MARK SCHEME for the May/June 2015 series

9772 ECONOMICS

9772/03	Paper 3 (Investigation), maximum raw mark 40

This mark scheme is published as an aid to teachers and candidates, to indicate the requirements of the examination. It shows the basis on which Examiners were instructed to award marks. It does not indicate the details of the discussions that took place at an Examiners' meeting before marking began, which would have considered the acceptability of alternative answers.

Mark schemes should be read in conjunction with the question paper and the Principal Examiner Report for Teachers.

Cambridge will not enter into discussions about these mark schemes.

Cambridge is publishing the mark schemes for the May/June 2015 series for most Cambridge IGCSE®, Cambridge International A and AS Level components and some Cambridge O Level components.

1   Transport and the Environment

'High-Speed Rail 2 is a once-in-a-generation opportunity which will unlock the economic potential of the UK.'

(Source: Adapted from Manchester City Council)

To what extent do you agree with this statement?

Candidates should demonstrate that they understand the nature of High-Speed Rail 2 (HS2) and the rationale behind its construction. They should demonstrate a good understanding of the proposed benefits of HS2 as well as its potential costs. The best candidates will focus specifically on the quote – that is whether it is a *once-in-generation opportunity to unlock the economic potential* of the UK; whilst weaker candidates will produce a generic pros/cons analysis of HS2. The best responses will consider what is meant by economic potential and which stakeholders will benefit/lose in the UK. They should use appropriate analytical tools and data to support their arguments, with pupils possibly referring to HS1 as part of their answer. International comparisons are also likely to be useful when considering the effectiveness high speed rail and in making criticisms of HS2. They should reach a clear and well-supported conclusion on the case for whether HS2 is likely to unlock the economic potential of the UK – an approach may focus on the regional North West / South East impacts. Candidates are likely to focus primarily on the economic potential in terms of jobs and productivity, but those who discuss both micro and macro analysis will be credited with higher order marks. Some candidates may propose alternative policies that would be better at unlocking the economic potential of the UK (such as Heathrow Airport expansion), or provide international comparisons of transport projects. Analysis may be assisted by the use of diagrams.

Answers may include:
Knowledge and **understanding** of the costs of HS2 and the proposed benefits
Examples:
- The nature of the HS2 project – aim, timeline, objective
- Economic potential – employment, GDP, productivity, efficiency, competitiveness, integration, North-South divide.

Application of economic benefits/costs of HS2 rail on UK economic potential
Examples:
- Current transport network issues
- Employment
- Regional GDP
- Efficiency savings
- Competitiveness
- Geographical mobility of labour.

Analysis of the costs and benefits of high speed rail to the UK
Examples:
The benefits of:
- – Allowing trains to run at 250mph
- – Journey time reduced to 83 minutes
- – Reducing congestion / meeting forecast demand / reducing strain on the wider transport network
- The macroeconomic value of HS2 infrastructure
- More attractive for FDI
- Regional employment (estimated to created 100,000 jobs)
- Strengthen some cities position as the northern transport hub and unlock major investment, jobs opportunities and connectivity to the rest of the country

- Positive regional multiplier impacts – tourism and business
- Firm's costs – will it reduce costs via efficiency gains; or depress/increase wages via more geographical mobility
- Efficiency
- Competitiveness of the North West – being more integrated with the South reducing North-South divide
- A discussion of the North-South divide in GDP/capital and GDP/unemployment distribution
- The impact of congestion on economic and environmental costs.

Thinking about for whom the economic potential will be unlocked – urban cities vs rural villages, consumers, local firms vs national firms, local governments vs national government, geographically (im)mobile workers, elderly, young.

- HS2 rail will alleviate congestion and strain on the transport network, important to keep the North West connected to the rest of the UK. A study by Network Rail claims upgrading the existing infrastructure is not a feasible plan to meet the forecast increase in demand over the next two decades.
- A study by KPMG will form a key part of that assessment and is expected to predict the line will create hundreds of thousands of jobs in the regions. The prospects of a big boost for employment beyond the southeast runs counter to the claims by many critics who argue the fast links provided by HS2 will result in more jobs being sucked into the capital from the regions.
- Positive/negative externalities discussed: (though the best candidates will discuss this in the context of unlocking the economic potential of the North West rather than purely a pros/cons of the HS2 project itself – for example the negative externalities for some rural villages in the North West will see their economic potential fall as they become less attractive for tourism).
- Reduced emissions; reduced congestion; reduced noise pollution (compared to air travel); localised economic benefits.

Candidates are expected to support their analysis by referring to cost-benefit analysis and attempting to determine the net social benefit of HS2 to the UK. Good candidates are likely to support their analysis with appropriate diagrams as well as relevant and recent data on, for example, effect on employment. They may also refer to shadow pricing and explain how it can be used in the cost benefit analysis (CBA) process – the best candidates may be able to incorporate the bias in the provenance of the quote into the impact it has on discount rates used and the result of the CBA. Candidates may also use macroeconomic analysis and consider the impact on the production possibility frontier (PPF) and/or long run aggregate supply (LRAS) of significant new infrastructure projects. Concepts of efficiency and international competitiveness could be usefully introduced. The may also consider the cost of such a project and its impact on the Government Spending component of aggregate demand (AD).

The following bullet points note examples of supporting analysis/application that *could* be used by candidates.
Note this is **not** an exhaustive list, nor is it what is required to do well, but rather it is an indicative list of the kinds of independent research that candidates could use to support their arguments.

- The Government says it will cost £42.6 billion to build, plus £7.5bn for the trains, in 2011 prices. This is significantly higher than the original forecast of £32bn.
- Phase 1 would not run until 2026 at the earliest, with stations in just Birmingham and London. Phase 2 would have stations in Manchester, (near) Nottingham, Sheffield and Leeds but is currently due for completion in 2033.
- Evidence from KPMG report e.g. they calculated the following would suffer economic loss if HS2 goes ahead: such as Cardiff, Cornwall, East Anglia and Aberdeen.

- The network is expected to generate £15bn extra GDP a year. But costs/benefits forecasts assume a 133% growth in demand.
- World Competitiveness Report: UK ranking in rail infrastructure 16th (27th overall).
- Rail freight has risen by 29% in the past 5 years – capacity constraint problems on UK's transport network.
- 40,000 jobs created in Phase 1; 100,000 by Phase 2. But 3x as many passenger journeys will be towards London, thus exacerbating regional inequality.
- The DfT's economic case for HS2 relies so heavily on time savings that every decision about the railway has been made to maximise speed, at the expense of connectivity and the environment. In the latest economic case, 79% of the economic cases are from time savings. The DfT's economic case for HS2 has always relied on the assumption that all time spent on trains is wasted. Meanwhile they have dismissed the greater viability and value for money of the alternatives.
- Ministers have claimed HS2 will be 'broadly carbon neutral'; this omits the carbon cost of constructing the line. The power requirement is 350 Mega Watts just for Phase 1, the output of some UK power stations. HS2 Ltd does not know how much extra electricity will be needed for Phase 2. It also ignores the fact that much of the electricity to run HS2 will come from fossil fuels currently.
- HS2 threatens 350 unique habitats, 67 irreplaceable ancient woods, 30 river corridors, 24 Sites of Special Scientific Interest plus hundreds of other sensitive areas. The ultra-high design speed of 250mph, dictates HS2 tracks have to be as straight as possible, and cannot curve round these important sensitive sites.
- For the development of HS1, the 'Kent Principles' were developed, which made environmental and mitigation concerns central to the choice of the route to the Channel Tunnel. These Kent Principles have been ignored for HS2.
- The expected modal shift due to HS2 has fallen almost to nothing. HS2 Ltd say that the modal shift from air will be 1% of passengers and only 4% from cars. 26% of passengers will be induced demand – i.e. expected to use HS2 just because it is built.
- No value has been put on the lost output from farming or tourism during the construction and operation of HS2.
- Liverpool does not now have a station on HS2. Journey times compared to London will be longer than from Manchester, and according to KPMG report Liverpool may actually lose out with HS2.
- HS1 currently carries 9 million passengers per year instead of the 25 million forecast for now: unexpected competition from low cost airlines and ferry operators is blamed for this. The National Audit Office reported that HS1 will cost the taxpayer £10bn more than expected because of this shortfall.
- The HS2 business case assumes that fares will be the same as on conventional speed trains and Patrick McLoughlin warned recently that some passengers will have to pay "a lot of money" to use HS2. With higher energy and maintenance costs than a normal railway, the only way to keep HS2 fares in line with current services would be a massive increase in taxpayer subsidy for HS2.
- Spending £50bn on HS2 has a huge opportunity cost: Alternatives to HS2 would not cost as much as HS2 and are much better value for money, would benefit far more people, better balanced in meeting needs across the whole country. These alternatives could be implemented much sooner than HS2. For example, the independent think tank the New Economics Foundation has proposed a £33bn package of investment including major upgrades to the East Coast and West Coast main lines; regional rail enhancements; investment in urban mass transit and bus networks; and improvements to cycling and walking infrastructure. These investments would still leave funds to extend the roll-out of super-fast broadband. A package of this kind would not only meet rail capacity needs but would be much more effective than HS2 in catalysing growth and job creation and contributing to a low carbon future.

- The growth in rail travel is mainly commuter and regional travel but the economic justification for HS2 is for long distance business travel to meetings, whereas in reality this is falling. HS2 won't help the busiest routes, into Paddington and Waterloo: WCML long distance peak hour trains are just 56% full.
- Prof Tomaney report to Transport Select Committee arguing that HS2 could even damage regional growth. In a report already presented to the Transport Select Committee, he argues that cities which get a HS2 station may gain some benefits, but these could be at the expense of neighbouring towns and cities which could lose out.

Evaluation of the extent to which HS2 rail will unlock the economic potential of the UK.

Basic evaluation may broadly accept the case put forward by the government that HS2 rail will unlock economic potential, but that such a case faces uncertainty - such a discussion may focus on a narrow range of issues, or with superficial coverage e.g. surrounding the valuation of the costs/benefits – monetary value of quicker access between London-Manchester. Stronger evaluation will have specific research to back this point up or show a sophisticated approach to the uncertainty. The cost estimates have already risen from an initial £33bn to almost £50bn, for example the debate over the CoBA used by the government – an important assumption in the original DfT study assumed there was no productivity gains from working on a train. Similar debate exists around the validity of the discount rates used. However, at this level the focus on how this impacts the ability of the UK to unlock this potential is broadly ignored and it is more of a pros/cons of HS2 rail approach.

The good candidates will go beyond just giving a pros/cons of whether to build HS2 rail, but actually focus on the quote about whether HS2 rail will unlock the economic potential of the UK. A critical awareness of the scheme will be shown by candidates – for example discussing the significance of the journey time savings that HS2 will deliver and whether this will revolutionise the North West (compared to say Chinese high speed rail where the journey time savings are very significant). The National Audit Office has challenged the view that HS2 rail will help generate regional economic growth and rebalance regional economies.

Further evaluation of the economic case could involve consideration of efficiency arguments and the extent to which such infrastructure is necessary for maintaining UK competitiveness. A critical awareness of HS2 is understood – for example it only links 4 cities, and few of the airports, and delivers a reduction of 20 minutes journey time – and over 90% of journeys are currently by road, therefore more fundamental reforms to this mode are likely to be more significant to unlock the full economic potential of the UK.

Weak candidates may generalise what unlocking economic opportunity means whilst stronger candidates will be able to delineate differences and nuances. Good candidates will understand the role of HS2 as part of a wider integrated transport policy if it is to unlock the economic potential of the UK. RAC Foundation argue the £50bn might be better spent on other projects aimed at increasing rail capacity and linking northern cities with London – for example HS2 rail currently does not extend to Heathrow.

Value for money consideration involving HS1 as a comparison, or the AVE in Spain, issues of government debt and public-sector inefficiency could be discussed to cast doubt on the quote. The CBI has already expressed doubt over the return on investment. A regional multiplier vs regional competition could be discussed – it is unclear as to whether some of the jobs created from HS2 rail would have been created anyway, or would be taking jobs away from other cities in the same region. Since most jobs will stay in London, there could also be further job transfer from the North West to London, exacerbating a North-South divide (similar to Seville's experience in Spain with the AVE).

The time frame under consideration could be discussed with the project not being set to be completed until 2033, so any benefit to the UK is accompanied by a time lag, with outdated technology. Whilst there is the possibility for HS2 rail to unlock the economic potential of the UK, it is too ambitious a scheme with no guarantee of being good value for money. A KPMG report finds that whilst regions outside London will be the biggest beneficiary, the economic boost will not be felt until 2037. Some candidates may discuss the nature of the economic potential that exists in the UK or how to value it; and compare it to the issue of sustainability and economic welfare.

Whilst a report for HS2 Ltd found the project could boost the UK economy by £15bn a year but political biases and agendas may be discussed as a reason to doubt the economic forecasts. There is much debate and dissent from MPs on whether HS2 rail will reduce regional inequality.

The views of competing stakeholders may be discussed – e.g. the Treasury Select Committee vs HS2 Action Alliance. A compulsory assessment of the scheme in 2013 concluded that, on a "traffic light" rating system, HS2 has a "red-amber" risk of going wrong, with serious shortcomings in the current CBA. The candidate may attempt to weigh up the winners in the UK from the scheme with losers in the UK – for example evidence that HS2 is already having a dramatic impact on the property market, bringing property values down. HS2 Action Alliance, a network of protest groups – 'HS2 is not an engine for growth, but an investment in folly'.

Candidates may look at alternatives, arguing that HS2 rail is not the only way to unlock the economic potential of the UK – that is it is not a 'once-in-a-generation opportunity'. They may argue upgrades to existing rail infrastructure will be far quicker and better value for money in delivering this. They may also argue that the focus of HS2 rail should be as part of an integrated transport policy, including aviation expansion, given the strengths of the UK economy.

A conclusion may centre on the fact that it is not going to be a panacea and to unlock the economic potential of the UK will require a mix of policies, either in addition to or instead of HS2. It will only work if the interchange links directly into cities and comes with a significant government package of investment in its infrastructure, road and rail links to the rest of the city region area.

Theory and Analysis

Level 4 (18 – 22 marks) Mid mark 20	In this level, the answer shows a thorough understanding of the reasons why HS2 rail could unlock the economic potential of the UK. There will be in-depth analysis which will show good independent research to support their points. In this level candidates will look at the economic potential of the UK from a range of perspectives. Responses may go beyond HS2 to look at better or worse alternatives to unlocking the economic potential of the UK, and may show critical awareness over the need to unlock such potential to remain globally competitive. Candidates may show an understanding of HS2 in the context of the wider sustainable transport agenda. At the top end of this level, there is likely to be a distinction of the effects on different individual groups.
Level 3 (12 – 17 marks) Mid mark 15	In this level, a clear attempt is made to answer the specific question set on whether HS2 will unlock the economic potential of the UK. Links between the question being asked and the perspective being put forward are clear. There is a solid understanding of a range of reasons why it will or won't, with relevant supporting data and diagrammatical analysis. Use of economic theory, terminology and application is correct and regular, though may contain some errors at times. There is some attempt to use independent research to support their points but at the lower end this may be more superficial and unsubstantiated. A range of perspectives is discussed but may lack critical awareness at times for example about the issues surrounding HS2 rail, for example its scope or its cost. At the lower end of this level, the candidate may lack breadth by adopting generalisations about the 'economic potential' or about HS2. The debate around HS2 may lack sophistication. Independent research to support their points will be superficial at the lower end.
Level 2 (6 – 11 marks) Mid mark 9	At the top end of this level, a generalised attempt to answer the question has been made but candidates fall short on critical awareness or current context. They may make only a superficial attempt to answer the specific question set – in this case, they fail to focus on why HS2 will unlock the economic potential of the UK, instead discussing the pros and cons of HS2 rail in more generic terms. Points made may be generalised to all of the UK whilst simultaneously being narrow in their analysis. The response may read like a Paper 2 response and candidates may show a lack of independent research to support their points.
Level 1 (1 – 5 marks) Mid mark 3	There is a lack of understanding of why HS2 rail could help unlock the economic potential of the UK.

Evaluation

Here follows a re-cap of some of the areas that might be included and a breakdown of what will be expected at the various Levels.

Issues include:

- Weighing up the winner and losers in the UK from HS2 rail
- The time frame under consideration – HS2 rail fully operational 2033
- Is it a panacea?
- Does it depend on other policy decisions too e.g. tax breaks in the UK?
- Debate over the validity of the CBA
- International experience to support the 'brain drain' from the UK?
- Is this really a once-in-a-generation opportunity?
- Different stakeholders in the UK – tourism vs environment vs villages vs urban cities.

Level 3 (13 – 18 marks) Mid mark 16	Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this level, there will signs of real in-depth research and/or originality. In all cases there will be a clear conclusion – that is substantiated – at the end that relates specifically to the set question, even if the conclusion is that it is difficult to know whether it will be help unlock the UK or not.
Level 2 (7 – 12 marks) Mid mark 10	At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions may lack any rigorous justification. Conclusions may do little more than sit on the fence.
Level 1 (1 – 6 marks) Mid mark 4	Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example, 'HS2 rail has lots of costs and benefits such as negative externalities, financing and time lag issues'. There is no attempt to draw together the relevant issues in a conclusion.

2   **China and the Global Economy**

In 2013, China's economic growth slowed to 7.7%, the slowest growth rate in 13 years. To what extent is this slowdown a cause for concern for the global economy?

Candidates should demonstrate their understanding of the economic slowdown in China and its effects on the global economy. Weak candidates will lack critical awareness or contextual knowledge on how the slowdown may impact other countries, whilst stronger candidates will understand the nature of the slowdown and how this poses threats and opportunities to other countries. The best candidates will show an understanding of the threats and opportunities of this slowdown for both developing and developed economies in the region and globally. It is expected that most candidates will consider changes in patterns of trade between China and the developed world and the developing economies and the developed world. Better candidates will go beyond trade and look at how China's slowdown affects other aspects of the global economy e.g. FDI, commodities, debt, labour, global inflation. Weak candidates may mistake a slowdown as a recession, whilst strong candidates will display good contextual awareness around the new Chinese growth model. They should illustrate their answer with specific examples from China and other selected countries. They should use appropriate analytical tools and data to support their arguments. They should be able to come to a clear and supported conclusion on the extent to which the slowdown is a cause for concern for the global economy. Good candidates are likely to explicitly consider the factors which will determine the outcome for a given economy, and differentiate between different regions, whilst weaker candidates will generalise the 'global economy'. Analysis may be assisted by the use of diagrams.

Answers may include:
Knowledge and **understanding** of the economic slowdown in China
Examples:
- The nature of the slowdown e.g. cost pressures, exchange rate liberalisation, export growth sluggish;
- Changing economic model – focus away from exports towards domestic consumption.

Application of the slowdown in China and ways in which this is a cause for concern for the global economy.
Examples:
- Effects of growth on global trading patterns;
- Threats posed by changes in trading patterns;
- Opportunities presented by these changes.
Effects on various economic variables including:
    – FDI
    – X and M
    – Wages
    – Resources/commodities
    – Inflation
    – Pollution

Analysis of the potential causes for concern for the global economy.
Examples:
- China's growth rates have been supporting the world economy and preventing a world depression;
- China is a significant world consumer of raw materials – cement, pork, cotton, iron;
- Main trading partners like Australia and Brazil will suffer a huge fall in demand for exports of commodities;
- CIC Sovereign Wealth Fund more likely to tighten its finances and not invest abroad as much e.g. in Europe;
- Finance of US Treasuries may decline;
- Negative multiplier impact;
- Negative accelerator impact;
- Contagion risk to Asia and beyond – either through trade or foreign debt;
- Chinese funding current account deficits for most of the developed world;
- May start to look more inward and thus potential loss of investment for African governments;
- Could cause social unrest and a threat to global supply chains;
- Effect on both inward and outward FDI;
- Effect on wage pressures, price pressures.

Candidates should be rewarded for supporting their analysis with diagrams. For the higher analytical marks candidates should be able to support their answer with relevant data on, for example, changing patterns of trade and commodity prices. Good candidates will be able to illustrate their points with specific contexts and supporting data.

The following bullet points note examples of supporting analysis/application that *could* be used by candidates.
Note this is **not** an exhaustive list, nor is it what is required to do well, but rather it is an indicative list of the kinds of independent research that candidates could use to support their arguments.

- IMF: In China, growth fell to 7.4 percent in 2014 and is expected to fall further to 6.8 percent in 2015.
- A controlled slowdown – knowledge of Chinese growth targets of 'around 7%'.
- China's trade surplus fallen from 10% of GDP in 2007-08 to less than 3%.
- From 2000-2011, there were only two years when China's exports did not grow by more than 10% and there were six years when it was more than 20%. Since 2011, the export growth figures have been more modest, slowing to 6.4% in 2014.
- Export dependency: 30% of Australia's exports to China; 20% Japan; 29% South Korea; 14% Saudi Arabia.
- Import dependency: 87% of Mongolian imports come from China; 48% Democratic Republic of Congo; 60% Sierra Leone.
- 2014: China's inward foreign direct investment fell to its lowest level in more than four years - China attracted $7.2 billion of foreign direct investment in August, down 14% from a year earlier.
- China's outbound investment is increasing this year, but at a slower pace. Non-financial overseas direct investment rose 15.3% year-to-year in the first eight months of the year to $65.17 billion.
- China's per capita emissions overtaken EU. Emission sources: China, which produced 29% of the total, followed by the US at 15%, the EU at 10% and India at 7.1%.
- The renminbi rose 37 per cent versus the greenback between 2005, when China abandoned its tight peg to the US dollar, and its all-time high in January 2014.
- Foreign assets held by the People's Bank of China dropped by Rmb131bn in December 2014; biggest drop in 3 years.

- China is biggest foreign holder of US debt. Chinese holdings of US Treasury securities fell by $26bn in 2014.
- More than $16bn of China's portfolio of global FDI is based in Africa, with an increase in FDI from $392m in 2005 to $2.5bn in 2012.
- China has also agreed plans to build a new railway line in East Africa by providing financing of approximately $3.8bn for the first phase of this project.
- Third Plenum: November 2013, the Chinese Communist Party announced a package of structural reforms to attempt to change its growth model.
- A key structural reform is attempting to transform the economy from a "polluting and capital intensive manufacturing to a more services-driven economy", and to move towards higher-value manufacturing.
- The Chinese authorities are working hard to create a "new" China based more on the quality of growth and less on the quantity - The government reversed its policy of evaluating the performance of public officials based on the level of economic growth rates they notch up.
- The New Normal vs Middle Income Trap vs Soft and Hard Landing.
- Evidence of continued Chinese projects
- Asia Infrastructure Investment Bank – China as the founding country with support from UK, Germany et al.
- China-Poland 'One Belt, One Road' infrastructure agreement.
- China-Australia sign free trade deal in 2015.
- In 2010, China consumed 40 per cent of the world's base metals.
- OECD research quoted in an S&P study, for every one per cent of Chinese economic growth, the GDP of sub-Saharan Africa's low-income countries (e.g. Ghana, Mozambique, Rwanda) increases by 0.3 per cent and GDP of middle-income countries (e.g. Angola, South Africa) increases by 0.4 per cent. Slowdown puts South Africa, Zambia and the Democratic Republic of Congo most at risk, say S&P.
- Based on past experiences of Japan and South Korea: As Chinese consumers become richer, demand for food and luxuries will rise. S&P says that food exporters like Ghana and Congo stand to gain from the transition as will car manufacturers in Europe.
- The rise in Chinese manufacturing wages could provide space for African manufacturers to grow, and S&P point out that stronger domestic demand for consumer goods in China offers new opportunities for African manufacturers, citing South Africa as a country which has begun to make inroads here.
- Rising wages in China have led many manufacturers to relocate to countries such as Vietnam or the Philippines.
- Re-shoring back to USA: Boston Consulting Group survey found 21 per cent of a sample of 200 executives of large manufacturers were either already relocating production to the US, or planning to do so within the next two years. A further 33 per cent said they were considering it, or would consider it in the near future.
- China is the largest trading partner of 124 countries, and 90% of countries have China in the top 5 trading partners.
- Role for the MINTs.

Evaluation of the extent to which a slowdown in China will be a cause of concern for the global economy.
At the lower end, candidates are likely to conclude that China's slowdown is a threat to the global economy. At this level candidates will show no critical awareness and generalise the global economy. The most common cause for concern will surround the slowdown of global trade. There is not likely to be any explicit attempt to rank the magnitude of effects or to identify criteria which may help to determine whether a particular country will lose out.

At higher levels candidates will recognise that the effects will vary between different types of countries – for example developing countries vs developed countries; net exporters vs net importers, countries with different composition of GDP than China vs those who are competitors to China - and that generalisation is unlikely to be helpful. They are likely to explicitly recognise that the term the 'global economy' encapsulates countries that vary considerably in terms of their relationship with China, including factors such as factor endowment; trade policy; political, strategic and historical allegiances. This variability is likely to determine the extent to which an individual economy is particularly concerned by the slowdown in China – for example the US may see it as a positive given it would mean China would stop building important trade links with South America and outcompeting the US; or may see it as a threat due to the American debt issues. Evaluation of the effects on specific countries/regions, backed up by data, would be awarded the highest evaluation marks.

Good evaluation will involve candidates considering how China's slowdown is an important opportunity, and not just a cause for concern, for some countries in the global economy. They may, for example, suggest that other economies could step in to the export vacuum that China may end up leaving. Critical awareness is important here on the viability of this actually happening, perhaps considering infrastructure or the time frame under consideration. Candidates could consider the causes of slowdown in China, and differentiate between factors which are unique to China and those which are common to the rest of the global economy. This differentiation will allow a discussion of the extent to which other economies can step in to China's shoes or are also going to suffer the same fate due to for example the Great Recession. Alternatively, candidates could question whether China's slowdown is temporary, or permanent and whether this changes its effect on the global economy. Some may argue its slowdown is vital to stop a commodity super-cycle and choke off inflationary bubbles.

The longer-term dynamic effects on the world economy could also be considered. It was inevitable that China's growth rate would fall after 30 years of rapid growth – as such candidates could argue that a slowdown in China's growth rate is of limited concern given it is still the second largest economy in the world and its factor endowments are still unchanged.

In reality, whether China's slowdown is a cause for concern depends on whether China suffers a hard landing or a soft landing; how China's political system responds to the slowdown; and how the rest of the world responds to it too – for example is India ready to take the reins – the MINTS vs the BRICs?

Theory and Analysis

Level 4 (18 – 22 marks) Mid mark 20	In this level, the answer shows a thorough understanding of the reasons why China's slowdown may be of concern (or not) to the global economy. There will be in-depth analysis which links a range of factors (beyond merely trade) specifically to a range of different economies – from developing to developed; as well as net exporters and importers; and economies at a different stage of comparative advantage. At the top end of this level, there is likely to be a clear distinction of the effects on different individual economies or groups of economies. There is clear evidence of independent research to support their points. Candidates may think about different economic agents within an economy who may view the slowdown as a cause for concern.
Level 3 (12 – 17 marks) Mid mark 15	In this level, a clear attempt is made to answer the specific question set on whether China's slowdown is a cause for concern for the global economy. Links between the question being asked and the perspective being put forward are clear. There is a solid understanding of a range of reasons why it is of concern, with relevant supporting data and diagrammatical analysis. Use of economic theory, terminology and application is correct and regular, though may contain some errors at times. There is some attempt to use independent research to support their points but at the lower end this may be more superficial and unsubstantiated. Trade may be the major focus of discussion in this level, with other areas lacking development. A range of perspectives is discussed but may lack critical awareness at times. At the lower end of this level, the candidate may lack breadth by adopting generalisations about the 'global economy' or the types of threats. Independent research to support their points will be superficial at the lower end.
Level 2 (6 – 11 marks) Mid mark 9	At the top end of this level, a generalised attempt to answer the question has been made but candidates fall short on critical awareness or current context. They may make only a superficial attempt to answer the specific question set – for example, arguments may lack development of how the global economy is affected by a Chinese *slowdown*; and instead focus on discussing what happened when China boomed. Towards the lower end of this level, too much focus is on the drivers of the slowdown and whether it can avoid the slowdown. Points made may be generalised to all economies whilst simultaneously being narrow in their analysis. Independent research to support their points will be superficial at the lower end.
Level 1 (1 – 5 marks) Mid mark 3	There is a lack of understanding of why China's slowdown would be a cause for concern for the global economy.

Evaluation

Here follows a re-cap of some of the areas that might be included and a breakdown of what will be expected at the various levels.

Issues include:

- Are developing economies and developed economies likely to be *equally* concerned by China's slowdown?
  Will the EU be affected differently to Africa?
  Does it depend on which aspect / which economic agent we are analysing e.g. consumers vs environment vs governments vs firms?

- Are some economies likely to be in a more or less favourable position than others to take advantage of China's slowdown?

- What are the factors that will determine the fortunes of an individual economy?

- Could other economies replace China on the world stage?

- Time frame: What are the long-term implications of the shift in the global balance of economic power?

- Is China's slowdown transitory or permanent?

Level 3 (13 – 18 marks) Mid mark 16	Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this level, there will signs of real in-depth research and/or originality. In all cases there will be a clear conclusion - that is substantiated - at the end that relates specifically to the set question, even if the conclusion is that it is difficult to know whether it will be a concern or not .
Level 2 (7 – 12 marks) Mid mark 10	At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions may lack any rigorous justification. Conclusions may do little more than sit on the fence.
Level 1 (1 – 6 marks) Mid mark 4	Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example, 'China's slowdown can be beneficial for some economies such as its competitors'. There is no attempt to draw together the relevant issues in a conclusion.

3   The Millennium Development Goals

The original Millennium Development Goals (MDGs) include achieving universal primary education (Goal 2) and ensuring environmental sustainability (Goal 7).

To what extent do you agree with the view that these two MDGs are the most important in promoting economic development in Less Economically Developed Countries (LEDCs)?

Whilst a clear focus of the essay should be on the two MDGs discussed in the essay title, good candidates are also able to demonstrate a clear understanding of a range of MDGs, and their application to economic development in LEDCs. But weaker candidates may adopt a list-like approach through each of the 8 MDGs. Critical awareness over the importance of MDG 2 and MDG 7 will be displayed by stronger candidates, with good contextual awareness of the development needs of LEDC – whilst weaker candidates will particularly struggle to (or opt to avoid) discussing the MDG 7 aspect of the question. Good candidates will answer the *specific* question asked - which is a justification as to whether these two are the most critical MDGs – it is not an invitation to purely discuss whether the MDGs promote economic development. A response that focuses on the latter will be considered a L2 response.

They should use appropriate analytical tools and data to support their arguments – use of economic nomenclature and economic theory will be key to differentiate candidates e.g. those who are able to elucidate clear transmission mechanisms between the MDGs and economic development. They should be familiar with the progress of MDGs to date, though a trawl of each MDG and associated statistics, with a lack of focus on the specific question set should be treated as a weak L2 response.

Strong candidates will demonstrate the ability to compare and prioritise these two MDGs vs other MDGs (or compare and contrast the two with each other) whilst weaker candidates will accept the importance of these two as the most important without much justification and/or discussion of the other goals; or treat the two goals as independent objectives.

Strong candidates may distinguish between economic growth vs economic development, given the question focuses on the latter; whilst weaker candidates may conflate the two as the same issue.

The best candidates will understand that Goal 7 – environmental sustainability is actually quite complex, including reducing loss of biodiversity and access to clean safe drinking water – thus *parts* of the goal are more critical than others to promoting economic development. Similarly, weaker candidates will generalise all LEDCs, whilst stronger candidates will be able to delineate between different LEDCs – and understand that depending on the stage of development, different countries may prioritise the MDGs differently. Specifically, primary education is more important in the short term whilst Goal 7 is more important perhaps in the long term.

Whilst a candidate is not expected to simply regurgitate all 8 goals, knowledge of the specific goals is expected, as well as experience of specific noteworthy countries.

They should reach a clear and well-supported conclusion on the extent to which these two MDG goals are critical to promoting economic development.

Analysis may be assisted by the use of diagrams.

Answers may include:

Knowledge and **understanding** of MDGs and economic development
Examples:

- The purpose/nature and details of the MDGs; especially Goal 2: Achieving universal primary education, and Goal 7 Ensuring environmental sustainability.
- The nature of economic growth, LEDCs – definitions, measures, examples.

Application of MDGs to economic development
Examples:

- Specific examples: e.g. Goal 2 (education):
- Target 2A: By 2015, all children can complete a full course of primary schooling, girls and boys
- Specific examples e.g. Goal 7 (environmental sustainability):
- Target 7A: Integrate the principles of sustainable development into country policies and programs; reverse loss of environmental resources
- Target 7B: Reduce biodiversity loss, achieving, by 2010, a significant reduction in the rate of loss - Proportion of land area covered by forest; CO_2 emissions, total, per capita and per $1 GDP (PPP); Consumption of ozone-depleting substances; proportion of fish stocks within safe biological limits; proportion of total water resources used
- Target 7C: Halve, by 2015, the proportion of the population without sustainable access to safe drinking water and basic sanitation (for more information see the entry on water supply) - Proportion of population with sustainable access to an improved water source, urban and rural; proportion of urban population with access to improved sanitation

Analysis of the link between the two MDGs in the question and their transmission mechanism to economic development
Examples:

- Universal primary education
  - o Effect on human capital
  - o Positive externalities – education breeding gender equality/female empowerment
  - o Positive multipliers
  - o Effect on real incomes
  - o Effect on LRAS: AD/AS analysis
  - o Reduction in poverty
- Environmental sustainability
  - o Efficiency improvements,
  - o Cleaner energies – reduced negative externalities
  - o Deforestation – short term vs long term economic growth and development
  - o Long term consequences
  - o SRAS/LRAS impacts
  - o Future generations
  - o Hysteresis

Candidates should be rewarded for supporting their analysis with *relevant* diagrams.

For the higher empirical marks, candidates should be able to support their answer with relevant data as to the current success of the two MDGs in the question in delivering economic development.

The following bullet points note examples of supporting analysis/application that *could* be used by candidates.
Note this is **not** an exhaustive list, nor is it what is required to do well, but rather it is an indicative list of the kinds of independent research that candidates could use to support their arguments.

– In Tanzania, the abolition of school fees in 2001 led to a net enrolment rate of 98% for primary schooling in 2006. This represents an increase of 97% (i.e. almost double) compared to 1999 enrolment rates
– By eliminating fees, Kenya was able to quickly get 2 million more pupils into its primary schools; In Ethiopia, the net enrolment rate for primary school was 72.3% in 2007, an increase of 88% on 2000 enrolment rates;
– In Seychelles, the Seychelles have gone beyond the set target with free primary education available to all children in their own locality
– In Bolivia, bilingual education has been introduced for three of the most widely used indigenous languages, covering 11% of all primary schools in 2002 and helping expand access to education among indigenous children in remote areas.
– Mongolia has been providing innovative mobile schools ("tent schools") to cater to children in the countryside who may otherwise not have regular access to educational services. One hundred mobile schools have been spread out over 21 provinces.
– In Afghanistan, 3.75 million girls were enrolled in school in 2014, compared with just 191,000 in 2002. Overall, school enrolment in Afghanistan has increased from 1 million to 8.2 million, and more than 165,000 new teachers have been trained.
– In India, the percentage of primary school-age children out of education had fallen to just 1% by 2011, from 14% in 2000, and 22% in 1990.
– Ethiopia has done quite well in terms of meeting university primary education targets over the last decade and is on track to achieve this goal. The Net Enrolment Ratio (NER) in the lower primary school cycle (grade 1 – 4) increased from 77.5% in 2004/05 to 92.2% in 2011/12 and in the upper cycle of primary education (grade 5 – 8) from 37.6% to 48.1% during the same period. Overall, the NER for primary education (Grade 1–8) increased from 77.5% in 2005/06 to 85.4% in 2011/12. The primary school attendance ratio has risen from 30.2% in 2000/01 to 64.5% in 2010/11. The increase in attendance was disproportionately higher for children from rich families at 70% compared to 52% for children from poor families.
– Between 1999 and 2005, Costa Rica prevented the loss of 720 sq km of forests in biodiversity priority areas and avoided the emission of 11 million tons of carbon;
– In 2006, 80% of the rural population in Ghana had access to an improved drinking water source, an increase of 43% on 1990 levels;
– In Mali, the percentage of the population with at least one point of access to improved sanitation rose from 35% in 1990 to 45% in 2006;
– Guatemala has increased its investment in water and sanitation resources, which contributed to an increase in access to improved drinking water from 79% in 1990 to 96% in 2006 and to improved sanitation from 70% in 1990 to 84% in 2006;
– In Senegal, the proportion of people living in cities with access to improved water reached 93% in 2006.
– South Africa successfully achieved the MDG target of halving the proportion of people lacking access to safe water, as lack of access to improved drinking water was reduced from 19% in 1990 to 7% in 2006;

- In Senegal, the proportion of people living in cities with access to improved water reached 93% in 2006.
- Pupil/teacher ratios in many countries are in excess of 40:1 but by 2015, the number of teachers per pupil had increased in about 83% of countries with data.
- Ghost Schools: In Sindh province of Pakistan, estimated 6,721. In Sierra Leone and Ghost teachers: 33,000 teachers receiving salaries existed only on paper.

Evaluation of the extent to which Goal 2 and Goal 7 are the most important to promoting economic development in LEDCs.

At the lowest ends, the weakest candidates will, broadly speaking, accept the premise that these two goals are the most important to promoting economic development.

At the lower end, a candidate will focus purely on the fact that there is a difference between the existence of a theoretical link between the two MDGs and economic development vs the practical issues of achieving this link. Weaker candidates in this group will look at the issue of financing etc, whilst stronger candidates in this group will look at issues of political will, lack of infrastructure, time frames concerned etc. *However in this group of candidates, the focus will not be on the issue of whether these goals are the most critical, but instead simply whether these goals achieve economic development. The latter is a weak response as it lacks focus on evaluating the specific question and is to be treated as L1 evaluation.*

Stronger candidates will evaluate the question more explicitly, comparing the importance of the two goals to economic development either with each other and/or with the other MDGs. Most candidates will probably conclude that universal primary education is perhaps more important for economic development in the near-future, whilst environmental sustainability is about ensuring economic development in longer term – though an alternative perspective is valid too. Some candidates may correctly argue that universal primary education is simply the stepping stone to economic development, since many of the gains only occur if education is continued at a secondary education or tertiary level.

The best candidates will make some attempt to prioritise or rank the goals mentioned in the question, or with other MDGs, perhaps such as Goal 4: child mortality rates. The best candidates will understand that Goal 7 – environmental sustainability is actually quite complex, including reducing loss of biodiversity and access to clean safe drinking water – thus *parts* of the goal are more critical than others to promoting economic development.

It is expected that strong candidates will understand that the goals are not mutually exclusive but complement each other and as such some of the goals are inherently intertwined e.g. to get the gains from Goal 2 of universal primary education, child mortality rates must be reduced (Goal 4).

LEDCs differ in their characteristics, and strong responses will exhibit this – and as such, they will have different strengths/weaknesses and so what is more critical to one LEDC may be less critical to another. A 'one size fits all model' will not sufficiently respond to the individual needs / existing infrastructure of LEDCs.

Some of the MDGs are easier to follow / more relevant / easier to achieve. There may even be an attempt, possibly in a conclusion, to challenge whether MDGs are relevant at all, but this must be after a valid attempt at addressing the question first. Candidates may choose to conclude that development requires other solutions such as trade or other frameworks.

Theory and Analysis

Level 4 (18 – 22 marks) Mid mark 20	In this level, distinctions are made as to whether the two MDGs are the most critical for economic development for all LEDCs, where LEDCs are not treated as homogeneous. At the top end of this level, development of points is thorough and detailed, with supporting evidence and data, incorporated within an answer with strong economic foundations. The use of theory and analysis is comprehensive, with almost flawless integration of the two into a clearly flowing essay. In this level, economic development is clearly understood, as is the clear transmission mechanism between the two goals in the question and achieving development. The nuances of each goal are understood as well as their implications. In this level, attempts are made to both compare the *importance to economic development* of the goals, by comparing the two goals with each other, and comparing the two goals to the other MDGs, but also to other development approaches.
Level 3 (12 – 17 marks) Mid mark 15	In this level, a clear attempt is made to answer the specific question set on why goal 2 and goal 7 are important to promoting economic development. Links between the question being asked and the perspective being put forward are clear. There is a solid understanding of a range of MDGs, with relevant supporting data. Use of economic theory, terminology and application is correct and regular, though may contain some errors at times. A range of perspectives is discussed but may lack critical awareness at times. The focus of the response may be predominantly on only one of the goals from the quote. Evidence of independent research may be lacking in places.
Level 2 (6 – 11 marks) Mid mark 9	At the top end of this level, a generalised attempt to answer the question has been made but candidates fall short on critical awareness or current context. They may make only a superficial attempt to answer the specific question set – in this case, they fail to focus on discussing the *importance* of these goals to economic development; and instead adopt a list-like approach on different factors that promote development. Points made may be generalised to all LEDCs whilst simultaneously being narrow in their analysis, for example by only looking at one of the goals in the quote. Independent research may be significantly lacking.
Level 1 (1 – 5 marks) Mid mark 3	There is a lack of understanding of why Goal 2 and Goal 7 help promote economic development.

Evaluation

Here follows a re-cap of some of the areas that might be included and a breakdown of what will be expected at the various Levels.

Issues include:

- Is Goal 2 more important than Goal 7, or vice-versa?
- Does the time frame under consideration matter as to which is more important?
- More important for whom – the government, the people, the economy – what do we mean economic development?
- Are any of the other MDGs more important?
- Do different LEDCs need a different degree of focus on Goal 2 vs Goal 7?
- Are both as important as each other – is one impossible without the other? The MDGs are a package and not separate policies.
- Difference between reality and theory of these two goals in promoting economic development.

Level 3 (13 – 18 marks) Mid mark 16	Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this level, there will signs of real in-depth research and/or originality. In all cases there will be a clear conclusion drawn at the end that relates specifically to the set question – even if the conclusion is perhaps arguing that both are as important as each other as the MDGs are a package of policies and cannot be taken in isolation.
Level 2 (7 – 12 marks) Mid mark 10	At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions may lack any rigorous justification. Conclusions may do little more than sit on the fence.
Level 1 (1 – 6 marks) Mid mark 4	Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example, 'the two MDGs are important but so are the others'. There is no attempt to draw together the relevant issues in a conclusion.

4   Economic Thinkers and their Relevance Today (Adam Smith, Karl Marx and John Maynard Keynes)

'**Most governments in developed countries adopt Smith's ideology while governments in developing countries tend to adopt a balance between Keynesian and Marxist ideology.**'

By examining the key differences between the ideologies of Smith, Keynes and Marx, assess the extent to which this statement is valid.

All candidates will be expected to consider all 3 of the thinkers. The best responses will focus on all aspects of the question, with weaker candidates purely regurgitating the key differences between the economic thinkers. Stronger candidates will go further – showing a solid understanding of what the different schools of thought entail but also how relevant they are in explaining the way in which governments govern their economies. The key differentiator in this question will be those candidates who are able to go beyond a mere regurgitation of the schools of thoughts which will be considered a low level response. A high level response will be one that focuses on the relevance of these schools of thought with real world examples that support or reject this quote.

It is expected that most candidates will understand that the quote is a very broad generalisation and no government exclusively adopts one ideology over another, but in fact most governments adopt a selective mix of all. The best candidates will be able to go a step further than this and critically evaluate some of the more standard beliefs such as the degree to which the UK is a mixed economy, and how close to Keynesian beliefs it comes.

There is wide scope for candidates to use examples that support or reject their points e.g. Cuba, China, Venezuela, North Korea as well as some African nations will be useful examples for the candidates to refer to as well as European and North American ones.

Candidates should be able to draw comparisons between the thinkers and reach a clear and well-supported judgement about the validity of the quote in question.

Weaker candidates will treat the regions of the world as homogenous, whilst stronger candidates will differentiate regions and governments, either by geography or also by time period / political leaning. The idea that the issue is dynamic will be a critical evaluation.

Strong candidates are likely to recognise that the portrayals of the schools of thought in the question are overly simplistic and may be out of date.

Use of diagrams should be rewarded as appropriate – some candidates may use AD/AS diagram to show the theory behind Keynesian ideology for example.

Answers may include:
Knowledge and **understanding** of the economic thinkers
Examples:
• Keynesian ideology - interventionist
• Marxian ideology – socialist
• Smith's ideology – free market

Application of the works of the thinkers to different countries in the world
Examples:
• Smith: U.S healthcare; UK privatisation of Royal Mail; UK university fees
• Marx: North Korea; Cuba's healthcare; Canadian healthcare, UK NHS; Germany and France: Trade unions; National Minimum Wage
• Keynes: Europe: Financial crisis bailouts; China: Keynesian stimulus; Minimum wages; Japan: Abenomics

Analysis of the different schools of thought
Examples:
- Marx:
    - o Crisis of capitalism
    - o Surplus theory of labour / embodiment of labour
    - o Exploitation of labour
    - o Labour power
    - o Inequality
- Smith:
    - o Free markets
    - o Free trade
    - o Laissez faire
    - o Invisible Hand
    - o Self interest
    - o Role of property rights
    - o Allocative efficiency
- Keynes
    - o Role of government intervention
    - o Market failure
    - o In the long we are all dead
    - o Long term disequilibrium
    - o Long term unemployment
    - o Sticky wages
    - o Money illusion

Analysing the validity of the quote:
E.g. Government policies with respect to different economic ideologies:
- Marx:
    - Self declared list of socialist governments include: China; Cuba; Vietnam;
    - Previously Marxist include: Afghanistan; Angola; Ethiopia; North Korea; Somalia; Soviet Union; Hungary; East Germany
    - State owned enterprises: Norway – gas and oil industries; Nigeria and Russian oil firms
    - Sovereign wealth funds
    - Labour market legislation: Trade unions; Minimum wages
- Keynes:
    - Macroeconomics: Recent financial crisis responses:
        - o China: 2008 - $586bn fiscal expansion to stave off recession; infrastructure boom
        - o UK: Nationalisation of RBS; Northern Rock;
        - o US: Great Depression in 1930s; 2008 - Bailout of Bear Stearns; AIG; Emergency Economic Stabilisation Act of 2008
        - o Japan: Abenomics
        - o Central bank monetary policy – coordinated global monetary policy
        - o Unilateral currency devaluations in 2010 (Swiss, Colombia, Japan, US)
    - Microeconomics: Provision of healthcare / education in Western countries;
- Smith:
    - Microeconomics: free market wages; free trade; provision of healthcare; tertiary education; forces of capitalism; innovation; patents; supernormal profits
    - Macroeconomics: free floating exchange rates;

Evaluation of the extent to which most governments in developed countries adopt Smith's ideology while governments in developing countries tend to adopt a balance between Keynesian and Marxist ideology.

All candidates would be expected to spot that the quote is an extreme one and uses broad generalisations. Real world examples to support their points will be key to differentiate their evaluation. The better candidates however will discuss the spheres across which this generalisation can differ. For example, the fact that it changes over time and is a dynamic issue: e.g. some governments used to adopt Marx and now are more Keynesian e.g. former Soviet Union; East Germany; the Transition Economies. However at this level, some candidates may still generalise and stereotype economic models by thinking it always moves from centrally-planned to free market. The idea that it 'reverses' over time too will be understood by the better candidates e.g. Venezuela re-nationalising and adopting price controls in 2011 (and UK in 2013). The idea that it is not black and white, between the rhetoric and reality – e.g.
  – UK: conflicting policies e.g. fiscal austerity (ostensibly) vs Royal Mail privatisation;
  – US: Lehmans allowed to fail but AIG bailed out;
  – UK: University fees and some privatisation of toll roads and hospitals;
  – China opening up to more free trade and globalisation vs protectionist subsidies.
This may be further developed to discuss resource allocation *within* an economy – the same government may adopt a different thinker's approach in different sectors of the same economy e.g. healthcare in UK vs airlines in UK.
Evidence that few economies are pure Marxian or Smith or Keynesian in their approach but rather mixed economies are more common – the real distinction is between where the countries are on the *spectrum /* degree to which they adopt the thinkers' ideology.
Some candidates may choose to evaluate whether certain government policies are actually adopting Smith's approach or Keynesian or Marxian – that is, strong candidates may understand that the actual perception of what is a Keynesian or Smith approach may be wrong; for example the conflict of Smith's approach in the Theory of Moral Sentiments vs The Wealth of Nations.
The better candidates will evaluate the different factors that may influence the extent to which one thinker's ideology is followed by a government e.g. political will or the economic cycle – different governments adopt protectionism or free trade depending on the state of the global and domestic economy for example the US (and indeed the world) became more protectionist in the 2008-2012 Great Recession.
Candidates may question what is meant by developed and developing countries e.g. Greece and China.
Some candidates may challenge the notion of a pure 'Smith' ideology or a 'Keynesian' ideology, illustrating they understand that both Smith's and Keynes' caricatured views that are present in the mainstream economics textbooks differ from their own actual writings in terms of nuances.

Theory and Analysis

Level 4 (18 – 22 marks) Mid mark 20	In this level, distinctions are made between different schools of thought and an excellent understanding of the theories of the 3 different thinkers is elucidated. Specifically, candidates focus on how well the quote describes developed/developing economies governance. In this level, the candidate is able to be specific with examples and show critical awareness away from broad generalisations. At the top end of this level, development of points is thorough and detailed, with supporting evidence and data, incorporated within an answer with strong economic foundations. The use of theory and analysis is comprehensive, with almost flawless integration of the two into a clearly flowing essay. In this level, candidates are expected to have discussed the full extent of the quote presented.
Level 3 (12 – 17 marks) Mid mark 15	In this level, a clear attempt is made to answer the specific question set on whether the quote is valid. Links between the question being asked and the perspective being put forward are clear. At the top end of this level the quote is addressed whilst at the bottom end of this level, the quote is generalised. There is a solid understanding of a range of supporting points, with relevant supporting empirical examples. Use of economic theory, terminology and application is correct and regular, though may contain some errors at times. A range of perspectives is discussed but may lack critical awareness at times, for example treating countries as homogenous or ideologies as black-and-white. At the lower end of this level, points may be generalised between developed and developing countries. Independent research may be lacking in places.
Level 2 (6 – 11 marks) Mid mark 9	At the top end of this level, a generalised attempt to answer the question has been made but candidates fall short on critical awareness or current context. They may make only a superficial attempt to answer the specific question set, instead perhaps regurgitating the 3 thinkers' views only. At the lower end of this level, knowledge of the economic thinkers may be lacking in range, or depth.
Level 1 (1 – 5 marks) Mid mark 3	There is a lack of understanding of what is meant by the three thinkers' views with no ability to apply them to government policies.

Evaluation
Here follows a re-cap of some of the areas that might be included and a breakdown of what will be expected at the various levels.
- What is meant by developed governments vs developing governments?
- Does it depend on what time frame we are discussing?
- Is it possible to generalise to all regions?
- Does it depend on factors such as the economic cycle and state of the global economy?
- Are the three thinkers' views mutually exclusive or is there some grey / overlap areas?
- Is there a difference between philosophy / rhetoric by governments and the actual policies implemented?
- Do governments adopt different approaches for different sectors *within* an economy?

Level 3 (13 – 18 marks) Mid mark 16	Given the length of this paper, to achieve this level of evaluation there must be significant and comprehensive coverage of several relevant areas. At the top end of this level, there will signs of real in-depth research and/or originality. In all cases there will be a clear conclusion drawn at the end that relates specifically to the set question.
Level 2 (7 – 12 marks) Mid mark 10	At least two relevant issues will be considered in reasonable depth but the overall scope of evaluation leaves areas unexplored and conclusions may lack any rigorous justification. Any conclusion will do little more than sit on the fence.
Level 1 (1 – 6 marks) Mid mark 4	Some of the issues that could be open to evaluation may be introduced into the discussion but there is no attempt to go further than to show an appreciation of the issue – for example, 'Developed governments are not all free market – America is more free market oriented than the UK'. There is no attempt to draw together the relevant issues in a conclusion.