer term and which they will be unable to repay
- Consumers may increase their borrowing thus increasing their debt to unsustainable levels
- Growth in the economy may be too dependent on consumer spending rather than being underpinned by increasing production and exports.

(2 × [4])

Award [4] for clear and accurate explanations of each advantage and disadvantage.

Allow up to [3] in each instance if the response lacks detail about the full impact of eased lending to households and business.

Award [1] in each instance for a flawed or partial explanation.

(AO1: [2]; AO2: [2]; AO3: [4])

[8]

20

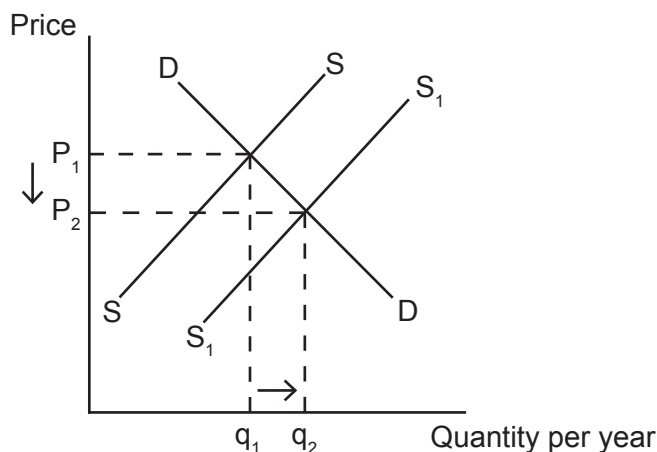
AVAILABLE  
MARKS

- 5 (a) In 2004, the price of natural gas was just over \$10 per unit. Over the next two years the price rose steadily to reach a peak of \$14 where it stayed at or close to this rate until 2009. By 2012, the price dropped steadily to \$10 per unit.

Award [2] for explaining the change and [2] for use of data.  
(AO2: [4])

[4]

- (b) All other things being equal, fracking will cause an increase in the supply of natural gas leading to a fall in its price.



Award [1] for drawing the demand and supply curves, [1] for showing the rightward shift in the supply curve, and [1] for showing fall in equilibrium price and [1] for showing the extension of demand.  
(AO1: [2]; AO2: [2])

[4]

- (c) Private costs include wages of the extraction workers, taxes paid by the gas exploration companies, and other production costs such as the hire of equipment.

Award [2] for a clear and accurate explanation or [1] for a flawed or partial explanation.  
(AO1: [1]; AO3: [1])

[2]

External costs include pollution of water, despoiling the landscape, increased congestion.

Award [2] for a clear and accurate explanation or [1] for a flawed or partial explanation.  
(AO1: [1]; AO3: [1])

[2]

AVAILABLE  
MARKS

- (d) The impact of the government's decision to reduce the taxes on the company profits earned when fracking is used to extract natural gas may include:

Advantages

- increased investment in fracking and more companies seeking to use this method
- a rise in gas production reducing prices
- increase in direct and indirect employment
- increase in the export of natural gas and reduced reliance on imported oil and gas
- shareholders may see increased dividends.

For each advantage, award [2] for a clear and accurate definition or [1] for a flawed or partial definition.

(AO2: [1]; AO3: [1]) × 2 [4]

Disadvantages

- loss of tax revenue to the government
- a rise in fracking leading to an increase in external costs from the despoiling of the environment
- negative externalities may have a major impact on other economic activities, such as, farming, fishing, tourism
- increased social cost and specifically negative externalities such as possible contamination of drinking water.

For each advantage, award [2] for a clear and accurate definition or [1] for a flawed or partial definition.

(AO2: [1]; AO3: [1]) × 2 [4]

**Total for Section B**

AVAILABLE  
MARKS

20

**40**

## Section C

AVAILABLE  
MARKS

- 6 (a) Privatisation is the process of transferring a business, agency or activity from the public sector to the private sector. There is a change in its legal status which most commonly is from that of a public corporation under government control to a private limited company owned by shareholders. The new business will have to break even and make a profit if it is to survive and prosper in the private sector. The privatisation of Royal Mail in 2013 is a recent high profile example of privatisation. The business activity transferred to the private sector ownership following a change in its legal status that allowed shares to be sold to private sector investors. Henceforth Royal Mail will have to compete with other private sector firms for the delivery of post and parcels and the other services in which it trades, breakeven and make a profit to encourage shareholders to continue to invest in it.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[2])**

(AO1: [2])

The candidate demonstrates some basic understanding of one or two features of privatisation but these are poorly explained or underdeveloped. Quality of written explanation is limited.

**Level 2 ([3]–[4])**

(AO1: [3]; AO2: [1])

The candidate demonstrates a reasonable understanding of the main features of privatisation and supports this with some explanation. Quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

(AO1: [4]; AO2: [2])

The candidate demonstrates a clear understanding of the main features of privatisation and supports this with relevant explanation. Quality of written communication is of a high standard. [6]

- (b) Businesses in the private sector compete in a number of ways. These include price and non-price competition which in turn includes factors such as:  
quality: after sales service; market share; innovation; efficiency; branding; choice; and value for money.

The nature and size of the market may also affect the forms of the competition adopted. For example, a monopoly will approach competition in a different way to a firm that operates in a more competitive market. Some businesses may operate in regulated markets and this may affect their ability to compete on price.

The impact of internet trading has greatly affected how firms compete. For example, retail sales for the 2013 Christmas period were dominated by firms that had effective online shopping and efficient ancillary services such as delivery or collection. The internet has also widened the geographic reach of some markets making them more competitive. Business survival now depends on their ability to capitalise on such changes so as to compete more effectively.

Some candidates may structure their answers around the 4Ps – price, place, product and promotion.

AVAILABLE  
MARKS

#### Level 0 [0]

The candidate's response contains no content worthy of credit.

#### Level 1 ([1]–[3])

(AO1: [1]; AO2: [2])

The candidate is aware of a small number of factors which influence how firms compete but points are not developed and do not distinguish adequately between price and non-price factors. Quality of written explanation is limited.

#### Level 2 ([4]–[6])

(AO1: [2]; AO2 [3]; AO3: [1])

The candidate provides a reasonable number of factors which influence how firms compete. There is an attempt to distinguish between price and non-price factors. Quality of written communication is satisfactory.

#### Level 3 ([7]–[9])

(AO1: [3]; AO2 [4]; AO3: [2])

The candidate provides a thorough explanation of the most relevant factors which influence how firms compete and the distinction between price and non-price factors is explained or alluded to. Quality of written communication is of a high standard. [9]

(c) There are a number of arguments for and against privatisation. The arguments for privatisation include:

- In the private sector businesses are required to compete and make a profit if they are to survive. This is considered to be an efficient market which brings benefits for consumers such as lower prices, more choice and greater efficiency.
- Many of the old nationalised industries that were state monopolies did not have to compete on the basis of price and efficiency. Several of these nationalised corporations such as British Steel were loss making and required large sums of public money to keep them going.
- Privatising such firms has improved the quality and efficiency of their operations, has made them more sensitive to customer demands and more likely to be innovative.
- In 1945, after the Second World War, it was considered important that strategic sectors of the economy like coal mining, energy provision, steel manufacturing, transport and communications to name a few were under government control in the interests of national security and to help the UK economy rebuild and recover. However, these arguments are no longer valid and the government no longer needs to invest in industry to this extent to ensure that the economy grows and prospers.

The arguments against privatisation include:

- Certain products and services are described as public goods because they cannot be provided profitably by the private sector and people can benefit from them without having to pay for them. If services are to be provided by the private sector, consumer would have to pay a fee for this service that at least covers the cost of provision. An example of a public good is street lighting. It is better that this continues to be

provided by the public sector rather than a private company undertaking this task for profit.

- The government should continue to provide goods and services that are categorised as merit goods, namely these are goods that the government believes we should consume in greater quantities than would occur under free market conditions. Consumption of these goods or services provides positive externalities for society therefore it is better for the government to provide these rather than leaving this to the private sector. Examples include health care and education.
- Some industries are considered to be natural monopolies and that it is against the public interest to have them run for profit and to be in more than one firm's ownership and control. There are fewer and fewer examples of natural monopolies as traditional examples such as the provision of water services have been privatised.
- Other points that may be included in discussion about whether certain goods and services should be under private sector ownership or kept under government ownership and control include reference to preventing the emergence of monopolies which might exploit the consumer, preventing possible corruption or exploitation, for strategic reasons and issues of public safety and sustainability, to manage the economy to prevent instability emerging and to deal with social costs and benefits.

#### **Level 0 [0]**

The candidate's response contains no content worthy of credit.

#### **Level 1 ([1]–[5])**

(AO1: [1]; AO2: [1]; AO3: [3])

The candidate identifies some possible arguments for or against privatisation, but points are not developed or discussed. Quality of written explanation is limited.

#### **Level 2 ([6]–[10])**

(AO1: [2]; AO2: [2]; AO3: [6])

The candidate briefly discusses some arguments for and against privatisation. A conclusion is reached and supported. Quality of written communication is satisfactory.

#### **Level 3 ([11]–[15])**

(AO1: [3]; AO2 [3]; AO3: [9])

A wide range of arguments for and against privatisation is developed and discussed. A reasoned and balanced conclusion is provided. Quality of written communication is of a high standard.

[15]

AVAILABLE  
MARKS

30

- 7 (a) The basic economic problem describes a situation where there are scarce resources but consumers' wants are unlimited. As a consequence it is not possible to meet all the demand for goods and services that exist in the economy and so choices have to be made. The concept of opportunity choice can be applied to the choices made. Factors of production such as land and labour are in limited supply and choices are made within the economy about how best to allocate these scarce resource.

#### Level 0 [0]

The candidate's response contains no content worthy of credit.

#### Level 1 ([1]–[2])

(AO1: [2])

The candidate demonstrates some understanding of the basic economic problem. Quality of written explanation is limited.

#### Level 2 ([3]–[4])

(AO1: [3]; AO2: [1])

The candidate demonstrates a good understanding of the basic economic problem. Some relevant examples are provided but only partially explained. Quality of written communication is satisfactory.

#### Level 3 ([5]–[6])

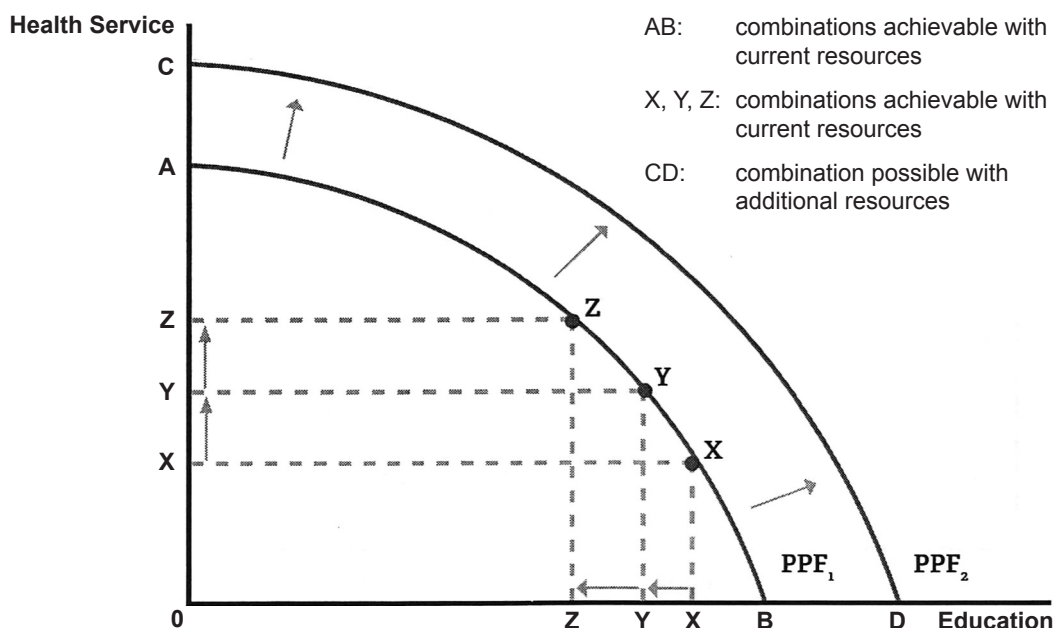
(AO1: [4]; AO2: [2])

The candidate demonstrates a clear understanding of the basic economic problem including the concept of opportunity cost. A number of relevant examples are skilfully used to illustrate the answer. Quality of written communication is of a high standard.

[6]

- (b) The government experiences the same challenge as households and other organisations in that its resources are limited relative to its wants. Therefore it has to make choices between how it uses its scarce resources to provide the services that people want.

#### The Production Possibility Frontier



The Production Possibility Frontier (PPF) can be used to show the choices that a government may have to make about the use of resources. The PPF represents the sets of combinations of goods and services that can be provided when all available resources are being fully utilised. As there are limited resources available, combinations beyond the frontier are unavailable. Combinations inside the frontier represent unemployed factors of production. In the context of government spending, the PPF could be used to illustrate all alternative combinations of the goods and services that are paid for out of public spending. Assuming that there are just two types of services provided, for example health care and education that are shown on the two axes, an increase in resources devoted to health care will reduce the resources available for education and vice versa. If the government has to cut back on public spending, the PPF will contract inwards to illustrate that with this new reduced budget, the government will be providing fewer of both types of goods and services. If more resources become available, the PPF can move outwards allowing the government to provide more of both types of services.

### Level 0 [0]

The candidate's response contains no content worthy of credit.

### Level 1 ([1]–[3])

(AO1: [1]; AO2: [2])

The candidate's response demonstrates a very restricted understanding of the concept of a PPF. There is no diagram or a very poor attempt at one. Some attempt is made to illustrate scarcity of resources facing the government in relation to public spending choices. Quality of written explanation is limited.

### Level 2 ([4]–[6])

(AO1: [2]; AO2: [3]; AO3: [1])

The candidate demonstrates an adequate understanding of the concept of a PPF. There is a reasonable attempt at a diagram. The relevance of the basic economic problem to government spending is examined briefly and illustrated. Quality of written communication is satisfactory.

### Level 3 ([7]–[9])

(AO1: [3]; AO2: [4]; AO3: [2])

The candidate demonstrates a clear understanding of the concept of PPF. There is a clear and well labelled diagram. The relevance of the basic economic problem to government spending is thoroughly examined and clearly illustrated with good links to the diagram. Quality of written communication is of a high standard.

[9]

- (c) Governments can attempt to increase the rate of economic growth in a number of ways. Usually these policies attempt to increase the quantity and quality of factors of production.

Policies include:

- Increasing the amount of training and education to make the workforce more productive.
- Reducing taxation to encourage more people to work.
- Allowing more immigration to increase the size of the workforce.
- Providing childcare to encourage more mothers to work.
- Increased spending on research and development to encourage innovation.
- Reducing taxes on companies to encourage them to invest.
- Increased government spending on infrastructure.

Candidates should weigh up how their choice of policies can affect the rate of economic growth and consider the advantages and disadvantages of pursuing these policies and any issues that may affect the success of the policy measures. Conclusions should focus on the likely effectiveness of the main government policies.

#### **Level 0 [0]**

The candidate's response contains no content worthy of credit.

#### **Level 1 ([1]–[5])**

(AO1: [1]; AO2: [1]; AO3: [3])

There is some understanding of government policies to promote economic growth. Any conclusion is unbalanced and inadequately supported. Quality of written explanation is limited.

#### **Level 2 ([6]–[10])**

(AO1: [2]; AO2: [2]; AO3: [6])

There is good understanding of government policies to promote economic growth. Some of these points are reasonably developed and discussed. Quality of written communication is satisfactory.

#### **Level 3 ([11]–[15])**

(AO1: [3]; AO2: [3]; AO3: [9])

There is a thorough examination of a range of government policies to promote economic growth. A reasoned and balanced conclusion is provided. Quality of written communication is of a high standard. [15]

AVAILABLE  
MARKS

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- 8 (a) The European Union consists of 28 member states pledged to greater economic integration. All member states are part of a customs union meaning there is free trade between members and a common tariff on imports from outside. They are also signed up to a single market which attempts to remove barriers to free movement of goods, services and factors of production. A number of states have also signed up to the single currency.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[2])**

(AO1: [2])

The candidate demonstrates some basic understanding of one or two features of the European Union, but these are poorly explained or underdeveloped. Quality of written explanation is limited.

**Level 2 ([3]–[4])**

(AO1: [3]; AO2: [1])

The candidate demonstrates a reasonable understanding of the main features of the European Union and makes use of relevant examples. Quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

(AO1: [4]; AO2: [2])

The candidate demonstrates a clear understanding of the most significant features of the European Union that includes reference to it being a customs union. Relevant examples are included to illustrate points. Quality of written communication is of a high standard. [6]

- (b) In recent years the EU has undergone considerable enlargement. Since 2004, 13 new member states have joined bringing the total number to 28. This has had a number of impacts upon the UK. These include:
- It allows greater access to markets of new EU states for existing member states.
  - With larger markets firms could benefit from economies of scale and face lower costs.
  - Free trade within the EU allows greater scope for comparative advantage.
  - New members will benefit as they become more attractive to foreign investors promoting growth and employment.
  - Existing member states could lose out to lower cost competition from new member states.
  - There could be a rise in immigration into the existing states from new members leading to political and social problems.
  - The EU may have to spend more money providing aid and assistance to new member states.
  - The EU budget will have to be shared among a great number of countries and since many of the new members are poorer than the UK, there will be greater competition of available funds.

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

AVAILABLE  
MARKS

**Level 1 ([1]–[3])**

(AO1: [1]; AO2: [2])

The candidate shows some understanding of one or two economic effects of EU enlargement on the UK but these are not developed or examined. Quality of written explanation is limited.

**Level 2 ([4]–[6])**

(AO1: [2]; AO2: [3]; AO3: [1])

The candidate provides a brief examination of some of the economic effects of EU enlargement on the UK. Quality of written communication is satisfactory.

**Level 3 ([7]–[9])**

(AO1: [3]; AO2: [4]; AO3: [2])

The candidate provides a thorough examination of the main economic effects of EU enlargement on the UK. Quality of written communication is of a high standard. [9]

- (c) The UK's membership of the EU is the subject of much debate and there are plans to hold a referendum on whether it should continue to be a member. There is considerable discussion, and sometimes not much agreement, about the actual costs and benefits of membership.

The key economic benefit of EU membership for the UK has been the extension of the available market in which to trade. The theory of comparative advantage states that countries can benefit from trade by specialising in producing those goods and services which carry the lowest opportunity cost. If all countries within the EU do this, output and consumer welfare can be maximised. Consumers benefit from a greater choice of goods and services including some that it may not be possible to produce domestically. Firms may benefit from economies of scale as they are able to sell into larger European market.

The UK has benefited from EU investment in infrastructure as well as social, cultural and education programmes.

However, some of the key costs of membership are:

- The UK contributes to the EU budget and some argue that this is too high and it does not receive sufficient benefits.
- The UK government must implement EU regulations and directives and this has had a distorting impact on the economy. However, since the UK has remained outside the Eurozone, the Bank of England still has control over monetary policy rather than it being under the European Central Bank. The UK could set its own interest rates.
- EU countries might restrict exports from certain industries in the UK, for example, exports of beef were restricted following the foot and mouth outbreak of 2003.
- UK firms, and other multinational firms that had initially invested in the UK, have relocated production to other lower cost areas within the EU causing the UK economy to have to adjust to changes in demand for workers.
- Immigration into the UK from EU member countries has meant more demand on public services such as social security, health and education and this has increased demands on public spending.

AVAILABLE MARKS

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[5])**

(AO1: [1]; AO2: [1]; AO3: [3])

The candidate identifies some possible costs and benefits of the UK's membership of the EU, but these are not developed or discussed. Quality of written explanation is limited.

**Level 2 ([6]–[10])**

(AO1: [2]; AO2: [2]; AO3: [6])

The candidate is able to briefly discuss some possible costs and benefits of the UK's membership of the EU. A conclusion is reached and supported. Quality of written communication is satisfactory.

**Level 3 ([11]–[15])**

(AO1: [3]; AO2: [3]; AO3: [9])

A wide range of costs and benefits of the UK's membership of the EU are developed and thoroughly discussed. A reasoned and balanced conclusion is provided. Quality of written communication is of a high standard. [15]

AVAILABLE  
MARKS

30

- 9 (a) The main common features of developing countries include:
- High and rising populations
  - Lower life expectancy than in the UK
  - Widespread poverty – Low GNI per person for example, a significant proportion of the population may be living on less than \$2 per day
  - High infant mortality and this suggests poorer health facilities and education
  - Education may not be universally provided and/or children may not be able to attend, hence adult literacy rates are lower than in developed countries
  - Reliance on more subsistence agriculture rather than having a developed industrial or tertiary sector
  - Poor infrastructure

**Additional points may be made including:**

- Problems with health including HIV/Aids, malaria and a lack of resources to provide adequate treatment
- Impact of war, famine, and natural disasters
- Corrupt governments
- Debt
- Reliance on foreign aid

**Level 0 [0]**

The candidate's response contains no content worthy of credit.

**Level 1 ([1]–[2])**

(AO1: [2])

The candidate demonstrates some basic understanding of the main features of a developing country, but these are poorly explained or undeveloped. Quality of written explanation is limited.

**Level 2 ([3]–[4])**

(AO1: [3]; AO2: [1])

The candidate demonstrates a reasonable understanding of the main features of a developing country, but the explanation could be more fully developed. Quality of written communication is satisfactory.

**Level 3 ([5]–[6])**

(AO1: [4]; AO2: [2])

The candidate demonstrates a clear understanding of the main features of a developing country. Quality of written communication is of a high standard.

[6]

AVAILABLE  
MARKS

- (b) Globalisation is the process by which the international economy has become more open and world markets for goods, services and capital have become more integrated. If the conditions are right in countries, globalisation can support economic growth and improvements in standards of living. However, it has also been criticised for making large multinational companies more powerful at the expense of the population of poorer countries. The extent to which globalisation may have positive effects on developing countries will depend on:

- Their stage of development and how open they are to international markets
- The resources they have trade with and whether they can establish a comparative advantage in production of a good or service
- Some developed countries have successfully developed a niche market, for example in tourism
- How able their government is to take advantage of opportunities
- The standard of education in the country and whether there is a developing workforce who can work in a global organisation should it choose to invest

#### **Level 0 [0]**

The candidate's response contains no content worthy of credit.

#### **Level 1 ([1]–[3])**

(AO1: [1]; AO2: [2])

The candidate shows some understanding of the concept of globalisation and of one or two ways in which it impacts on developing countries but these are not developed or examined. Quality of written explanation is limited.

#### **Level 2 ([4]–[6])**

(AO1: [2]; AO2: [3]; AO3: [1])

The candidate shows understanding of the concept of globalisation and of how it impacts on developing countries. Quality of written communication is satisfactory.

#### **Level 3 ([7]–[9])**

(AO1: [3]; AO2: [4]; AO3: [2])

The candidate shows understanding of the concept of globalisation and provides a thorough examination of how it impacts on developing countries. Quality of written communication is of a high standard. [9]

AVAILABLE  
MARKS

- (c) Aid is provided to less developed countries (LDCs) by foreign donors, such as the UK government, to help alleviate poverty and to fund economic development. It may also be provided by charities or multinational bodies like the World Bank. It may take the form of money, goods or expertise.

Aid has many beneficial impacts:

It can support targeted projects such as building infrastructure or providing education that bring social benefits to the country. This also helps to move the country on at a faster rate than had they been relying on their own resources to fund these projects.

However, there are possible reasons why aid may be bad for LDCs would include:

- The aid might not be appropriate
- The aid could be siphoned off by corrupt politicians in LDCs
- The aid might make LDCs dependent on donor countries.

There are alternative policies that may be better for developing countries to implement in the long run to support their economic development rather than relying on foreign aid. For example, if developing countries are able to take advantage of free trade opportunities that have opened following the work of the World Trade Organisation (WTO). However, LDC industries may not be able to compete internationally and developed countries may set up barriers to trade.

#### Level 0 [0]

The candidate's response contains no content worthy of credit.

#### Level 1 ([1]–[5])

(AO1: [1]; AO2: [1]; AO3 [:3])

The candidate identifies one or two possible ways in which aid helps developing countries but points are flawed or lack development. Quality of written explanation is limited.

#### Level 2 ([6]–[10])

(AO1: [2]; AO2: [2]; AO3: [6])

The candidate briefly discusses some possible ways in which aid benefits developing countries. A conclusion about whether aid is the best policy to help economic development is reached and supported. Quality of written communication is satisfactory.

#### Level 3 ([11]–[15])

(AO1: [3]; AO2: [3]; AO3: [9])

The candidate develops and thoroughly discusses a number of possible benefits of aid to developing countries. A reasoned and balanced conclusion about whether aid is the best policy to help economic development is provided. Quality of written communication is of a high standard. [15]

**Total for Section C**

**Total**

**AVAILABLE  
MARKS**

30

30

90