

GCE

Economics

Unit **F585**: The Global Economy

Advanced GCE

Mark Scheme for June 2015

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of candidates of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, Cambridge Nationals, Cambridge Technicals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support, which keep pace with the changing needs of today's society.

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

© OCR 2015

Annotations

Please annotate **every** response, even if no credit is given.

Annotation	Meaning
	Unclear
	Benefit of Doubt
	Cross
	Effective evaluation
	No development
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Noted but no credit given
	Too vague
	Tick
	Development of point

Highlighting is also available to highlight any particular points on the script.

'SEEN' to be inserted on every blank page

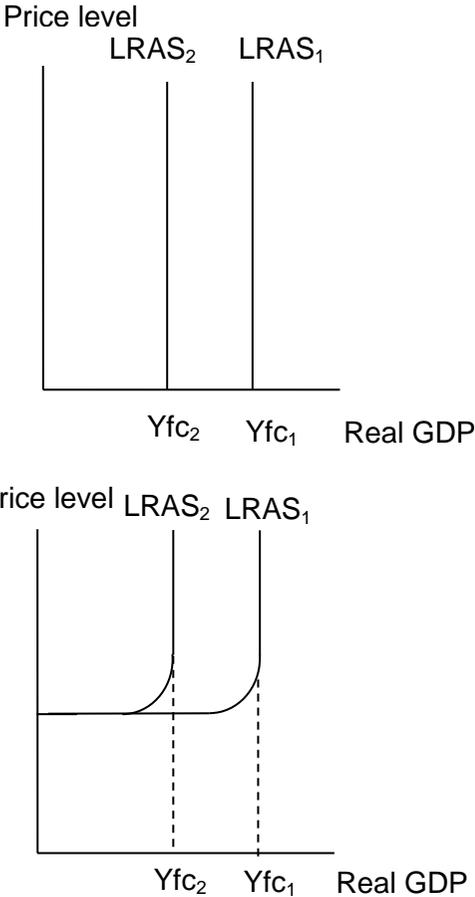
Subject-specific Marking Instructions

Some questions may have a 'Level of Response' mark scheme.

The following guidelines on the **quality of written communication** are embedded into the Levels of Response mark scheme used for question 3:

- Level 4:** Complex ideas have been expressed clearly and fluently using a style of writing which is 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.
- Level 3:** 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.
- Level 2:** Some simple ideas have been expressed in an appropriate context. There are likely to be some errors of spelling, punctuation and grammar of which some may be noticeable and intrusive.
- Level 1:** Some simple ideas have been expressed. There will be some errors of spelling, punctuation and grammar

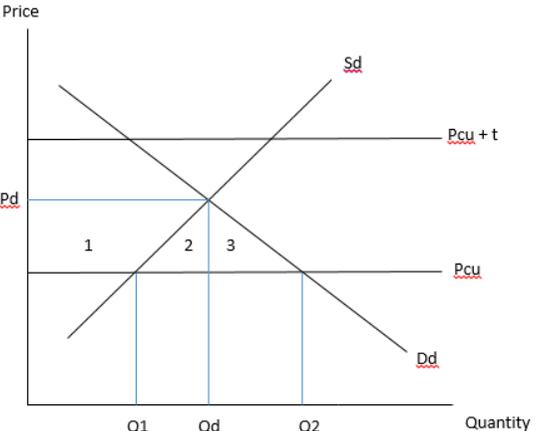
Question			Answer/Indicative content	Mark	Guidance
1	a	i	<p>Other than recovery, name two stages of the economic cycle.</p> <p>Stages of the economic cycle</p> <ul style="list-style-type: none"> • boom • slowdown/downturn • recession/slump/bust/depression 	2	<p>One mark for each stage of the economic cycle</p> <p>Use green ticks  for each mark awarded</p> <p>Maximum two marks</p>
		ii	<p>State and explain the likely impact of an economic recovery on unemployment.</p> <p>Award one mark for the impact and one mark for the explanation:</p> <ul style="list-style-type: none"> • unemployment may fall (one mark) because as output/GDP/AD rises there is an increased demand/need for labour (one mark) • there may be no effect on the level of unemployment (one mark) because business confidence may be fragile / low so firms respond to increased output/GDP/AD by using existing resources more intensively (one mark) • unemployment might rise (one mark) because during an economic recovery there may still be firms going out of business / rationalisation despite an increase in output/GDP/AD (one mark) • there may be no effect on the level of unemployment (one mark) because firms may have hoarded labour during the recession they may be able to raise output in the recovery phase without employing new labour (one mark) 	2	<p>There are three valid impact of an economic recovery on unemployment:</p> <ul style="list-style-type: none"> • unemployment may fall • unemployment may rise • there may be no effect on unemployment <p>Award one mark for any of these impacts and a further mark for an explanation.</p> <p>Use green ticks  for each mark awarded</p> <p>Maximum two marks</p>

Question	Answer/Indicative content	Mark	Guidance
<p>b</p>	<p>Using a diagram, analyse how a rise in long term unemployment might impact on the future potential output of the UK economy.</p> <p>Award two marks for diagram as follows:</p> <ul style="list-style-type: none"> one mark for leftward shift of LRAS/AS (one mark) clearly showing impact on potential output e.g. Y_{fc1} to Y_{fc2} as on diagrams opposite (one mark) <p>Award one mark for a statement of the impact on future potential output</p> <ul style="list-style-type: none"> future potential output could be reduced (one mark) <p>Award up to three further marks for an explanation of the impact on future potential output</p> <ul style="list-style-type: none"> the economy's LRAS/AS shifts left (one mark) as a result of long-term unemployment, people lose skills (one mark) this creates a hysteresis effect as people find it harder to find employment/become unemployable/trapped in unemployment (one mark) this reduces the economy's human capital (one mark) this reduces the quality/productivity of the labour force (one mark) as a result of unemployment people lose the motivation to seek work (one mark) this creates a hysteresis effect as people find it harder to find employment (one mark) this reduces the quantity of the labour force.(one mark) <p>Use green ticks  for each mark awarded</p>	<p>6</p>	<p>Accept either of the diagrams below</p>  <p>Use green ticks  for each mark awarded Both curves must be labelled either LRAS or AS</p> <p>Maximum six marks</p>

Question	Answer/Indicative Content	Marks	Content	Guidance
C	<p>Comment on the effectiveness of increasing tax allowances on investment and cutting corporation tax in increasing the international competitiveness of the UK economy</p> <p>Commentary on effectiveness of the two policies in increasing international competitiveness may include:</p> <ul style="list-style-type: none"> increases in cost and price competitiveness alone may be insufficient (basic L4) – a lack of international competitiveness can be caused by non-price factors including product quality, design and reliability (developed L4), factors which might be more important in oligopolistic markets where there is likely to be a high degree of non-price competition (developed L4) investment may be determined by other factors such as business confidence (basic L4) – a reduction in corporation tax may enable firms to increase investment but they may be unwilling to increase investment if AD is not expected to rise (developed L4) as a result of recession / increase in interest rates ... (developed L4) <p>Analysis of how higher tax allowances and reduced corporation tax may increase international competitiveness may include:</p> <ul style="list-style-type: none"> investment in human/physical capital will increase productivity (basic analysis) – increased output per unit of labour/capital which will reduce unit (labour costs) enabling firms to reduce prices and increase the price competitiveness of their goods and services in international markets (good analysis) investment in human/physical capital will shift the AS curve to the right (basic analysis), which will reduce the price level and increase the price competitiveness of UK goods and services in international markets (good analysis) investment in the form of R&D will increase product innovation (basic analysis), so that UK firms are better able to compete in international markets by supplying goods and services that meet consumers' needs and are of a higher quality (good analysis) 	10	<p>In Level 4 award marks as follows:</p> <ul style="list-style-type: none"> <u>one</u> stated comment = seven marks <u>two</u> or more stated comments = eight marks <u>one</u> developed comment = nine marks <u>two</u> developed comments or <u>one</u> comment with <u>two</u> points of development = ten marks <p>Also accept in L4</p> <ul style="list-style-type: none"> An increase in tax allowances may be less effective if combined with a reduction in corporation tax (basic L4). This is because the higher tax allowances create less of an incentive to increase investment (developed L4). This is because the benefit of tax relief on investment is lower if the tax on profit itself is lower (developed L4). 	<p>Level 4: (7 – 10 marks) For a commentary on the effectiveness of increasing tax allowances on investment and cutting corporation tax in increasing the international competitiveness of the UK economy</p> <p>NB If only one policy correctly analysed and commented upon then cap at 9</p> <p>Annotate using L4 in LHS margin</p> <p>Show development with </p> <p>Level 3: (4 – 6 marks) For an analysis of how increasing tax allowances on investment and cutting corporation tax may increase the international competitiveness of the UK economy</p> <p>NB If only one policy correctly analysed cap at 5</p>

Question	Answer/Indicative Content	Marks	Guidance	
			Content	Levels of response
	<p>Application of knowledge and understanding of how higher tax allowances on investment and reduced corporation tax may increase international competitiveness may include:</p> <ul style="list-style-type: none"> • higher tax allowances on investment create an incentive for firms to increase investment (in order to reduce their tax liability) • reduced corporation tax means firms are more able to finance investment as they retain more of their profits • investment tax allowances and reduced corporation tax make it less likely that investment is reduced by higher interest rates (lowers the interest elasticity of investment) <p>Knowledge and understanding of international competitiveness</p> <ul style="list-style-type: none"> • international competitiveness is the ability of an economy's firms to compete in international markets and, thereby, sustain increases in national output and income 			<p style="text-align: right;">L3</p> <p><i>Annotate using L3 in LHS margin</i></p> <p>Level 2: (2 – 3 marks) For an application of how increasing tax allowances on investment and cutting corporation tax may increase the international competitiveness of the UK economy</p> <p style="text-align: right;">L2</p> <p><i>Annotate using L2 in LHS margin</i></p> <p>Level 1: (1 mark) For knowledge and understanding of international competitiveness</p> <p style="text-align: right;">L1</p> <p><i>Annotate using L1 in LHS margin</i></p>

Question	Answer/Indicative content	Mark	Guidance
2 a	<p>Using an example with which you are familiar, compare the level of economic integration between the European Union and one other regionally integrated area.</p> <p>One mark for knowledge of one other regionally integrated area</p> <ul style="list-style-type: none"> • North American Free Trade Area (NAFTA) • Association of Southeast Asian Nations (ASEAN) • Mercosur • Caricom • Tripartite Free Trade Area (TFTA) • Commonwealth of Independent States Free Trade Area (CISFTA) • Eurasian Economic Community (EAEC) • Central American Integration System (SICA) <p>One mark for a statement about the difference in the level of economic integration</p> <ul style="list-style-type: none"> • level of economic integration in the EU is higher / similar <p>Two further marks for developed comparison</p> <ul style="list-style-type: none"> • EU has free movement of goods and services as do TFTA / Caricom / CISFTA / EAEC / SICA, but ASEAN and NAFTA have exemptions on free trade for some goods and services (for NAFTA = agricultural goods) • EU has a common external tariff as do Mercosur / Caricom / EAEC / SICA, whereas NAFTA / ASEAN / TFTA / CISFTA do not • EU has free movement of labour as does Caricom / EAEC, whereas NAFTA / ASEAN / TFTA / CISFTA do not and Mercosur / SICA is moving towards free movement • EU has free movement of capital as does NAFTA / Caricom / EAEC, whereas ASEAN / TFTA / CISFTA do not and Mercosur / SICA is moving towards free movement • EU has common policies as does EAEC, whereas NAFTA / ASEAN / TFTA / CISFTA / SICA do not and Mercosur / Caricom are moving towards co-ordinating / harmonising some policies • some members of the EU share a common currency / monetary policy as do some members of Caricom, whereas NAFTA / ASEAN / Mercosur / TFTA / CISFTA / EAEC / SICA do not 	4	<p>Use green ticks  for each mark awarded</p> <p>Maximum four marks in total</p> <p>Accept common external “barriers” or “policy” in place of common external tariff</p>

Question	Answer/Indicative content	Mark	Guidance
b	<p>Analyse the trade creation and trade diversion effects of a customs union.</p> <p>One mark for knowledge and understanding of a customs union</p> <ul style="list-style-type: none"> an agreement between two or more countries to abolish tariffs on trade and to place a common external tariff on trade with non-members (one mark) <p>Up to three marks for application and analysis of trade creation</p> <ul style="list-style-type: none"> trade creation occurs when a customs union results in high-cost domestic production being replaced by imports from a more efficient source within the customs union (one mark) trade creation arises because the removal of tariffs on trade between members of the customs union reduces the price at which goods and services can be traded within the customs union (one mark), leading to a reduction in domestic production in some countries and increased trade with members of the customs union.(one mark) <p>Up to three marks for application and analysis of trade diversion</p> <ul style="list-style-type: none"> trade diversion occurs when a customs union results in trade switching from a low-cost supplier outside the customs union to a less efficient source within the customs union (one mark) trade diversion arises because prices of goods and services from outside the customs union will be higher than those within the customs union (one mark) leading to greater trade with members of the customs union and less trade with non-members (one mark) trade diversion reduces employment in countries outside the customs union (one mark) <p>Up to three marks for wider effects of trade creation <u>and</u> diversion</p> <ul style="list-style-type: none"> fall in the price of goods and services in the customs union (one mark) increase in consumer surplus (one mark) decrease in producer surplus (one mark) reduction in tariff revenue (one mark) rise or fall in economic welfare depending on size of increase in CS, reduction in PS and reduction in tariff revenue (one mark) reduction in domestic employment (one mark) 	6	<p>Where candidates make use of a diagram, this can be rewarded with up to two application marks.</p> <p>Explanation of a diagram can be awarded up to 2 further marks for analysis</p> <p>Trade creation (pure)</p>  <p>Award 1 mark for this diagram if accurate and fully labelled</p> <p>Award 2 further marks for explanation of this diagram:</p> <ul style="list-style-type: none"> Before formation of a CU, price is P_d and quantity Q_d (ie domestic production only) After formation of a CU, tariff is removed so price falls from P_d to P_{cu} There is an increase in consumer surplus (this might also be shown on the diagram = area 1+2+3) There is a reduction in producer surplus (this might also be shown on the diagram = area 1) There is an increase in economic welfare / allocative efficiency (this might also be shown on the diagram = area 2+3)

Question	Answer/Indicative content	Mark	Guidance
			<p>Trade creation (partial)</p> <p>Award 1 mark for this diagram if accurate and fully labelled Award 2 further marks for explanation of this diagram which might include:</p> <ul style="list-style-type: none"> • Before formation of a CU, price is $P_{cu} + t$ and imports $Q1Q2$ • After formation of a CU, tariff is removed so price falls P_{cu} • There is an increase in consumer surplus (this might also be shown on the diagram = area $1+2+3+4$) • There is a reduction in producer surplus (this might also be shown on the diagram = area 1) • There is a loss of tariff revenue (this might also be shown in the diagram = area 3) • There is an increase in economic welfare / allocative efficiency (this might also be shown on the diagram = area $2+4$)

Question	Answer/Indicative content	Mark	Guidance
	<p>DO NOT ACCEPT THE IDEA THAT TRADE DIVERSION <u>INCREASES</u> PRICES IN THE CU</p>		<p>Trade creation and diversion (also accept as trade diversion)</p> <p>Award 1 mark If this diagram is used in addition to a TC diagram Award 2 marks if this diagram is used on its own Award 2 further marks for explanation of this diagram which might include:</p> <ul style="list-style-type: none"> • Before formation of a CU, price is $P_{row} + t$ and imports Q_1Q_2 • After formation of a CU, tariff on CU trade is removed so price falls to P_{cu} and CET keeps ROW price at $P_{row} + t$ • There is an increase in trade from Q_1Q_2 to Q_3Q_4 • Domestic production of Q_3 is reduced to Q_4 and replaced with trade with CU (trade creation = $Q_3Q_1 + Q_2Q_4$) • Imports of Q_1Q_2 from ROW are placed by trade with CU (trade diversion = Q_1Q_2) • There is an increase in consumer surplus (this might also be shown on the diagram = area $1+2+3+4$) • There is a reduction in producer surplus (this might also be shown on the diagram = area 1) • There is a loss of tariff revenue (this might also be shown in the diagram = area $3+5$) • There is an increase in economic welfare / allocative efficiency (this might also be shown on the diagram = area $2 + 4 - 5$) <p>Use green ticks  for each mark awarded</p>

Question	Answer/Indicative Content	Marks	Content	Guidance
c	<p>Comment on the extent to which the theory of comparative advantage explains the patterns of global trade in Figs. 4.2, 4.3 and 4.4</p> <p>Commentary on extent to which the theory of CA explains the patterns of global trade:</p> <ul style="list-style-type: none"> trade between developed economies remains significant, but developed economies are likely to have similar relative opportunity costs and factor endowments intra-regional trade may reflect transport costs which cancel out differences in opportunity cost or regional integration (e.g. (EU) intra-industry trade reflects market structure and product differentiation rather than relative opportunity costs comparative advantage is difficult to measure changing patterns of trade may be due to changes in absolute advantage caused by development <p>Analysis of how CA explains patterns of global trade:</p> <ul style="list-style-type: none"> increased trade between developed and developing countries might reflect changing comparative advantage as high wage economies have lost CA in labour intensive manufacturing economic development has changed comparative advantage of developing economies high percentage of trade between regions suggests regions have different factor endowments <p>Application of the patterns of global trade from Figs:</p> <ul style="list-style-type: none"> % of world trade accounted for by trade between developed economies has fallen, between developed and developing countries has risen, between developing countries has risen with exception of Asia, most trade is inter-regional although there are high levels of intra regional trade in North America and the EU there are high levels of intra-industry trade in the economies shown in Fig. 4.4 with the exception of the two African economies <p>Knowledge of comparative advantage:</p> <ul style="list-style-type: none"> where one country produces a good or service at a lower relative opportunity cost than others 	10	<p>In Level 4 award marks as follows:</p> <ul style="list-style-type: none"> <u>one</u> stated comment = seven marks <u>two</u> or more stated comments = eight marks <u>one</u> developed comment = nine marks <u>two</u> developed comments or <u>one</u> comment with <u>two</u> points of development = ten marks 	<p>Level 4: (7 – 10 marks) For a commentary on the extent to which the theory of comparative advantage explains the patterns of global trade in Figs.</p> <p>Annotate using L4 in LHS margin</p> <p>Show development with </p> <p>Level 3: (4 – 6 marks) For an analysis of how comparative advantage may or may not explain the patterns of global trade in Figs. 4.2, 4.3 and 4.4</p> <p>Annotate using L3 in LHS margin L3 can be awarded for analysis of why CA does not explain the pattern of trade</p> <p>Level 2: (2 – 3 marks) For an application of the patterns of global trade in Figs. 4.2, 4.3 and 4.4</p> <p>Annotate using L2 in LHS margin If use of figures, but no explanation why, keep in L2</p> <p>Level 1: (1 mark) For knowledge and understanding of comparative advantage</p> <p>Annotate using L1 in LHS margin</p>

Question	Answer/Indicative Content	Marks	Guidance	
			Content	Levels of response
3	<p>Discuss the view that the impact of globalisation on developing economies is largely beneficial.</p> <p>Judgements on the extent to which globalisation is largely beneficial to developing economies might include</p> <ul style="list-style-type: none"> • least developed economies are unlikely to find that globalisation is largely beneficial as the structure of their economies is more likely to be dominated by primary sector production • developing economies that have a comparative advantage in the manufacturing sector are more likely to benefit from globalisation • developing economies are more likely to benefit from globalisation if there is investment in human capital in order to ensure that more people are able to benefit from economic growth and that income inequalities do not rise • in order to benefit from globalisation, there may need to be more done to open up markets in developing economies (particularly in agriculture) • developing economies/governments which manage globalisation are more likely to experience benefits e.g. China <p>Discussion of whether globalisation is beneficial for developing economies could include</p> <ul style="list-style-type: none"> • greater trade creates losers as well as winners and developing economies may not be able to compete in global markets (Band 1) particularly because of infant industries which lack economies of scale and therefore LRAC is higher than in more developed economies (Band 2) 	20	<p>Also accept the following as judgement:</p> <ul style="list-style-type: none"> • Income inequality may only be in the short run. In the long run it may become more equal. 	<p>Level 4 Band 3: (18 – 20 marks) For a discussion of whether globalisation is beneficial for developing economies supported by good analysis of benefits and costs and including a judgement on the extent to which it is largely beneficial</p> <p>Annotate using EE in LHS margin</p> <p>Level 4 Band 2: (15 – 17 marks) For a discussion of whether globalisation is beneficial for developing economies supported by good analysis of benefits and costs</p> <p>Annotate using  in LHS margin</p> <p>Level 4 Band 1: (11 – 14 marks) For a discussion of whether globalisation is beneficial for developing economies supported by basic analysis of benefits and costs</p> <p>Annotate using L4 in LHS margin</p>

Question	Answer/Indicative Content	Marks	Guidance	
			Content	Levels of response
	<ul style="list-style-type: none"> • developing economies have comparative advantage in primary products which are low value (Band 1), and could cause a development 'trap' if there are declining terms of trade (Band 2) • globalisation exposes developing economies to external economic shocks because of their greater integration into the global economy (Band 1), which may result in volatility of export revenue (particularly in the case of primary products which have price inelastic supply) and low AD in the case of a global recession (Band 2) • gains in employment from greater FDI may be small (Band 1), particularly if FDI is capital intensive or there are small multiplier effects where multinationals do not develop supply chains within developing economies or where profits are repatriated resulting in a smaller increase in GNP than GDP (Band 2) • gains from FDI may be temporary as MNCs are footloose (Band 1), so as rising GDP per capita eventually results in higher wage rates MNCs may seek out a lower cost base for production leading to capital outflows and reduced AD (Band 2) • FDI may result in environmental degradation which creates negative externalities or resource depletion (Band 1), with the result that there is increased market failure as a result of $MSC > MPC$ and unsustainable growth as the long run growth potential is reduced (Band 2) • whilst trade, FDI and greater capital flows may generate higher levels of GDP and GDP per capita it may also increase income inequalities as economic activity is concentrated in urban areas (Band 1), where the supply of educated labour is inelastic raising wage rates above those in rural areas creating rural-urban migration which may damage agricultural development and leading to a rise in informal sector employment (Band 2) 			

Question	Answer/Indicative Content	Marks	Guidance	
			Content	Levels of response
	<ul style="list-style-type: none"> • increased capital flows may create instability for developing economies as well as benefits (Band 1), both when capital inflows create inflationary pressures in economies which lack productive capacity and when capital flight results in the need to raise interest rates to prevent currency depreciation both of which will tend to depress investment by small domestic firms (Band 2) <p>Analysis of the benefits of globalisation for developing economies could include</p> <ul style="list-style-type: none"> • greater trade and access to global markets could raise exports (basic analysis), AD and real GDP / economic growth which would increase real GDP per capita / living standards / HDI and growth and development would not be constrained by a small and low income domestic market (good analysis) • trade allows a developing economy to specialise according to its comparative advantage (basic analysis), improving resource allocation/consume outside its PPC/ shift AS to the right/import capital goods raising GDP (good analysis) • trade reduces domestic prices (basic analysis), as a result of increased supply and competition which increases consumer surplus and increases access to basic life-sustaining goods (good analysis) • increased competition from international trade will improve the supply side of developing economies (basic analysis) by encouraging greater productive efficiency through innovation and R&D to raise demand for their exports and greater labour productivity to reduce unit labour costs which will increase long-run economic growth (good analysis) • FDI results in higher AD/AS (basic analysis), raising real GDP/economic growth/employment/improved BoP current account (good analysis) 		<p>Basic analysis should be awarded 5 – 7 marks</p> <p>Good analysis should be awarded 8 – 10 marks</p>	<p>Level 3: (5 – 10 marks) For an analysis of the benefits of globalisation for developing economies</p> <p>Annotate using L3 in LHS margin</p> <p>The following can be seen as the beginning of analysis:</p> <ul style="list-style-type: none"> • greater trade and access to global markets could raise exports • trade allows a developing economy to specialise according to its comparative advantage • trade reduces domestic prices • FDI results in higher AD/AS • FDI improves BoP financial account • FDI plugs the savings gap caused by a low level of domestic savings • FDI may facilitate structural change and reduce the dependence on primary sector • labour migration may increase employment opportunities abroad

Question		Answer/Indicative Content	Marks	Guidance	
				Content	Levels of response
		<ul style="list-style-type: none"> • FDI improves BoP financial account (basic analysis), resulting in the ability to sustain current account deficits without experiencing currency depreciation (good analysis) • FDI plugs the savings gap caused by a low level of domestic savings (basic analysis), which constrains investment and economic growth and development because of high capital-output ratios in developing economies (good analysis) • FDI may facilitate structural change and reduce the dependence on primary sector (basic analysis), where value added is low and may therefore increase incomes as labour moves from the primary to the secondary sector (good analysis) • labour migration may increase employment opportunities abroad (basic analysis), which could lead to remittances and a reduction in poverty (good analysis) • trade and FDI may generate higher tax revenue from increased employment, profits and expenditure resulting from higher real GDP (basic analysis), which will allow governments to increase expenditure on education, health and social welfare which contributes to higher levels of development through reduced poverty/inequality, increased life expectancy, greater economic opportunities reflected in higher HDI (good analysis) • FDI may generate more employment(basic analysis), which will increase incomes leading to greater ability to buy life sustaining goods and services, thereby reducing poverty and increasing the standard of living (good analysis) 			<ul style="list-style-type: none"> • trade and FDI may generate higher tax revenue from increased employment, profits and expenditure resulting from higher real GDP • FDI may generate more employment

Question	Answer/Indicative Content	Marks	Guidance	
			Content	Levels of response
	<p>Application of knowledge and understanding of how globalisation might be beneficial for developing economies might include statements about</p> <ul style="list-style-type: none"> • greater trade in goods and services • greater transfer of financial capital • inward investment by foreign multinationals • technology transfers • higher GDP/economic growth/employment reduced poverty <p>Knowledge and understanding of developing economies might include their common characteristics:</p> <ul style="list-style-type: none"> • low living standards • low levels of labour productivity • an economic structure dominated by primary sector production • a lack of power in international markets and dependence • a high degree of market failure • persistent and unsustainable current account deficits 		<p>Level 2 responses are characterised by valid but generalised statements without a reasoned chain of argument and are not underpinned by economic concepts</p>	<p>Level 2: (3 – 4 marks) For an application of knowledge and understanding of how globalisation might be beneficial for developing economies might include statements about</p> <p>Annotate using L2 in LHS margin</p> <p>Level 1: (1 mark) For knowledge and understanding of developing economies</p> <p>Annotate using L1 in LHS margin</p>

OCR (Oxford Cambridge and RSA Examinations)
1 Hills Road
Cambridge
CB1 2EU

OCR Customer Contact Centre

Education and Learning

Telephone: 01223 553998

Facsimile: 01223 552627

Email: general.qualifications@ocr.org.uk

www.ocr.org.uk

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

Oxford Cambridge and RSA Examinations
is a Company Limited by Guarantee
Registered in England
Registered Office; 1 Hills Road, Cambridge, CB1 2EU
Registered Company Number: 3484466
OCR is an exempt Charity

OCR (Oxford Cambridge and RSA Examinations)
Head office
Telephone: 01223 552552
Facsimile: 01223 552553

© OCR 2015

