



Economics Questions By Topic:

Protectionism (4.1.6)

Mark Scheme

A-Level Edexcel Theme 4

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SECTION B

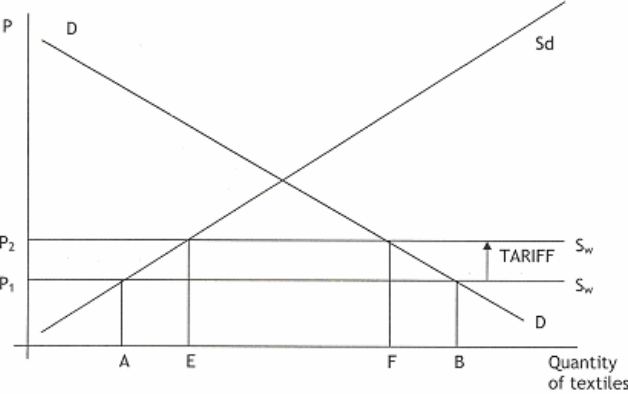
Question Number	Indicative Content	Mark
1	<p style="text-align: center;">Knowledge 2, Application 2, Analysis 4</p> <p>Likely impacts might include e.g.:</p> <ul style="list-style-type: none"> • Increase in price of imported textiles • Lower standard of living • Loss of consumer surplus- e.g. higher prices of clothing for consumers • Increased producer surplus • Rwandan firms (e.g. factory in Kigali from extract A) able to sell at higher prices, therefore increased profits • tariff revenue can be used to subsidise clothing retailers/ provide consumers with healthcare and education • Risk of retaliation from other countries such as USA <p>NB To access Level 3 there must be an accurate diagram, for example:</p>	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	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	3-5	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; chains of reasoning are developed but the answer may lack balance.
Level 3	6-8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative Content	Mark
1 continued	Evaluation 4	
	<ul style="list-style-type: none"> • Depends on elasticity of demand for imports • Significance of increase in tariff • Increase in employment in domestic textile industry would benefit consumers • Domestic producers may still be unable to compete with significantly cheaper used clothing imports 	(4)

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1-2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3-4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Answer	Mark
*2	<p>Diagram to show effect of a tariff on price: (from P1 to P2) and an increase in domestic production (from A to E). Imports decline from AB to EF.</p> <p>Discussion of:</p> <ul style="list-style-type: none"> • Effects on consumers e.g. loss of jobs (25 000, line 12); • Effects on producers e.g. loss of export markets (loss of \$2.6bn worth of exports, line 11) ; fall in profits; • Tariffs imposed in retaliation so ultimately trade war could result in less choice and higher prices for US consumers • Fall in economic growth (distortion of comparative advantage) leading to lower real incomes for US consumers <p>N.B. Allow analysis of tariffs by the US</p> <p>Evaluative comments might include:</p> <ul style="list-style-type: none"> • Significance of PED in determining impact on US consumers and producers • Significance of PES in determining impact on US consumers and producers • Short run/long run effects. • Retaliation. <p>Maximum 13/15 if there is no clear application to US consumers and producers</p> <p>(Synoptic element: supply and demand analysis including elasticities from unit 1. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p> <p>Quality of written communication (QWC) is assessed on the candidate's ability:</p> <ul style="list-style-type: none"> • 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 	(15)
Level	Mark	Descriptor
Level 1	1-4	2 marks for tariff diagram; 2 for application (2 data references)
Level 2	5-9	2 marks for tariff diagram; 2 for application(2 data references); 5 for analysis of at least 2 effects
Level 3	10-15	2 marks for tariff diagram; 2 for application(2 data references) ; 5 for analysis of at least 2 effects; 6 marks for any 2 or 3 evaluative points

Question Number	Answer	Mark
3*	<p>This could be approached in a variety of ways:</p> <ul style="list-style-type: none"> • Distortion of comparative advantage: leading to fall in specialization and decrease in world output; fall in living standards; rising unemployment (Counts as 2 points) • Decline in world trade • Possible inflationary consequences • Retaliation • Diagram to show effect of a tariff on price: (from P_1 to P_2) and an increase in domestic production (from A to E). Imports decline from AB to EF.  <p>Discussion of:</p> <ul style="list-style-type: none"> • Effects on consumers e.g. higher prices; loss of consumer surplus. • Effects on producers e.g. higher domestic output within the EU. • Welfare losses. • Tax revenue to the government. • Implications for the balance of trade. <p>Evaluative comments might include:</p> <ul style="list-style-type: none"> • Differential effects of tariffs on developed and developing countries • Impact depends on extent of trade as a % of GDP e.g. major impact on Japan, lesser impact on India (up to 2 application marks for data references) • Protectionism might be rational response by politicians facing an election - to protect employment (at least in the short run) • Re: tariffs: Significance of PED/PES for impact on the amount imported impact depends on the level of tariffs. • Short run/long run effects. • Retaliation. <p>(Synoptic element: supply and demand analysis including elasticities from unit 1. Also, the use of the Economist's tool-kit in analysis and evaluation and in approach to question)</p>	

		<p>Quality of written communication (QWC) is assessed on the candidate's ability:</p> <ul style="list-style-type: none"> • 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 	(15)
Level	Mark	Descriptor	
Level 1	1-4	2 marks for identification of 2 effects on world economy; 2 for application (reference to specific countries/data or for tariff diagram)	
Level 2	5-9	2 marks for identification of 2 effects; 2 for application(reference to specific countries/data or for tariff diagram) ; 5 for analysis of effects on world economy (maximum 3 marks for micro analysis of tariff diagram)	
Level 3	10-15	2 marks for identification of 2 effects; 2 for application(reference to specific countries/data or for tariff diagram) ;5 for analysis of effects on world economy (maximum 3 marks for micro analysis of tariff diagram); 6 marks for up to 3 evaluative points.	

END OF SECTION B

SECTION C

Question Number	Indicative content	Mark
4	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 8 Evaluation 9</p> <p>NB Candidates may refer to countries imposing protectionist policies themselves or facing protectionist policies from other countries</p> <p>Effects might include:</p> <ul style="list-style-type: none"> • Falling output and living standards (analysis based on the law of comparative advantage and empirical evidence of countries following protectionist policies) • Prices increase for consumers and welfare (analysis based on tariff diagram) • Levels of unemployment • Economies of scale for firms • Analysis based on AD/AS – e.g. on inflation • Retaliation by other countries <p>Evaluation points</p> <ul style="list-style-type: none"> • Depends on the type of protectionism. Quotas might be compared/contrasted with tariffs, for example • Depends on whether the country is in a trade bloc or is exporting to trade blocs. Award other consideration of changes in the patterns of trade • Short run/long run effects, e.g. dumping might have short term benefits and long term costs • Extent of the country's dependency on world trade • Extent of increase in protectionism for the particular country • After the recession the protectionism might start to fall again, or comparison with the 1930s protectionism after the Great Depression • Fear of WTO might mean that protectionism is more insidious. Answers might consider relative success of WTO because rulings are more closely adhered to even if there are more incidences of protectionism, numerically • Justification for protectionism, e.g. inability to change exchange rates, retaliation • Questioning the figure (from Global Trade Alert) – it includes forms other than traditional protectionism, e.g. subsidies to domestic researchers <p>NB For a Level 4 response, candidates must refer to developing economy in their answer.</p>	(25)

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
5	<p>KAA: 21; Ev:9</p> <p>Issues which might be considered include:</p> <ul style="list-style-type: none"> • Infant industry argument: firms need protection to grow sufficiently large to gain economies of scale and so be able to compete in global markets <i>But: may result in inefficiency and ultimately reduce the rate of growth</i> • To promote industrialisation. In turn, workers move from relatively lowly paid and poorly productive jobs in rural economy to better paid and more productive jobs in manufacturing <i>But: may not be desirable if the country has a comparative advantage in primary products</i> • Might promote investment in capital equipment which will help to boost economic growth via the multiplier effect <i>But: investment may be by TNCs who repatriate profits</i> • Industrialisation could lead to export-led growth <i>But: makes the economy more susceptible to global external shocks</i> • Provides increased employment opportunities <i>But: danger of exploitation of labour</i> • To prevent dumping from developed economies <i>But: danger of retaliation</i> • Use of tariff diagram to analyse impact on imports and growth <i>But: distortion of comparative advantage might limit growth in the long run</i> NB: candidates may discuss the case against protectionism as KAA e.g. • Protectionism may lead to a misallocation of resources <i>But: could be justified if there was dumping by other countries</i> • May promote complacency and inefficiency in manufacturing industries <i>But could enable domestic industries to grow and benefit from economies of scale</i> • May be against WTO agreements • Must provide examples of countries, otherwise maximum of 24/30 	(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 Number	Answer	Mark
6	<p>KAA: 14; Ev: 6</p> <p>Reasons could include:</p> <ul style="list-style-type: none"> • To protect employment <i>e.g. in sunset industries</i> <i>But: distortion of comparative advantage might result in lower output and lower exports</i> • To correct a balance of payments deficit on current account <i>But: retaliation might result in unemployment in other industries</i> • To raise tax revenue to help to reduce a budget deficit <i>But: a fall in economic activity could reduce tax revenues overall</i> • A part of inward-looking growth and development strategy of import substitution so that domestic industries may be developed/to protect infant industries <i>e.g. Nigerian car industry</i> <i>But: danger that domestic industries will become dependent on protection</i> • To prevent dumping which <i>may be regarded as the only justifiable reason for protectionism</i> <i>But: could result in retaliation and WTO might impose sanctions</i> • Environmental protection: to reduce pollution from cars - link to external costs; use of tax revenue from tariff to fund clean up • To protect strategically important industries <i>e.g. defence/agriculture</i> • In retaliation to protectionist measures imposed by other countries <p>N.B. Candidates might use a tariff diagram as part of their analysis to illustrate one or more of the points above and may refer to increase in prices, fall in consumer surplus and welfare loss</p> <p>Reference should be made to at least one country; otherwise 16/20 maximum</p>	(20)

Level	Mark	Descriptor
Level 1	1-7	Identification of points which have limited irrelevance
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 No.	Answer	Mark
7	<p>KAA: 21; Ev: 9</p> <p>Analysis might include:</p> <ul style="list-style-type: none"> • Impact on domestic prices and/or domestic production and imports (could count as two points). Concepts might include consumers' and producers' surpluses. N.B. This analysis should be related to the impact on the global economy • Impact on trade patterns: trade diversion away from low cost producers to high cost producers • Impact of resource allocation in global economy/ • Impact of dumping of surpluses • Impact on economies of developed and developing countries e.g. on <ul style="list-style-type: none"> ~ balance of payments; ~economic growth; ~employment; ~inflation; ~equality and ~the environment (Each of the above may be analysed as a separate issue) • Allow analysis/evaluation based on subsidies as a form of protectionism <p>Evaluation could include:</p> <ul style="list-style-type: none"> • <i>Impact on EU and US economies depends on PED and PES</i> • <i>Also impact on these economies and on global economy depends and on the amount of subsidy given</i> • <i>Such subsidies might encourage developing countries to diversify into secondary and tertiary industries</i> • <i>Disadvantages associated with subsidies might be offset by benefits e.g. reduced dependence on imports; increased food security; less subject to food price fluctuations</i> <p><i>Must refer to global economy/more than one country, otherwise maximum of 24/30</i></p>	(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

END OF SECTION C