



ECONOMICS

9772/02

Paper 2 Essays

May/June 2018

MARK SCHEME

Maximum Mark: 75

Published

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.

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This document consists of **16** printed pages.

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

The purpose of the essay paper is to enable candidates to select appropriate economic models, theories and concepts which they then apply to the circumstances of the question and produce good, logical arguments and draw conclusions. Better essays are likely to have a conclusion that may recognise that various answers are possible, or that it is not possible to draw firm conclusions in all cases. Full justification should be given for the conclusions drawn. The questions are set deliberately to require candidates to plan and structure an answer.

Candidates should try to illustrate their arguments with recent and contemporary examples. Examiners should reward these appropriately. Certainly, a well-illustrated essay should score more highly than one which, while being sound in terms of theory used, does not draw on relevant actual events.

For each question there follows a preamble of what is expected from candidates – always remembering that an ‘unexpected but valid approach’ must be rewarded. A general list of areas that might be included is then given, followed by an example of the sort of answer that would fall into each level of assessment, both in terms of Theory and Analysis and in terms of Evaluation.

Marking criteria for Paper 2

For this paper, marks should be awarded in two categories. The first covers the knowledge and understanding of relevant economics, how this is applied and how the information/issues are analysed (Theory and Analysis) and the second covers the candidate's evaluation of the issues involved (Evaluation). Examiners should look to mark the essay holistically and decide into which relevant Levels the answer lies. The Levels achieved will not necessarily be the same for the two categories.

Theory and Analysis

Level 4 (13–17 marks), Mid mark 15: An excellent answer that shows accurate and comprehensive application of relevant theory. There will be in-depth and coherent analysis. At the top end there will be signs of real insight and/or originality, not normally expected to be seen at this level.

Level 3 (9–12 marks), Mid mark 11: An answer that logically addresses the issues involved and generally shows a correct application of the relevant theory. An attempt is made to analyse and there is some depth or coherence but not necessarily both.

Level 2 (5–8 marks), Mid mark 7: Some correct application of relevant theory will be shown but there may well be inaccuracies contained within the answer. An appreciation of the need to analyse may be demonstrated, but not much more than this. The answer is likely to lack any real coherence.

Level 1 (1–4marks), Mid mark 3: The answer contains something of relevance to the set question. However, theory may be misunderstood, or incorrectly applied. At this level, any analysis shown will be extremely superficial.

Level 0 (0 marks): Nothing of any relevance to the set question is shown within the answer.

Evaluation

Level 3 (6–8 marks), Mid mark 7: There is in-depth, coherent, comprehensive and well-balanced evaluation. At the top end there will be signs of real insight and/or originality, not normally expected to be seen at this level.

Level 2 (3–5 marks), Mid mark 4: There is a definite attempt to consider various points of view or outcomes for different economic agents or distinction between short-run and long-run consequences etc. but the coverage of these is less than comprehensive.

Level 1 (1–2 marks), Mid mark 2: There is some attempt at evaluation but issues are more likely to be stated than examined.

Level 0 (0 marks): There is no evidence of any evaluation whatsoever.

Question	Answer	Marks
Section A		
<p>‘Many individuals underestimate the damage to their own health that can be caused by infectious diseases, and they also feel no responsibility towards others who may be infected by them.’</p> <p>Discuss the view that the government should provide vaccinations against infectious diseases free to all.</p> <p>Candidates should show a clear understanding of the concepts of merit goods and positive externalities, and of their implications for the efficient allocation of resources – the goods would be under-provided in the free market – and of relevant possible methods of government intervention.</p>		
1	<p>Answers may include:</p> <p>Application to real life – there needs to be consideration of the particular case of vaccinations against infectious diseases.</p> <p>Analysis of the relationships between private and social marginal costs and benefits, and of the difference between actual and perceived private benefit. Explanation of the optimum allocation of resources and of the impact of relevant possible government action.</p> <p>Evaluation of the issues involved might include consideration of the following:</p> <ul style="list-style-type: none"> • Are there value judgements involved in the concepts of merit goods and positive externalities? • Are governments able to identify the optimum allocation of resources? • Should all infectious diseases be dealt with in the same way? • Could government action result in a worsening of outcome? <p>A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • Should the free market always be allowed to operate? • Do governments have sufficiently accurate knowledge to intervene so as to improve resource allocation? • How does free provision compare with other possible methods of government intervention? • Is there a case for making vaccination not just available free to all, but indeed compulsory? <p>In a well-structured answer it is likely that there will be a conclusion drawn at the end to explain the candidate’s overall view.</p>	25

Question	Answer	Marks
1	<p><u>Theory and analysis</u></p> <p>Level 4 (13–17 marks), Mid mark 15: There is a clear demonstration of an understanding of both merit goods and positive externalities, with relevant examples used. The analysis will be both precise and comprehensive and almost certainly accurate diagram[s] will be used. At the top of this level a candidate will need to go further than just explaining how free provision would work in this context, and potential downsides would need to be considered, perhaps in comparison with possible alternative forms of government intervention. There will be a clear focus on how resources can be optimally allocated in the context, and consideration of the possibility of government failure.</p> <p>Level 3 (9–12 marks), Mid mark 11: The candidate is likely to look at both merit goods and positive externalities, though will probably cover one rather superficially or with some errors in the analysis. Free provision will be examined, but maybe not its possible downsides, or at least only superficially; alternatively, method[s] of intervention might be explained and assessed, but without any link to optimum allocation of resources.</p> <p>Level 2 (5–8 marks), Mid mark 7: The candidate is likely to focus just on the nature of vaccinations as merit goods and/or having positive externalities. There is a definite appreciation of what the question is asking but the answer will fail to go into any meaningful analysis and will probably be more a collection of statements rather than any true explanation.</p> <p>Level 1 (1–4 marks), Mid mark 3: Explanations are either missing or inaccurate. The answer is likely to fail to address the set question but instead be a weak description of market failure and/or of the good done by vaccinations.</p> <p><u>Evaluation</u></p> <p>Level 3 (6–8 marks), Mid mark 7: A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • What is the nature of the market failure(s) in the context of vaccination against infectious diseases, and can it/they be quantified? • What is the responsibility of a government in such markets? • Can government intervention do more harm than good? <p>In a well-structured answer it is likely that there will be a conclusion drawn at the end to explain the candidate's overall view.</p> <p>Level 2 (3–5 marks), Mid mark 4: One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.</p> <p>Level 1 (1–2 marks), Mid mark 2: Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example: 'Governments should intervene when it benefits its citizens.'</p>	

Question	Answer	Marks
<p>‘UK Government policy should concentrate on stopping firms from getting too large.’</p> <p>Assess this view.</p> <p>Candidates should show a good understanding of both the benefits and the possible downsides of firms being large. They should consider the possible objectives of government policy in this area, and also consider other possible types of policy which might aim to achieve similar objectives – for example, policy targeted at behaviour of firms with monopoly power, or aimed to increase contestability.</p>		
2	<p>Knowledge and understanding of relevant concepts and theory, such as economies and diseconomies of scale, market failure arising out of monopoly power, contestability. Candidates need to distinguish between mere size of firms and the power that they may, or do, exercise in the market, and also between profit-maximising and other objectives of firms. Criteria for the efficient allocation of resources are also relevant.</p> <p>Application to real world UK industrial structure and behaviour will strengthen an answer. Different aims of firms need to be taken into account too, as does the international context within which UK firms operate.</p> <p>Analysis Candidates are likely to explain the benefits of firms being large in terms of types of internal economies of scale, and of possible downsides, in terms of diseconomies of scale. The distinction between internal and external economies may be made clear. Objectives of government policy, in terms of efficient resource allocation, are central to the question. The question of monopoly versus competition, and/or the issue of contestability, irrespective of absolute size, should also be considered. Relevant use of diagrams will be important. Analysis of whether government intervention is always a better alternative to no intervention whatsoever will need to be considered at the top end. Better candidates will also analyse the clear difference between whether governments should intervene and whether they can intervene.</p> <p>Evaluation of the issues involved. Examples:</p> <ul style="list-style-type: none"> • Are large firms necessarily inefficient? • How relevant is the ownership structure of a firm to its aims and its behaviour? • May small firms act against the interests of consumers more than large ones? • Are governments able to intervene effectively? If not, might they be better off not intervening at all? • There may well be ‘opportunity cost’ issues involved with government intervention – especially at times of fiscal constraint – does this further complicate the issue? 	25

Question	Answer	Marks
2	<p><u>Theory and analysis</u></p> <p>Level 4 (13–17 marks), Mid mark 15: There is a clear understanding of possible advantages and disadvantages of firms being large, to themselves and to consumers. The candidate will also consider the relevance of market structure, and the aims of firms, as well as explaining criteria for government intervention in industry. The use of accurate and relevant diagram[s] is likely. At the top of this level there is likely to be consideration of the possibility of government failure. Good examples will be used to back up the analysis.</p> <p>Level 3 (9–12 marks), Mid mark 11: The candidate will demonstrate a good understanding of either the pros and cons of firms being large OR of criteria for government intervention, but will not cover both aspects in detail. There may be some consideration of the possible relevance of market structure and/or aims of firms, but it is unlikely to be well integrated within the answer. Alternatively, several aspects may be covered but at too superficial a level to enable the candidate to demonstrate a good understanding of the issues involved.</p> <p>Level 2 (5–8 marks), Mid mark 7: There is likely to be some understanding shown but the answer and examples will be superficial and the candidate will not have appreciated the point of the question – the answer may merely rehash some learned elements of the traditional theory of the firm without a clear focus on the question asked.</p> <p>Level 1 (1–4 marks), Mid mark 3: A very weak answer that will merely state a few of the issues involved but with no real analysis, and the answer is likely to include a lot of confusion/inaccuracies.</p> <p><u>Evaluation</u></p> <p>Level 3 (6–8 marks), Mid mark 7: A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • Are all large firms inefficient? • What criteria should be used to judge whether a firm's behaviour is efficient? • May large firms in practice act in the best interests of consumers? • Even if intervention isn't perfect, isn't it better than no intervention? Or is no intervention in this area better than the risk of government failure? <p>There is likely to be a conclusion drawn at the end to explain the candidate's overall view – even if this is that there is no clear-cut answer.</p> <p>Level 2 (3–5 marks), Mid mark 4: One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.</p> <p>Level 1 (1–2 marks), Mid mark 2: Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example: 'Some small firms may act against the interest of consumers'.</p>	

Question	Answer	Marks
	<p>Most employers have never heard of the concept of marginal revenue product, so a theory of wage determination that is based upon it has no relevance.'</p> <p>To what extent do you agree with this statement?</p> <p>Candidates should show a good understanding of the concept of marginal revenue product [MRP] and of the theory behind wage determination. They should too demonstrate a grasp of pros and cons of MRP theory as a basis for explaining relative wages. Better answers are likely to consider what is required for a theory in the subject to have 'relevance', as they apply this issue to the particular case under consideration.</p>	
3	<p>Answers may include:</p> <p>Knowledge and understanding of the concept of MRP, and of the traditional theory that equilibrium in a labour market occurs when the MRP of labour = the MC of labour. There is likely to be use of a diagram or diagrams to help to explain the relevant relationships, and good candidates will at least consider the relevance of the type of market structures that are in play. They will also explain some limitations of such an explanation of wage determination, as well as look at what is involved in an economic theory being relevant.</p> <p>Application: Consideration of some practical issues in both applying the concept of MRP in the real world and of using it in attempting to explain the level of, and changes over time in, relative wages.</p> <p>Analysis Examples:</p> <ul style="list-style-type: none"> • How physical productivity and product price influence MRP of labour in different types of labour market. • How MRP and MC of labour interact to determine relative wages in a labour market. • To fully answer the set question, candidates are likely to have to analyse how changes in physical productivity and in product price are likely to affect market equilibrium levels of wages and employment. • The independent role of supply factors in affecting wages, in both the short- and the long-run, is also relevant. <p>Evaluation of the issues involved Examples:</p> <ul style="list-style-type: none"> • Can MRP of labour be unambiguously measured, ever or always? • What are the circumstances required for MRP theory to accurately explain wage determination? • Is MRP 'theory' an explanation of wage determination, or merely of demand for labour? • Are there other factors that influence wage determination, such as trade union behaviour? • What do we mean by saying that an economic theory has no relevance? Does it relate to the practical applicability of its assumptions or perhaps to the validity of its predictions? 	25

Question	Answer	Marks
3	<p><u>Theory and analysis</u></p> <p>Level 4 (13–17 marks), Mid mark 15: There will be a clear and accurate explanation of the concept of MRP and of the theory that $MRP = MC$ of labour. There will almost certainly be an accurate use of relevant diagram[s], and a valid consideration of both pros and cons of the use of the concept of MRP in explaining relative wages. At the top of this level, there will also need to be some discussion of what is involved in an economic theory having relevance.</p> <p>Level 3 (9–12 marks), Mid mark 11: The candidate is likely to have a decent knowledge of the concept of MRP and of its link to wage determination, but may lack other than superficial explanation of limitations of this theory. Alternatively, not enough will be explained – merely stated. Little or no consideration will be given to the issue of ‘relevance’.</p> <p>Level 2 (5–8 marks), Mid mark 7: Any ‘analysis’ is likely to be superficial and will most likely consist of a few statements without any explanation, or the explanations are likely to contain errors. Answers at this level will show no appreciation of the issue of relevance or otherwise in an economic theory.</p> <p>Level 1 (1–4 marks), Mid mark 3: A very limited or incorrect grasp of the concept of MRP of labour, and weak links to anything other than elementary supply and demand concepts to explain how wages are determined.</p> <p><u>Evaluation</u></p> <p>Level 3 (6–8 marks), Mid mark 7: A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • How can MRP be measured, particularly in sectors where there is no direct output of goods produced? • What conditions have to be met for MRP theory to be appropriate in explaining the determination of relative wages? • There are factors other than MRP that influence the determination of relative wages. • What constitutes relevance in an economic theory? <p>There is likely to be a conclusion drawn at the end to explain the candidate’s overall view – even if this is that there is no clear-cut answer.</p> <p>Level 2 (3–5 marks), Mid mark 4: One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.</p> <p>Level 1 (1–2 marks), Mid mark 2: Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example: ‘Not all wages can be explained by differences in MRP of labour’.</p>	

Question	Answer	Marks
Section B		
<p>‘An increase in the standard rate of income tax will cause consumer expenditure to decrease, and may also cause problems on the supply-side of the economy.’</p>		
<p>Discuss the circumstances in which such a policy might be successful.</p>		
<p>The first requirement is in effect to unpick the question. Candidates should show an awareness both of the use of increases in income tax rates as a tool of contractionary fiscal policy, and of the relationship between post-tax hourly wage rates and the supply of labour. Whether or not such a policy might be regarded as successful clearly depends on what its objective(s) might be, so that this is also a crucial component of a good answer.</p>		
4	<p>Answers may include:</p> <p>Knowledge and understanding of the components of AD and of how a rise in the rate of income tax might influence them. The relationships between the after-tax hourly wage rate and the number of hours of work offered [short-run] and numbers of workers offering themselves for work [long-run]. Objectives of government macro-economic policy.</p> <p>Application in terms of use of fiscal policy to achieve government objectives.</p> <p>Analysis of the relationship between income tax rate and C, as well as possibly S and M, in national income determination. The backward-sloping short-period supply curve of labour, and the longer-period supply of labour as a function of the post-tax hourly wage rate.</p> <p>Evaluation of the issues involved. Examples:</p> <ul style="list-style-type: none"> • Will increased direct taxes always result in lowered domestic consumption? If so, what determines by how much? • Will lower post-tax wage rates cause all workers to react in the same way? If not, why not? • What macro-economic circumstances suggest the use of contractionary fiscal policies? • What would constitute ‘success’ of a policy of increased standard rate of income tax? <p><u>Theory and analysis</u></p> <p>Level 4 (13–17 marks), Mid mark 15: There will be a clear discussion of the relationship between an increase in the income tax rate and the level of AD and so national income/employment/inflation. There will also be clear discussion of links between the standard rate of income tax and the supply of labour. The answer will also bring the two together, in the context of macroeconomic policy objectives – i.e. what constitutes ‘success’.</p>	25

Question	Answer	Marks
4	<p>Level 3 (9–12 marks), Mid mark 11: There will be some appreciation of the main issues behind the question, but the analysis is likely only to be partial. Thus there may be a good understanding shown of fiscal policy to reduce inflation, for example, or of links between the rate of income tax and the supply of labour, but the answer is likely to concentrate largely on one or the other, with little or no attempt to bring the two together.</p> <p>Level 2 (5–8 marks), Mid mark 7: There may be some appreciation of the main issues behind the question but the answer is likely to lack any convincing analysis of the economic consequences of an increase in the standard rate of income tax. There will be no attempt made to consider what ‘success’ might mean in this context.</p> <p>Level 1 (1–4 marks), Mid mark 3: There is very little evidence shown that the candidate understands what the question is about, and may concentrate on describing the tax system.</p> <p><u>Evaluation</u></p> <p>Level 3 (6–8 marks), Mid mark 7: A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • What would constitute a ‘success’ for such a policy? • Are there downsides to the use of such a policy as a means of tackling inflation? • What is implied by potential ‘problems’ on the supply-side of the economy in this context? • Are there different circumstances when a rise in the standard rate of income tax might have different economic effects? <p>There is likely to be a conclusion drawn at the end to explain the candidate’s overall response, with explicit reference made to circumstances for such a policy to be successful.</p> <p>Level 2 (3–5 marks), Mid mark 4: One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.</p> <p>Level 1 (1–2 marks), Mid mark 2: Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example: ‘We need to consider how income tax rates might affect the supply of labour’.</p>	

Question	Answer	Marks
	<p>‘GDP statistics are so inaccurate as a measure of living standards, especially for LEDCs, that they should not be used on their own as a basis for policy decisions.’</p> <p>To what extent do you agree?</p> <p>Candidates should show a good understanding of what is meant by living standards, and of how to measure them, as well as of limitations in their accuracy, and of how they are used by governments and other agencies in informing policy decisions.</p>	
5	<p>Answers may include:</p> <p>Knowledge and understanding of different possible interpretations of living standards, both real GDP per capita and others [e.g. HDI index].</p> <p>Application to different examples, in particular to LEDCs in contrast to more economically developed nations.</p> <p>Analysis of the factors influencing the level of accuracy with which real GDP per capita is measured. Explanation of how measures of living standards are used to inform economic policy making.</p> <p>Evaluation of the issues involved. Examples:</p> <ul style="list-style-type: none"> • Can the ‘standard of living’ be unambiguously measured in any country? • Does assessment of living standards necessarily involve value judgements? • Why are the problems of accuracy greater for LEDCs, if indeed they are? • How important is it to have accurate measures of e.g. GDP per capita when governments are making economic policy decisions? <p><u>Theory and analysis</u></p> <p>Level 4 (13–17 marks), Mid mark 15: There is likely to be a clear explanation of the concept of ‘living standards’, with full discussion of alternative interpretations, and of difficulties in accurate measurement. The use of GDP statistics in economic policy making will also be considered. There will be clear application to the special issues for LEDCs in this context. At the top level, the issue of how economic policy decisions could be made in the absence of national income and other statistics will also be addressed.</p> <p>Level 3 (9–12 marks), Mid mark 11: There will be reasonable understanding shown of both the concept of, and some issues in the measurement of, standards of living, though there may be limited application to LEDCs, or few links made to the question of use for policy making.</p> <p>Level 2 (5–8 marks), Mid mark 7: The answer is likely to be superficial and there will be very limited explanation of accuracy problems. There may be no consideration of the use for policy making. Far too much will be left simply stated rather than explained.</p>	25

Question	Answer	Marks
5	<p>Level 1 (1–4 marks), Mid mark 3: There will be little if any relevance. The answer may well talk about living standards, but with little link to detailed measurement issues.</p> <p>Evaluation</p> <p>Level 3 (6–8 marks), Mid mark 7: A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • Is there such a thing as an unambiguous measure of living standards? • Why should it be more difficult to measure living standards in LEDCs? • Are there value judgements involved in defining living standards? • How could economic policy decisions be made without using measures of living standards? <p>There is likely to be a conclusion drawn at the end to explain the candidate's overall view – with specific reference made to 'to what extent?' and to 'on their own'.</p> <p>Level 2 (3–5 marks), Mid mark 4: One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.</p> <p>Level 1 (1–2 marks), Mid mark 2: Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example: 'We need to consider why living standards cannot be accurately measured.'</p>	

Question	Answer	Marks
	<p>‘A lack of international competitiveness is more of a problem for countries that have a fixed exchange rate than for those that have a floating exchange rate.’</p> <p>Assess this view.</p> <p>Candidates should show a good understanding of the concepts of international competitiveness and productivity, and of the possible problems for a country if it suffers from a lack of competitiveness. The relevance of a country’s exchange rate then needs to be explained; this needs to cover BOTH how it may change in order to ameliorate problems with the country’s international competitiveness, but also possible issues that may then arise, if it is floating, AND difficulties that may arise if it is fixed.</p>	
6	<p>Answers may include:</p> <p>Knowledge and understanding of the concepts of international competitiveness and productivity, and of the possible implications for a country of a lack of international competitiveness. The relationship between international competitiveness and exchange rates also needs to be understood, as well as a range of methods to improve international competitiveness, and their likely consequences.</p> <p>Application – The assessment of the effects of a lack of international competitiveness, and of possible methods to overcome them, needs to be explored in the contexts of countries such as the UK, with a floating exchange rate, and of others with a fixed rate, such as a Eurozone country.</p> <p>Analysis Examples:</p> <ul style="list-style-type: none"> • The relationship between international competitiveness and productivity. • Analysis of disadvantages arising from a lack of international competitiveness. • Consideration of how changes in exchange rates can affect international competitiveness, and possible implications. • Explanation of other possible methods of improving international competitiveness, and their consequences. <p>Evaluation of the issues involved. Examples:</p> <ul style="list-style-type: none"> • Why does lack of international competitiveness matter? Does it matter equally to all countries? • If exchange rates can be changed [e.g. as in the UK], does this solve the problem? In fact, though, is a country like the UK really able to manipulate its exchange rate freely? • Are the difficulties greater for countries with a fixed exchange rate? 	25

Question	Answer	Marks
6	<p><u>Theory and analysis</u></p> <p>Level 4 (13–17 marks), Mid mark 15: There is a clear and accurate explanation of the concept of international competitiveness, and of the possible consequences for a country that lacks it. The impact of a fall in exchange rate on international competitiveness for a country with a floating exchange rate will be analysed, as will the problems for a country with a fixed rate. At the top level, the answer will make explicit comparison between the two.</p> <p>Level 3 (9–12 marks), Mid mark 11: The answer will demonstrate a grasp of the concept of international competitiveness, and there will be at least some explanation of possible consequences for a country that lacks it. It is likely though that explanation of the link between exchange rate changes and international competitiveness will be limited, or that the explanation focuses on just one of the two types of exchange rate regime.</p> <p>Level 2 (5–8 marks), Mid mark 7: Any analysis is likely to be rather superficial and there will, at best, be limited knowledge shown of the factors lying behind international competitiveness – although the candidate may show that they have some idea that some countries are more efficient than others, and of possible consequences of this.</p> <p>Level 1 (1–4 marks), Mid mark 3: There will be little if any relevance. No relevant theoretical analysis will be included, although there may be some knowledge perhaps of different exchange rate systems.</p> <p><u>Evaluation</u></p> <p>Level 3 (6–8 marks), Mid mark 7: A good answer is likely to discuss issues such as:</p> <ul style="list-style-type: none"> • Does lack of international competitiveness matter equally to all countries? • Does the ability to change exchange rates mean that weak international competitiveness has no consequences? • Is a country such as the UK actually able to manipulate its exchange rate? • Is it possible for a fixed exchange rate country to solve the problems caused by lack of international competitiveness? <p>There is likely to be a conclusion drawn at the end to explain the candidate's overall view – even if this is that there is no clear-cut answer.</p> <p>Level 2 (3–5 marks), Mid mark 4: One of the above will be discussed in detail or a couple of points touched on, but only in a relatively superficial way.</p> <p>Level 1 (1–2 marks), Mid mark 2: Whilst there might be some appreciation that evaluation could be carried out and indeed there might be the odd comment that suggests an area for potential evaluation, it stops there at the comment, and the point is not developed. For example: 'Some countries are more efficient than others at producing goods.'</p>	