EXPERT TUITION

Economics Questions By Topic:

Globalisation, Specialisation & Trade, Pattern of Trade, Terms of Trade (4.1.1, 4.1.2, 4.1.3, 4.1.4) Mark Scheme

A-Level Edexcel Theme 4

Table Of Contents

SECTION A

Question Number	Answer	Mark
1(a)	**The only correct answer is D** *A* is not correct because this is likely to increase *B* is not correct because this is likely to increase *C* is not correct because this is likely to increase **(1)**	

Question Number	Answer	Mark
1(b)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/understanding:** 2 marks for e.g. • Countries specialise in the goods in which they have a comparative advantage (1) lower opportunity cost (1) • Through trade each country can now consume more in total as they focus on what they can produce more efficiently (1) • Identification of concept with numerical or diagrammatic example (1) • Movement to freer trade thanks to CETA agreement (1) **Application:** 1 mark for e.g. • Related to Europe/Canada, e.g. Canadian timber exports, EU car exports, or other relevant examples (1) • Use of numerical or diagrammatic example (1) • Reference to data, e.g. increase trade by 20% (1) **Analysis:** Linked development 1 mark for e.g. • Countries are now producing/consuming more so this means an increase in GDP (1) • Explanation of numerical or diagrammatic example (1)	**(4)**

EXPERT TUITION

Question Number	Answer	Mark
2(a)	B	**(1)**

Question Number	Answer	Mark
2(b)	**Application 3, Analysis 1** **Application:** 2 marks for: • the calculation for opportunity cost for Columbia (1) • the calculation for opportunity cost for Zambia (1) and 1 mark for: • in Colombia the opportunity cost of producing 1kg of emeralds is 0.1 million tonnes of copper (1) • in Zambia the opportunity cost of producing 1kg of emeralds is 1 million tonnes of copper (1) • Colombia has a comparative advantage in the production of emeralds (1). **Analysis** 1 mark for inferences from calculations carried out, e.g. • Columbia can produce emeralds relatively more efficiently/at a lower opportunity cost than Zambia (1).	**(4)**

END OF SECTION A

EXPERT TUITION

SECTION B

Question Number	Answer:	Mark

*3	KAA: 9; *Ev: 6*
	Factors in support of the statement include:
	
	• Greater economic integration e.g. more migration increasing the supply of labour
	  But: with higher population and rising real incomes the demand for goods and services would be increasing so increasing the demand for labour
	• Entry of labour-abundant economies into the global economy e.g. China
	• Growth in significance of TNCs who outsource production to lowest cost countries
	• Growth of hedge funds, private equity firms who placed renewed emphasis on profit maximisation
	  But: wages are not the only source of an individual's income - governments might increase taxes on company profits and use revenues for redistribution
	• Reduced trade barriers so easier to base manufacturing in low-wage countries
	
	Factors other than globalisation:
	
	• Technological progress: manufacturing has become more capital intensive
	  But: this could result in higher productivity and a significant rise in real wages
	• The increasing significance of supply-side policies, especially in the labour market e.g. rise of part-time work, zero-hour contracts
	• Decreasing in trade union density – resulting in a weakening of trade union influence on wages
	  But: the link between union density and real wages may be weak; other factors might be more significant
	
	Candidates may agree or disagree with the statement and the use reverse arguments for evaluation
	
	Application: 2 relevant references either from data provided or examples from own knowledge. (Maximum 7/9 marks for KAA without data references)
		(15)

Level	Mark	Descriptor
Level 1	1-4	2 marks for identification of 2 factors; 2 for application (2 data references or relevant examples)
Level 2	5-9	2 marks for identification of 2 factors; 2 for application (2 data references or relevant examples); 5 for analysis of at least 2 issues
Level 3	10-15	2 marks for identification of 2 factors; 2 for application (2 data references or relevant examples); 5 for analysis of at least 2 issues; 6 marks for up to 3 evaluative points (3 + 3; 4 + 2; or 2 + 4; or 2 + 2 + 2)

EXPERT TUITION

Question Number	Answer	Mark
4	Analysis might include: • BRIC economies buying goods from African countries offsetting fall in demand from rich countries • Foreign currency earnings can be increased and used for debt servicing, purchasing of capital goods • African countries specialising and exporting goods in which they have a comparative advantage • Exports are a source of AD which can stimulate growth, leading to increase employment and an improvement in the current account • Has enabled African countries to avoid recession • Provided diversification of markets • Trade important if domestic market is small access to larger markets and economies of scale • Gains from increased competition and efficiency Evaluative comments might include: • African countries locked into dependence on primary products with associated disadvantages • No diversification into manufacturing, usually associated with growth and development • Import substitution might be a better, alternative means of growth at least in the initial stages of development • Increased vulnerability to external shocks • Over-reliance on a narrow group of countries – problem if BRICs go into recession • Volatility of commodity markets • Short run/long run effects (Synoptic element: concept of current account of balance of payments from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question) **Quality of written communication (QWC) is assessed on the candidate's ability:** • **To present an argument and conclude on the basis of that argument** • **To organise information clearly and coherently** • **To use economics vocabulary appropriately** • **To use grammar, spelling and punctuation appropriately**	(12)

Level	Mark	Descriptor
Level 1	1-3	2 marks for identification of 2 benefits;
Level 2	4-7	2 marks for identification; 2 for application (2 examples from text – products or countries- or own knowledge); 3 for analysis
Level 3	8-12	2 marks for identification; 2 for application (examples from text- products or countries- or own knowledge); 3 for analysis; 5 marks for any 2 evaluative points (2 + 3; or 3 + 2)

Question Number	Answer	Mark
5	WTO is primarily concerned with the promotion of free trade (2) by organising negotiations to reduce trade barriers such as tariffs and quotas (1). Also concerned with enforcing trade rules and settling disputes(1). Comment on any particular dispute from text or comment on current round of trade talks (Doha) (2)	(5)

Level	Mark	Descriptor
Level 1	1-3	Up to 3 marks for outline of role of WTO (see above)
Level 2	4-5	Up to 3 marks for 2 aspects of the role of the WTO and 2 marks for application (reference to an example of work of WTO)

EXPERT TUITION

Question Number	Answer	Mark
6(a)	Features include: • Decline in world trade • Fall in capital movements • Decrease in FDI • Decrease in tourism 3 marks for knowledge, 2 for application/ one data reference e.g. to % fall in world trade or to % fall in FDI	(5)

Level	Mark	Descriptor
Level 1	1-3	Up to 3 marks for knowledge of 2 characteristics (up to 2 marks for one characteristic)
Level 2	4-5	Up to 3 marks for knowledge of 2 characteristics and 2 marks for application/data reference

Question Number	Answer	Mark
6(b)	Reasons include: • Greater dependence on exports e.g. Japan, Germany • Differences in policy response e.g. cutting interest rates, fiscal stimulus, quantitative easing • Differences in likely fall in house prices • Differences in importance of different sectors e.g. financial services industry/manufacturing/tourism • Differences in consumer/business confidence	(8)

Level	Mark	Descriptor
Level 1	1	1 mark for brief identification of one issue
Level 2	2-5	Up to 3 marks for identification of 2 issues; 2 for application (2 data references i.e. to 2 different countries/regions)
Level 3	6-8	3 marks for identification of 2 issues; 2 for application (2 data references i.e. to 2 different countries/regions) and 3 for analysis of one or two issues

EXPERT TUITION

Question Number	Answer	Mark
6(c)	Consideration of: • Income elasticity of demand for tourism (D likely to be income elastic) • Therefore, significant fall in number of tourists • Employment implications • Fall in GDP • Fall in foreign currency earnings from tourism • Deterioration in current account balance • Loss of tax revenues: deterioration in fiscal balance • Effects on airlines, hotels Evaluation might include: • Differential effects on different countries • Size of tourism as a proportion of GDP • Impact on current account depends also on number of people travelling abroad from domestic economy • Depends on length of recession	(10)

Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of 1 effect; 2 for application (e.g.reference to likely fall of one third in number of visitors to the Caribbean; 1 example of a specific country from own knowledge)
Level 2	4-6	1 mark for identification of 1 effect; 2 for application (e.g.reference to likely fall of one third in number of visitors to the Caribbean; 1 example of a specific country from own knowledge); 3 for analysis of 1 or more issues.
Level 3	7-10	1 mark for identification of 1 effect; 2 for application (e.g.reference to likely fall of one third in number of visitors to the Caribbean; 1 example of a specific country from own knowledge); 3 for analysis of 1 or more issues; 4 marks for any 2 evaluative points (2 + 2; 1 + 3; or 3 + 1)

Question Number	Answer	Mark
6(d)	Key issues: • Recession deeper than many had predicted and affecting most countries, leading to huge decline in demand for exports and imports • Greater integration of world economy • Trade finance has dried up following the banking crisis • Global supply chains • Recession leading to an increase in protectionism • Firms had large inventories (stocks) Evaluation might include: • Prioritization • Downturn must be seen in perspective: it followed years of growth in world trade • Detailed consideration of implications of offshoring and outsourcing (Synoptic element: analysis of recession from unit 2. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question) **Quality of written communication (QWC) is assessed on the candidate's ability:** • **To present an argument and conclude on the basis of that argument** • **To organise information clearly and coherently** • **To use economics vocabulary appropriately** • **To use grammar, spelling and punctuation appropriately**	(12)

Level	Mark	Descriptor
Level 1	1-3	1 mark for identification of 1 reason; 2 for application (1 example of a specific country/region from own knowledge or data ref of % decline in world trade lines 13-14)
Level 2	4-7	1 mark for identification; 2 for application; 4 for analysis e.g. of impact of depth of recession
Level 3	8-12	1 mark for identification; 2 for application; 4 for analysis of at least 2 reasons e.g. of impact of depth of recession; 5 marks for any 2 evaluative points (2 + 3; or 3 + 2)

END OF SECTION B

EXPERT TUITION

Question Number	Indicative content	Mark
7	**Knowledge 4, Application 4, Analysis 8 Evaluation 9**	
	Effects might include:	
	• Trade creation: domestic production is replaced with more efficient imports from a member of the trading bloc • More trade within the trade bloc • Increased exports due to the larger market firms can now enjoy • Increased imports due to removal of protectionist barriers that previously existed between member countries • Increased specialisation/economies of scale as can now sell to a larger market • Use of comparative advantage to support argument	
	Diagrammatic analysis may be used to aid explanation e.g. tariff diagram	
	Evaluation points might include:	
	• Trade diversion: Due to protectionist measures imposed on non-member countries, countries may purchase imports from less efficient countries within a trading bloc instead of more efficient ones outside of the bloc • Products may still be cheaper from outside the trading bloc due to economies of scale/lower production costs • Possibility for countries to benefit from bilateral trade deals without needing to join a trading bloc • Other factors affect ability to import/export such as quality of infrastructure at airports/ports • Possible conflict with WTO rules • Only within Africa so effect may be limited	
	NB For a level 4 answer candidates must use examples of real trading blocs	
	NB For a level 4 answer candidates must make explicit reference to trading patterns	
		(25)

EXPERT TUITION

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.
Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Answer	Mark
*8	KAA: 21; *Ev:9* Factors include: • Changes in comparative advantage: A detailed analysis of the significance of this theory could count as two points e.g. if numerical example or a diagram is included *But law of comparative advantage is based on unrealistic assumptions e.g. constant costs of production; perfect mobility of resources* • Opening up of Eastern Europe, China *But increased transport costs and higher wages might slow this process* • Changes in competitiveness e.g. rise in emerging economies associated with low labour costs; less regulation *But: re-shoring recently* • Growth of trading blocs *But depends on goods in which the trading bloc specialises i.e. countries might still need to import commodities from outside the bloc* • Abundance of factors of production in different countries • Changes in pattern of foreign direct investment which increased manufacturing in developing economies *But: as wages rise e.g. in China there may be some repatriation of manufacturing to developed countries* • Changes in the exchange rate/'currency wars' of recent years *But: these changes may be short term only* • Changes in relative inflation rates linking to changes in relative real exchange rates • Changing tastes: products may not be available domestically • Changes in in real GDP (link to income elasticity of demand) • Changes in infrastructure e.g. improved transport links – may alter relative costs If no reference to **changes** in trade patterns then maximum of 21/30	**(30)**

Level	Mark	Descriptor
Level 1	1-11	Identification of points which have limited relevance
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

Question No.	Answer	Mark
9	KAA: 14; *Ev: 6*	**(20)**
	Factors include:	
	• Reduction in tariffs and other protectionist measures; role of WTO in this process	
	But: evidence of some increase in protectionism (including competitive depreciations) after the financial crisis	
	• Opening up of Eastern Europe, China	
	But increased transport costs and higher wages might slow this process	
	• Changes in competitiveness e.g. US & UK loss in low cost manufacturing contrasted with rise in emerging economies	
	Could count as two points	
	But: re-shoring recently	
	• Growth of trading blocs	
	• Abundance of factors of production in different countries	
	• Increase in foreign direct investment which increased manufacturing in developing economies	
	• Changes in comparative advantage: A detailed analysis of the significance of this theory could count as two points e.g. if numerical example or a diagram is included	
	But law of comparative advantage is based on unrealistic assumptions e.g. constant costs of production; perfect mobility of resources	
	• Changes in the exchange rate/'currency wars' of recent years; China: currency controls to prevent appreciation of their currency	
	• Relative inflation differentials linking to real exchange rates	
	If no examples of countries, award a maximum of 14/20	

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited relevance
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

EXPERT TUITION

Question Number	Answer	Mark
10(a)	***N.B. Candidates may take either perspective as analysis and use the reverse arguments for evaluation i.e. might argue that TNCs are or are not the main cause of globalisation. However, there must be some consideration of TNCs in the answer, otherwise maximum 14/20.*** Meaning of globalisation: increased economic interdependence between countries e.g. increased trade as a % of GDP; more FDI; capital market liberalisation. Comment on increased significance of transnational companies as major cause of globalisation e.g. growth of offshoring and outsourcing by multinationals resulting from factors such as: • Reduction in transport costs • Reduction in communication costs • Low labour costs • Regulations (health & safety and environmental) less stringent than in developed economies • Capital market liberalisation Other factors causing globalisation (These may be regarded as evaluation or further analysis): • Reduction in trade barriers linked to the work of the WTO; application of law of comparative advantage • Opening up of economies to world market e.g. China; former Communist countries • Economic development in LDCs leading to more demand for foreign goods • Higher real incomes create increased demand for imported goods (depending on value of the marginal propensity to import) • Increase in the number and size of trading blocs *Other evaluative comments could include:* • *Prioritisation of factors* • *Critical view of accuracy of measures of trade and world GDP* • *Application of concepts such as income elasticity of demand and marginal propensity to import* • *Deglobalisation resulting from financial crisis* (Synoptic element: reference to trade (unit 2) and use of Economist's tool-kit in analysis and evaluation and in approach to question)	**(20)**

Level	Mark	Descriptor
Level 1	1-7	Identification of points which are largely irrelevant
Level 2	8-10	Typically, answers will consider 1 factor with 1 evaluative point or 2 points with no evaluation or list of several points with little analysis
Level 3	11-14	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation
Level 4	15-16	Typically, answers will consider 3 factors with 1 evaluative point
Level 5	17-20	Typically, answers will consider 3 factors with at least 2 evaluative points

Question Number	Answer	Mark
10(b)	***N.B. Candidates may take either perspective as analysis and use the reverse arguments for evaluation.*** Costs of globalisation include: • Over-dependence on imports or on exports • Exploitation of labour • Negative externalities from increased trade e.g. increased air freight causing pollution- climate change • Increased inequality between developed economies and LEDCs • TNCs might engage in tax avoidance policies so causing reduction in tax revenues for governments Benefits of globalisation include: • Application of the law of comparative advantage: explanation leading to…….. • Increased world output; higher living standards; • Reduction in absolute poverty in LDCs • Consumers: Lower prices (increased consumer surplus); more choice • Firms: Larger markets; benefits arising from economies of scale • Technology transfer • Increased tax revenues *Other evaluative approaches which may be rewarded include:* • *Conclusions based on a weighing up of the arguments* • *Assessment of the significance of the point(s) considered* • *Prioritisation of the points made supported by reasoned arguments*	**(30)**

EXPERT TUITION

- *Consideration of costs and benefits for different countries and different economic agents*

(Synoptic elements: reference to concepts introduced in unit 1 e.g. consumers' surplus; negative externalities; reference to concepts introduced in unit 3 e.g. economies of scale; use of Economist's tool-kit in analysis and evaluation and in approach to question)

Level	Mark	Descriptor
Level 1	1-11	Identification of points which are largely irrelevant
Level 2	12-15	Typically, answers will consider 2 factors with 1 evaluative point or 3 points with no evaluation or list of several points with little analysis
Level 3	16-21	Typically, answers will consider 3 factors with 1 evaluative point or 4 points with no evaluation
Level 4	22-25	Typically, answers will consider 4 factors with 2 evaluative points
Level 5	26-30	Typically, answers will consider 4 factors with 3 evaluative points

END OF SECTION C

EXPERT TUITION