

F585

Mark Scheme

January 2010

F585 The Global Economy

Question Number		Answer	Max Mark	Rationale/Additional Guidance
1	(a)	<p>Describe what is meant by economic stability.</p> <p>Economic stability refers to a environment which enhances long term macroeconomic performance by reducing uncertainty and promoting business and consumer confidence and investment. The result is a higher rate of long term economic growth.</p> <p>In particular economic stability relates to the avoidance of volatility in:</p> <ul style="list-style-type: none"> • economic growth rates; • inflation; • employment and unemployment; • exchange rates. <p><i>Synoptic knowledge: AS Unit F582, The national economy Government economic policy objectives and indicators of national economic performance</i></p> <p>1 mark for a definition of economic stability or the outcome of economic stability in terms of macroeconomic performance 3 marks for any of the aspects of economic stability in the bullets above</p>	[4]	<p>There must be a definition along these lines which describes the link between economic stability and the performance of the economy in the long run. No marks for reduced uncertainty, promoting confidence and investment on their own.</p> <p>Answers which simply list these characteristics should be awarded a maximum of 3 marks (1 mark for each indicator). Accept 'avoidance of volatility', 'little fluctuation', little variation', 'steady', 'target BAND for inflation (eg 1 – 3%)' BUT NOT 'stable' or 'low'</p> <p>Answers which talk of 'stable' inflation, growth etc can be awarded a maximum of 2 marks on the basis that candidates are being asked to describe what stability is!</p> <p>No marks to be awarded for '<u>low</u> inflation', <u>low</u> unemployment' etc as these do not get to the heart of stability</p>

Question Number		Answer	Max Mark	Rationale/Additional Guidance
1	(b)	<p>Analyse how inflation targeting, such as that used in the UK, can help promote economic stability.</p> <p>The UK inflation target is symmetrical – the central target is 2%, with an ‘upper ceiling’ of 3% and a ‘floor’ of 1%. As a result, built into the target is a belief that low inflation is as much a concern as high inflation. The costs of high inflation include: the impact on long-term planning; increased risks and borrowing costs; the misallocation of resources; and the impact on the distribution of income. Given the difficulties of measuring the rate of inflation, a low rate of inflation risks a low rate of economic growth. The advantage of a symmetrical inflation target, then, is that interest rate changes are likely to be less frequent and of a lower amount. In this way, a symmetrical inflation target is likely to promote economic stability. In addition, the objectives of this aspect of macroeconomic policy are clear and transparent. This has an impact on inflationary expectations, considered to be a key determinant of inflation in modern macroeconomics. Furthermore, the UK inflation target acts as a constraint on fiscal policy – policy makers are aware that any fiscal expansion which is likely to compromise the inflation target is likely to be met by monetary policy tightening. In short, inflation targeting reduces macroeconomic instability created by manipulation of monetary and fiscal policy for short term political objectives and ensures that monetary policy decisions are not unduly influenced by current macroeconomic conditions. Implicitly, inflation targets recognise the time-lags inherent in monetary policy.</p> <p><i>Synoptic knowledge: AS Unit F582, The national economy The application of macroeconomic policy instruments.</i></p>		<p>Award application marks as follows:</p> <p>1 mark for setting a specific target, such as 2% in the UK</p> <p>1 mark for setting a target band such as 1 – 3% in the UK</p> <p>1 mark for inflation targets can be symmetrical or asymmetrical</p> <p>Max 2 marks for application</p> <p>In awarding analysis marks it is important to distinguish between responses which simply give reasons WHY inflation targets promote stability and those that explain HOW inflation targets promote stability.</p> <p>So, statements of reasons only are to be awarded 2 marks (annotate with green ticks)</p> <p>Relevant reasons which can be credited include:</p> <ul style="list-style-type: none"> • reduced inflationary expectations • constraint on fiscal expansion • clear and transparent objectives of monetary policy • avoidance of deflationary bias – low inflation matters as much as high inflation, monetary policy is ‘flexible’, maintains economic growth at stable rate • keeps inflation within a band / keeps inflation stable • businesses and consumers can confidently plan for the future • can help achieve stable inflation

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	<p>Up to 2 marks for an understanding of the nature of inflation targets such as those in the UK.</p> <p>Up to 4 marks for an analysis of how inflation targets may promote economic stability by reducing the costs of inflation, promoting certainty and reducing inflationary expectations.</p>	[6]	<p>Explanation of HOW should be awarded an additional 2 marks (annotate with green tick +)</p> <p>Analysis is likely to include use of 'connectives' eg 'this is because', 'this will result in', 'the consequence will be' (it may be useful to highlight these phrases). Link to stability is needed for 2 marks, can get 1 if explains how confidence promotes investment etc</p> <p>Max of 4 marks for green ticks only</p>

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Question Number		Answer	Max Mark	Rationale/Additional Guidance
1	(c)	<p>Comment on the effectiveness of using expansionary monetary policy during a downturn in the economic cycle, such as that experienced in the UK in 2008.</p> <p>Monetary policy involves central bank and / or government decisions on interest rates, the money supply and the exchange rate. An expansionary monetary policy would involve reductions in the rate of interest, increases in the money supply and measures designed to bring about a fall in a country's exchange rate.</p> <p>Extract 2 clearly focuses on the effectiveness of reductions in the interest rate and this is how the vast majority of candidates are likely to approach the question. However, credit must be given in an identical way to those candidates who choose to comment on the effectiveness of increases in the money supply and / or reductions in the exchange rate.</p> <p>Candidates are expected to show an ability to analyse the monetary policy transmission mechanism and how reductions in interest rates might be effective in a downturn in the economic cycle. For example, a reduction in the central bank's official (base) rate of interest will lead to market rates of interest being reduced. This will have an effect on domestic and net external demand. A lower interest rate reduces the incentive to save, raises consumption and investment (by reducing the cost of borrowing) and raises export demand and lowers import demand by leading to a fall in the exchange rate. The overall effect is to increase aggregate demand, thereby cushioning the impact of the economic slowdown or reversing it.</p>		<p>Responses to this question should be annotated using the L1, L2, L3, L4 tools in Scoris consistent with the level descriptors below</p> <p>Analysis and commentary should relate EXPLICITLY to the effectiveness of monetary policy in promoting GROWTH of AD and / or GDP</p> <p>Level 4 answers MUST show how monetary policy should work to raise AD and / or GDP AND reasons why it might not be effective in this respect</p> <p>Where reasons why monetary policy might not be effective are simply stated and not explained a maximum mark of 8 should be awarded</p> <p>Accept as L4 response the argument that cuts in interest rates were not effective as BoE had to supplement this kind of expansionary monetary policy with quantitative easing</p> <p>Accept recognition of the time lag in monetary policy as a point of evaluation</p> <p>Accept explanation of why fiscal policy may be more effective as a point of evaluation for L4 marks</p> <p>Do not accept inflationary consequences of lower interest rates as commentary on effectiveness as it is not in context</p>

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1	(c)	<p>Commentary on the effectiveness can take different forms, but is most likely to focus on the extent to which the monetary policy transmission mechanism operates as expected. Extract 2 provides context on the behaviour of LIBOR, which candidates could usefully comment upon. Reductions in base rates may not lead to reductions in market rates of interest and therefore expansionary monetary policy may not be effective. Candidates should recognise that this is a special case limiting the effectiveness of expansionary monetary policy as it relates to the circumstances of 2008 where the banking crisis had made banks wary of lending to each other without a significant 'risk premium'. Expansionary monetary policy is more effective at other times. Candidates could also make judgements about the benefits of expansionary monetary policy in terms of the ability to make a rapid response to the downturn because of the absence of time lags in monetary policy decisions.</p> <p>Developed commentary should seek to examine other weaknesses in the monetary policy transmission mechanism. For example, reductions in interest rates may not stimulate spending and investment during an economic downturn – the interest elasticity of demand for loans may be inelastic. Firms are unlikely to increase investment expenditure in an economic downturn just because borrowed funds are cheaper. They are much more likely to delay investment plans whilst they expect the downturn to continue. Similarly, consumers are unlikely to borrow money to fund consumption if they have been made unemployed or fear that they will be. During an economic downturn, expectations may be a more important determinant of the overall level of aggregate demand than the interest rate. The impact of lower interest rates on net</p>		<p>Level 4 [7 – 10 marks] For a commentary on the effectiveness of expansionary monetary policy during a downturn in the economic cycle, such as that experienced in the UK in 2008. Commentary should be supported by explicit economic analysis of the monetary policy transmission mechanism and the circumstances in which it may not operate effectively.</p> <p>Level 3 [4 – 6 marks] For an analysis of expansionary monetary policy during a downturn in the economic cycle, such as that experienced in the UK in 2008.</p> <p>Responses at the top of this level should make explicit use of more than one component of AD to analyse cause and effect of expansionary monetary policy / a reduction in interest rates.</p> <p>Level 2 [2 – 3 marks] For an application of knowledge and understanding of the causal links between expansionary monetary policy and the level of economic activity. Responses in this level, however, will lack any clear economic analysis of the impact of expansionary monetary policy on the components of AD.</p> <p>Level 1 [1 mark] For knowledge and understanding of expansionary monetary policy and / or an economic downturn only, but which shows no understanding of the causal link between the two.</p>

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	<p>external demand depends on the extent of any fall in the exchange rate and the price elasticities of demand for exports and imports. In a time of global slowdown, foreign income may be a more important determinant of the demand for exports than the price of exports. The timing and size of interest rate reductions would also have an impact on their effectiveness.</p> <p><i>Synoptic knowledge: AS Unit F582, The national and international economy</i> <i>Aggregate demand and aggregate supply and their interaction.</i> <i>Government economic policy objectives and indicators of national economic performance</i> <i>The application of macroeconomic policy instruments.</i></p> <p>Level 4 [7 – 10 marks] For a commentary on the effectiveness of expansionary monetary policy during a downturn in the economic cycle, such as that experienced in the UK in 2008. Commentary should be supported by explicit economic analysis of the monetary policy transmission mechanism and the circumstances in which it may not operate effectively. At the top end, candidates should comment on more than one factor limiting the effectiveness of expansionary monetary policy and reach a reasoned conclusion.</p> <p>Level 3 [4 – 6 marks] For an analysis of expansionary monetary policy during a downturn in the economic cycle, such as that experienced in the UK in 2008.</p>		

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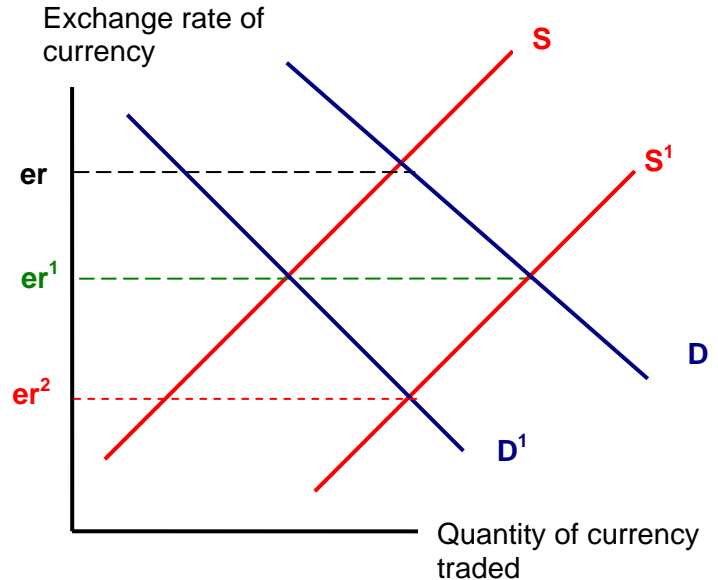
Question Number		Answer	Max Mark	Rationale/Additional Guidance
1	(c)	<p>Responses at the top of this level should make explicit use of more than one component of AD to analyse cause and effect of expansionary monetary policy / a reduction in interest rates.</p> <p>Level 2 [2 – 3 marks] For an application of knowledge and understanding of the causal links between expansionary monetary policy and the level of economic activity. Responses in this level, however, will lack any clear economic analysis of the impact of expansionary monetary policy on the components of AD.</p> <p>Level 1 [1 mark] For knowledge and understanding of expansionary monetary policy and / or an economic downturn only, but which shows no understanding of the causal link between the two.</p>	[10]	

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Question Number		Answer	Max Mark	Rationale/Additional Guidance
2	(a)	<p>Explain the role of the International Monetary Fund (IMF).</p> <p>The IMF aims to create international financial stability and, in doing so, promote global economic growth and international trade.</p> <p>Global economic growth and economic stability is compromised when countries run into balance of payments problems, particularly when this leads to massive short term selling of a currency (a run on the currency) and capital flight.</p> <p>To avoid these problems, the IMF will lend money to countries which face severe balance of payments problems in return for agreements to put in place economic policies which the IMF believes will return economic stability to a country. The IMF also regularly monitors the economic performance and policy of its members and advises them on policies which, in its view, are necessary to achieve stability in exchange rate and economic growth. By helping to achieve more stable economic conditions globally, the IMF believes that is creating greater certainty which encourages investment (thereby raising long term rates of economic growth) and trade between nations.</p> <p>Up to 2 marks for a description of the role of the IMF, which may include an example.</p> <p>Up to 2 marks for an explanation of the role of the IMF in terms of how its activities are believed to contribute to global economic growth, economic stability of international trade.</p>	[4]	<p>Use green ticks to indicate where a candidate is describing WHAT the IMF does (2 max)</p> <p>Descriptive points include:</p> <ul style="list-style-type: none"> • creates international financial stability / global monetary co-operation • promotes global economic growth and international trade • lends money to countries with BoP problems • places conditions, such as greater reliance on market forces, on loans to prevent reoccurrence of problems • advises on macroeconomic policies to promote growth • annual surveillance / reports <p>Use green tick with + to indicate where a candidate is explaining WHY the IMF does what it does (2 max)</p> <p>Explanation may include:</p> <ul style="list-style-type: none"> • impact of BoP problems • impact of capital flight • impact of protectionism • how IMF policies promote international and domestic stability • consequences of global stability <p>Reward candidates who give examples of things such as conditions / advice etc where these are linked to the aims of the IMF.</p> <p>Be on the look out for responses which confuse the role of the IMF with the role of the World Bank</p>

Question Number	Answer	Max Mark	Rationale/Additional Guidance
2 (b)	<p>Using a diagram, analyse the causes of the depreciation of the Hungarian forint which occurred during 2008.</p>  <p>Freely floating exchange rates are an interaction of the demand for and supply of the currency on the foreign exchange markets. A currency can depreciate if the demand for the currency falls and / or the supply of the currency increases.</p> <p>In the case of Hungary, Extract 3 suggests that the forint depreciated because of the emergence of a growing and unsustainable current account deficit. This led to the withdrawal of capital from the country. An increase in capital outflows shifts the supply of the currency from S to S', causing the exchange rate to depreciate from er to er^1.</p>		<p>Indicate all marks awarded by use of the green tick tool</p> <p>Place ticks alongside parts of the diagram to indicate AO1 and AO2 marks</p> <p>At this level it is expected that candidates will label axes correctly – so do not award axes mark if vertical axis labelled price only (price of forint is OK, but price of \$ or any other currency is NOT). It is OK for horizontal axis just to be labelled quantity.</p> <p>Demand and Supply curves must also be labelled accurately (eg D / S not AD / AS) to access application marks eg shift and equilibrium.</p> <p>For analysis marks it must be explicit that shifts in D and S relate to the demand and supply of the CURRENCY</p> <p>Acceptable reasons for depreciation include (1 mark to be awarded for identification of the reason):</p> <ul style="list-style-type: none"> • Current account deficit (not lack of demand for exports) = either reduction in demand or increase in supply depending on cause of deficit • Withdrawal of capital / capital flight = increase in supply • Reduction in capital inflows / FDI = fall in demand • Reduction in Hungarian interest rate (either relative or absolute) = reduction in demand and / or increase in supply

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Question Number	Answer	Max Mark	Rationale/Additional Guidance
2 (b)	<p>Candidates may argue that the growing current account deficit would increase the supply of the currency (a higher value of imports) or reduce the demand for the currency (lower value of exports).</p> <p>Some candidates may analyse the depreciation in terms of both a reduction in demand and an increase in supply of the currency.</p> <p><i>Synoptic knowledge: AS Unit F581, Markets in action Competitive markets and how they work – the impact of changes in demand and supply on equilibrium Synoptic knowledge: AS Unit F582, The national and international economy Government economic policy objectives and indicators of national economic performance – an understanding of how exchange rates are determined</i></p> <p>Analysis marks [1 – 2 marks] Up to 2 marks for an analysis of the cause of the shift in supply and/or demand. For marks to be awarded for analysis there must be an explicit explanation of the shift(s) of demand and/or supply in terms of the growing current account deficit and/or capital flight.</p> <p>Application marks [1 – 2 marks] 1 mark for a rightward shift in supply of Hungarian forint. 1 mark for leftward shift in the demand for Hungarian forint. 1 mark for new exchange rate equilibrium. Max 2 marks</p> <p>Knowledge marks [1 – 2 marks] 1 mark for correctly labelled axes. 1 mark for correctly drawn and labelled demand and supply curves.</p>	[6]	<p>Award an additional analysis mark where this reason is correctly linked to D or S</p> <p>Do not award analysis marks for simple description of the shifts in the curves – there must be explanation in terms of the determinants of D and S of the currency</p>

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Question Number	Answer	Max Mark	Rationale/Additional Guidance
2 (c)	<p>Comment on the extent to which a deficit on the current account of the balance of payments, such as that in Hungary and the UK, is a sign of economic weakness.</p> <p>The current account of the balance of payments measures flows of money in and out of a country arising from:</p> <ul style="list-style-type: none"> • trade in goods; • trade in services; • net flows of profit, interest and dividends; • transfers. <p>It follows that a deficit on the balance of payments can occur because of a deficit in any one or more of these which is not compensated for by surpluses elsewhere.</p> <p>A current account deficit on the balance of payments can be a sign of economic weakness where high levels of domestic consumption result in excessive spending on foreign-produced goods and services. This might indicate that domestic firms have lost competitiveness in global markets due to a lack of investment, high labour costs or low productivity. Such a deficit would be structural and would be a sign of economic weakness.</p> <p>However, the extent to which a deficit on the current account of the balance of payments is a sign of economic weakness depends on the cause of the deficit. In the case of a deficit on trade in goods and services, there are other reasons apart from a lack of international competitiveness which might explain the deficit. For example, high growth in domestic demand could be considered to be a sign of economic strength rather than of weakness. In this case, the deficit would be considered cyclical rather than structural. Alternatively, there may be high levels of investment taking place in the economy, resulting in imports</p>		<p>The rationale of the question is to get candidates to explore which of the possible causes of a current account deficit are related to fundamental weaknesses in the macroeconomy and which are not.</p> <p>The key to a successful response, then, is an explicit consideration of what is meant by economic weakness as well as the different causes of a current account deficit.</p> <p>Responses to this question should be annotated using the L1, L2, L3, L4 tools in Scoris consistent with the level descriptors below</p> <p>Analysis and commentary should relate EXPLICITLY to both the causes of a current account deficit and to why this may or may not indicate economic weakness</p> <p>Answers that lack this explicit focus are likely to consider the CONSEQUENCES of a current account deficit and / or whether it is a problem. Such responses are unlikely to get a mark beyond L2 of the mark scheme.</p> <p>There will be the inevitable responses which confuse a current account deficit with a budget deficit. Such responses should be awarded 0 marks at this level and in the light of the pre-release of the stimulus material.</p>

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2 (c)	<p>of capital goods. This would not be a sign of economic weakness since such investment would generate greater efficiency and competitiveness in the future. The deficit would be viewed as temporary. A current account deficit in either case may not be a sign of weakness so long as the country attracts sufficient long term capital flows to finance the deficit.</p> <p>A country that attracts large capital flows will find that there will be a net outflow of profit, interest and dividends which might cause a current account deficit. Despite the deficit, the economy may be considered successful, depending on whether the capital flows were in the form of foreign direct investment, what attracted the FDI and its duration.</p> <p>Without knowledge of the causes of the current account deficit, it is not possible to conclude whether the deficit is a sign of economic weakness or strength. There may be better indicators of the weakness or strength of an economy, such as unit labour costs.</p> <p><i>Synoptic knowledge: AS Unit F582, The national and international economy</i> <i>Government economic policy objectives and indicators of national economic performance – the causes and consequences of a deficit on the current account of the balance of payments</i></p> <p>Level 4 [7 – 10 marks] For a commentary on the extent to which a deficit on the current account of the balance of payments is a sign of economic weakness. At the top end of this level, candidates' commentaries will clearly identify the factors that determine whether or not a current account deficit is a sign of economic weakness.</p>		<p>Analytical answers will include relevant economic concepts – expect to see reference to REASONS for a lack of competitiveness which might include:</p> <ul style="list-style-type: none"> • low productivity • high wages (wage growth) • poor quality • high unit labour costs <p>Level 4 [7 – 10 marks] For a commentary on the extent to which a deficit on the current account of the balance of payments is a sign of economic weakness. At the top end of this level, candidates' commentaries will clearly identify the factors that determine whether or not a current account deficit is a sign of economic weakness.</p> <p>Level 3 [4 – 6 marks] For a one-sided analysis of the extent to which a deficit on the current account of the balance of payments is a sign of economic weakness. Candidates in this level will analyse why a deficit on the current account could be considered a sign of weakness or why it might not but not both perspectives. There will be no commentary on the extent.</p> <p>Level 2 [2 – 3 marks] For an application of knowledge and understanding of the likely causes of current account deficits.</p> <p>Level 1 [1 mark] For knowledge and understanding of the meaning of a current account deficit or of what economic weakness might involve, but there will be no attempt to link the two.</p>

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	<p>Level 3 [4 – 6 marks] For a one-sided analysis of the extent to which a deficit on the current account of the balance of payments is a sign of economic weakness. Candidates in this level will analyse why a deficit on the current account could be considered a sign of weakness or why it might not but not both perspectives. There will be no commentary on the extent.</p> <p>Level 2 [2 – 3 marks] For an application of knowledge and understanding of the likely causes of current account deficits or of the structure of the BoP (eg current account deficit offset by financial account surplus) or of deficit as % of GDP</p> <p>Level 1 [1 mark] For knowledge and understanding of the meaning of a current account deficit or of what economic weakness might involve, but there will be no attempt to link the two.</p>	[10]	

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Question Number	Answer	Max Mark	Rationale/Additional Guidance
3	<p>Discuss the impact of globalisation on developing economies.</p> <p>Globalisation refers to the increasing economic integration of national economies into the global economy through:</p> <ul style="list-style-type: none"> • international trade; • foreign direct investment; • increased capital flows; • the spread of technology; • migration of people. <p>The result is that national economies are much more interdependent through a global system of production and exchange.</p> <p>The question is, therefore, a wide ranging one. Candidates need not address all aspects of globalisation in their responses, but should focus on at least two, developing breadth in their analysis and evaluation.</p>		<p>The rationale of this question is to get candidates to set the pros and cons of globalisation in the context of developing economies. As such it links two parts of the specification.</p> <p>L4 responses should show a clear ability to balance benefits and costs of globalisation and show how these might impact on economic development.</p> <p>Within L4 it is useful to distinguish ‘bands’ of responses:</p> <p>Band 3 (16 – 20) The discussion is well developed, has depth of reasoning, is clearly set in the context of developing economies and reaches a REASONED judgement on the impact. The judgement should seek to establish what the impact depends upon. Use of country case studies will be effective rather than simply descriptive of points.</p> <p>It is important to use the WHOLE mark range within this band and in particular to award FULL marks for responses which clearly meet the criteria above.</p> <p>USE EE ANNOTATION IN SCORIS TO INDICATE WHERE CANDIDATE IS SHOWING THIS SKILL</p>

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Question Number	Answer	Max Mark	Rationale/Additional Guidance
3	<p>The benefits of globalisation for a developing economy should be analysed rather than just stated. Analysis requires an explanation of cause and effect and should be under-pinned by economic theory. So, for example, the benefits of free trade might be analysed using the concept of comparative advantage. Candidates could show how a developing economy, by specialising according to its comparative advantage, would be able to improve resource allocation, consume outside its PPF and enjoy the benefits of lower prices, higher employment and higher rates of economic growth. The benefits of FDI could be analysed using aggregate demand and supply analysis, showing an increase both AD and AS and consequent improvement in real GDP, living standards, employment and the balance of payments. Better responses will be able to illustrate these benefits using examples. In order to provide real focus on the question, candidates should be able to explain why these benefits are particularly important for developing economies perhaps by reference to indicators of development. For example, higher real GDP and living standards associated with globalisation may be responsible for reductions in rates of poverty in countries such as China and India which have embraced globalisation. Developing economies which have not embraced free trade and FDI, such as those in sub-Saharan Africa, have seen little change in poverty over the last 20 years. Other references to the developing economy context might include reduced income inequalities, higher life expectancy, reduced infant mortality Other benefits might include higher tax revenue to fund investment in infrastructure, improved productivity of labour, technology transfer etc.</p>		<p>Band 2 (14 – 15) A developed discussion, with some developing economy context but not reaching that bit further. Expect to see some ref to nature of developing economies and / or explicit use of HDI Responses in this level should consider at least two aspects of globalisation</p> <p>Band 1 (11 – 13) A basic discussion with relatively undeveloped points, limited developing economy context and no judgement. Responses in this level are likely to cover just pros and cons of globalisation without setting this explicitly in the context of developing economies</p> <p>Level 3 [5-10 marks] For a one-sided analysis of the impact of globalisation on a developing economy.</p> <p>Level 2 [3-4 marks] For an application of knowledge and understanding of the impact of globalisation on a developing economy. Marks in this Level will show a total lack of economic analysis of the impacts but will make some valid general points.</p> <p>Level 1 [1-2 marks] For knowledge and understanding of developing economies and / or globalisation only. Responses in this level will not consider what the benefits or costs of globalisation might be.</p>

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3	<p>There is a wide range of evaluations of globalisation which candidates might make which would result in the award of Level 4 marks. These include:</p> <ul style="list-style-type: none"> • primary product dependency and declining terms of trade trapping developing countries in a low level of economic development and giving rise to balance of payments problems; • globalisation does not bring significant benefits to developing economies because of the lack of access to developed economy markets as a result of continued existence of tariffs and subsidies of domestic producers – this is most often argued in the context of agricultural trade; • competition between developing economies to attract FDI results in a lack of social protection, such as minimum wage laws and keeps wages low; • the benefits accrue mainly to consumers in the developed world and multinationals companies originating from such economies; • temporary gains in employment only, especially where foreign firms are footloose; • inappropriate technology introduced to developing countries; • environmental costs arising from poor regulation of the activities of foreign investors; • limits to the benefits of trade created by the continued dominance of intra-regional and intra-industry trade rather than inter-regional and inter-industry trade; • the extent to which economic growth generated by increased trade and FDI results in greater human development; • increased exposure to external economic shock created by a greater dependence on developed economy markets. 		

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3	<p>There should be an attempt to make a judgement on the extent of the impact, either positive or negative. This judgement may include a consideration of the determinants of the impact, for example, or may arise from the candidates' choice of developing economy.</p> <p><i>Synoptic knowledge: AS Unit F582, The national and international economy</i> <i>The application of macroeconomic policy instruments and the international economy - awareness of the general nature and benefits of international trade.</i></p> <p>Level 4 (a) [16-20 marks] For a discussion that includes a judgement on the extent of the impact of globalisation on a developing economy of the candidate's own choice.</p> <p>Level 4 (b) [11-15 marks] For a balanced discussion of the impact of globalisation on a developing economy. This discussion will provide an analytical explanation of benefits and costs of globalisation for a developing economy or consider the determinants of either the benefits or the costs. In this Level candidates will make no attempt to exemplify the impact of globalisation through considering a developing economy of their own choice. A discussion that lacks balance should be awarded a maximum of 13 marks.</p> <p>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs, consistently relevant, have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar.</p>		

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3	<p>Level 3 [5-10 marks] For a one-sided analysis of the impact of globalisation on a developing economy.</p> <p>Relatively straightforward ideas have been expressed with some clarity and fluency. Arguments are generally relevant, though may stray from the point of the question. There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive or obscure meaning.</p> <p>Level 2 [3-4 marks] For an application of knowledge and understanding of the impact of globalisation on a developing economy. Marks in this Level will show a total lack of economic analysis of the impacts but will make some valid general points.</p> <p>There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.</p> <p>Level 1 [1-2 marks] For knowledge and understanding of developing economies and / or globalisation only. Responses in this level will not consider what the benefits or costs of globalisation might be.</p> <p>Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar.</p>	[20]	

Grade Thresholds

Advanced GCE Economics (H061 H461)
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Unit Threshold Marks

Unit		Maximum Mark	A	B	C	D	E	U
F581	Raw	60	46	41	36	31	27	0
	UMS	100	80	70	60	50	40	0
F582	Raw	60	48	43	38	34	30	0
	UMS	100	80	70	60	50	40	0
F583	Raw	60	45	41	37	33	30	0
	UMS	100	80	70	60	50	40	0
F584	Raw	60	45	41	37	33	29	0
	UMS	100	80	70	60	50	40	0
F585	Raw	60	40	35	30	25	21	0
	UMS	100	80	70	60	50	40	0

Specification Aggregation Results

Overall threshold marks in UMS (i.e. after conversion of raw marks to uniform marks)

	Maximum Mark	A	B	C	D	E	U
H061	200	160	140	120	100	80	0
H461	400	320	280	240	200	160	0

The cumulative percentage of candidates awarded each grade was as follows:

	A	B	C	D	E	U	Total Number of Candidates
H061	18.9	47.2	58.8	74.7	86.3	100.0	700

700 candidates aggregated this series

For a description of how UMS marks are calculated see:

http://www.ocr.org.uk/learners/ums_results.html

Statistics are correct at the time of publication.

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