

GCSE

Economics

Unit **A593**: The UK Economy and Globalisation

General Certificate of Secondary Education

Mark Scheme for June 2016

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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.

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Annotations

Annotation	Meaning
	Unclear
	Benefit of Doubt
	Cross
	Irrelevant
	Level 1
	Level 2
	Level 3
	Level 4
	Not answered question
	Noted but no credit given
	Too vague
	Tick

Question		Answer		Marks	Guidance	
1	(a)		Statement	Tick (✓)	2	One mark for each correct identification, up to a maximum of two identifications. If more than one box is ticked, accept first two only.
			In 2011 global exports of fuels and mining fell by 2%			
			In 2010 global exports of agricultural products grew by 7.6%	✓		
			In 2000 global GDP grew by 1%			
			In 2010 global exports of manufactures grew by 18%	✓		
	(b)	Compare the growth of global real GDP with the growth of global exports of manufactures between 2005 and 2011. Indicative content: Global real GDP and global exports of manufactures follow an identical pattern/trend (1), but at different rates. (1) Global exports of manufactures vary/fluctuate more or are more volatile than global real GDP. (1) Global real GDP and global exports of manufactures were both negative in 2009. (1) Global real GDP was at its highest in 2006, while global exports of manufactures were at their highest in 2010. (1)		4	One mark for each correct comparison up to a maximum of four marks. However, for each correct comparison a second mark may be awarded if data is correctly used to illustrate a comparison. Up to a maximum of four marks overall.	
2	(a)		Statement	Tick (✓)	3	One mark for each correct identification, up to a maximum of three identifications. If more than one box is ticked, accept first three only.
			The growth rate of Japan is always higher than the growth rate in global output			
			The growth rate of China is always the highest of the developing economies			
			The growth rate of the United States is always higher than the growth rate of advanced economies	✓		
			The growth rate of Ethiopia is always the highest in Sub-Saharan Africa			
			The growth rate of Italy is always the lowest in the Eurozone	✓		
			The growth rate of Mexico is always below the growth rate of Tanzania	✓		

Question		Answer	Marks	Guidance
	(b)	Calculate the predicted annual average real GDP growth rate of Ethiopia between 2014 and 2016. Show your working.		
		<p>Ethiopia's predicted average real GDP growth rate between 2014 and 2016 is:</p> $\frac{7.4\% + 7.0\% + 6.6\%}{3} = \frac{21}{3} = 7.0\%$	2	<p>Up to two marks: One mark for correct method One mark for correct answer If a simple numerical answer of 7.0% is given, then award two marks. N.B. Remember OFR may apply.</p>
	(c) (i)	State and explain one advantage of a high rate of economic growth to a developing economy such as Sierra Leone.		
		<p>Indicative content:</p> <ul style="list-style-type: none"> • improved living standards • increased taxation revenue for government • increased inward investment/foreign direct investment • increased employment/lower unemployment • decreased international debt <p>Exemplar responses:</p> <p>Explaining how the advantage may bring benefits. For example: "The high rate of economic growth will increase taxation revenue for the government (1). This additional tax revenue can then be used to increase public spending on education or health services (1)".</p> <p>Explaining how the advantage arose. For example: "The high rate of economic growth will increase taxation revenue for the government (1). This additional tax revenue will come from increased spending by local consumers on products with indirect taxes and/or increased profits of local businesses (1)".</p>	2	<p>One mark for the correct identification of an advantage, plus one further mark for its explanation.</p> <p>As the question does not explicitly state who benefits, accept relevant explanations in terms of governments, consumers, producers or countries.</p>

Question		Answer	Marks	Guidance
	(c) (ii)	State and explain one disadvantage of a high rate of economic growth to a developing economy such as Sierra Leone.		
		<p>Indicative content:</p> <ul style="list-style-type: none"> • higher inflation/hyperinflation • increased pollution/negative externalities • increased inequality of income • increased rural to urban migration • shortages of skilled workers • shortages of capital • increased pressure on the local infrastructure <p>Exemplar responses:</p> <p>Explaining how the disadvantage may bring costs. For example: “The high rate of economic growth will increase negative externalities such as pollution (1). This additional pollution may lead to lower air quality and so reduced life expectancy (1)”.</p> <p>Explaining how the disadvantage arose. For example: “The high rate of economic growth will increase negative externalities such as pollution (1). This additional pollution will come from increased industrial production by local businesses as they try to benefit from rising local demand caused by the high rate of growth (1)”.</p>	2	<p>One mark for the correct identification of a disadvantage, plus one further mark for its explanation</p> <p>As the question does not explicitly state who loses out, accept relevant explanations in terms of governments, consumers, producers or countries.</p>

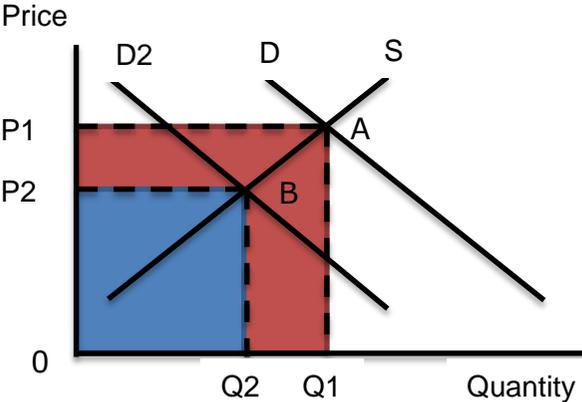
Question		Answer	Marks	Guidance
3	(a)	<p>Other than economic growth, state and explain two benefits of inward Chinese investment to developing economies.</p> <p>Indicative content:</p> <p>Benefits of Chinese inward investment to developing economies could include:</p> <p>Lower unemployment/job creation (1) Improved capital stock/new technology (1) Investment in infrastructure (1) Investment in human capital (1) Increased machine and/or labour productivity (1) Increased taxation receipts (1) Increased export volumes and/or earnings (1) Inflow of foreign currency (1) Multiplier effects (1)</p> <p>Exemplar response: Chinese investment into developing countries could create new employment opportunities for local workers (1 mark) as the new investment might lead to new factories being built for which local labour is required (1 mark).</p>	4	<p>One mark for each correct identification of a benefit of Chinese investment into developing economies plus a further one mark for each of two explanations.</p>
	(b)	<p>State and explain two costs of poor infrastructure to developing countries.</p> <p>Indicative content:</p> <p>Costs of poor infrastructure in developing economies could include:</p> <p>Transport/communications delays (1) Power shortages/blackouts (1) Inefficiency/higher costs of production (1) Lower levels of investment in physical capital (1) Failure to attract multinational corporations/Smaller inflow of foreign currency (1) Production delays (1) Decreased productivity (1) Increased public expenditure on repairs/maintenance (1) Decreased export volumes and/or earnings (1) Lower economic growth (1)</p>		

Question	Answer	Marks	Guidance
	<p>Exemplar response: Poor infrastructure in developing countries could lead to long delays in transporting goods (1 mark), which causes customer dissatisfaction and lower levels of sales such as exports (1 mark).</p>		
(c)	<p>Explain what is meant by the term 'relative poverty'.</p> <p>Relative poverty is when people are poor relative to existing living standards for the average individual.</p> <p>Exemplar responses: Relative poverty occurs when people are living at or below (1) 60% of median income (1). Relative poverty occurs when people are able to afford basic necessities (1), but are unable to afford other items such as TVs (1). Relative poverty is when people are poor compared to others (1).</p>	2	<p>2 marks for a clear definition. 1 mark for some understanding. N.B. Accept any fraction of average income.</p>
(d)	<p>Using the concept of opportunity cost, explain one possible effect on a developing economy of having a high debt burden.</p> <p>Indicative content:</p> <p>Two marks for a clear statement such as: "Opportunity cost is the cost (or loss) of the next best alternative foregone when a decision is made."</p> <p>One mark for some understanding shown such as a reference to an alternative or foregoing something.</p> <p>Plus one additional mark for a suitable effect, e.g. lack of spending on health care, rural infrastructure or education.</p> <p>Exemplar response: The opportunity cost of a high debt burden to a developing economy means that when the government decides to pay the interest on its debt (1 mark), it has to forego spending money on the next best alternative (1 mark) such as health care for its citizens (1 mark).</p>	3	<p>Up to three marks.</p> <p>Either: Two marks for a clear explanation of opportunity cost.</p> <p>Or: One mark for some understanding shown of opportunity cost.</p> <p>Plus: One mark for an explanation of one effect of opportunity cost as applied to a developing economy with a high debt burden.</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(e)	Discuss the extent to which debt relief can increase the rate of economic growth in developing economies.			
		<ul style="list-style-type: none"> • Debt relief involves the cancelling of a country's debts • Economic growth is usually measured in terms of an increase in real gross domestic product year on year • Advantages of debt relief include: <ol style="list-style-type: none"> a. Debt relief means that poor countries do not have to use scarce foreign currency to repay loans and to pay interest on those loans b. Debt relief means that poor countries can use their financial resources to spend on their own development through spending on poverty reduction, education, health care, infrastructure, etc. • Disadvantages of debt relief include: <ol style="list-style-type: none"> a. Debt relief could mean that a country thinks it can borrow large amounts of money from abroad because it did before b. Foreign aid may fall as donor countries think that debt relief countries no longer need as much foreign aid c. Do the benefits of debt relief reach the poor or benefit the rich? d. Some countries have struggled to meet the conditions imposed by the IMF and World bank 	10	<p>Exemplar responses:</p> <p>Level 4 Debt relief is the cancelling of a poor country's international debts. This means that a developing country will be able to spend more money on projects such as education, health care or infrastructure in order to reduce poverty and promote development. Such expenditures can lead to increased life expectancy and decreased child mortality in poor countries as well as improving the availability and quality of education so that literacy rates improve and labour productivity can improve leading to an improvement in economic growth. Economic growth is an increase in real GDP and may lead to reduced unemployment and improved living standards, which are vital to developing countries.</p> <p>However, debt relief could lead to poor countries feeling that they have 'got away' with previous high levels of international debt and so start to borrow more money from international sources. In addition, some donor countries may decide to reduce their development aid funding to poor countries which have enjoyed debt relief as the donors no longer feel that those poor countries require such aid or instead they offer it to other countries that have not had debt relief.</p> <p>It must be remembered that debt relief alone is not the only driver of economic growth. Also, debt relief has only been used with a relatively</p>	<p>Level 4 (8–10 marks) Candidate evaluates the impact of debt relief reaching a reasoned conclusion which may include reference to other methods of promoting economic growth.</p> <p>Answers need to analyse both advantages AND disadvantages as well as offering a conclusion with clear judgement in order to reach the top of Level 4.</p> <p>9/10 marks – Evaluation based on analysis of costs and benefits</p> <p>8 marks – Evaluation based on analysis of costs or benefits</p>

Question			Answer	Marks	Guidance	
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			<p>Other areas for discussion could include:</p> <ul style="list-style-type: none"> Economic growth can be promoted by a variety of other means including monetary and/or fiscal policy, trade, aid, investment, etc. Other supply side factors and policies such as education, training, deregulation and privatisation 		<p>small number of some of the poorest countries in the world (<40 countries). A developing country may also consider it has other means to achieve economic growth such as fiscal and monetary policies as well as policies relating to the supply side of the economy.</p> <p>Level 3 Debt relief is the cancelling of a poor country's international debts. This means that a developing country will be able to spend more money on projects such as education, health care or infrastructure in order to reduce poverty, promote development and experience higher rates of economic growth. Such expenditures can lead to increased life expectancy and decreased child mortality in poor countries as well as improving the availability and quality of education so that literacy rates improve and labour productivity can improve so promoting economic growth.</p> <p>Level 2 Debt relief is the cancelling of a poor country's international debts. This means that a developing country will be able to spend more money on projects such as education, health care or infrastructure in order to reduce poverty and promote development.</p> <p>Level 1 Debt relief is the cancelling of a poor country's international debts by international organisations such as the IMF and the World Bank.</p>	<p>Level 3 (5–7 marks) The candidate analyses benefit(s) and/or cost(s) of debt relief with respect to economic growth/development.</p> <p>6/7 marks – analysis of costs and benefits 5/6 marks – analysis of costs or benefits</p> <p>Level 2 (3–4 marks) Candidate explains benefit(s) and/or cost(s) of debt relief.</p> <p>Level 1 (1–2 marks) Candidate shows knowledge of debt relief in terms of cancelling debts or of economic growth in terms of rising real GDP/ output.</p>

Question			Answer	Marks	Guidance	
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						<p>OR:</p> <p>Candidate identifies a benefit(s) or costs(s) of debt relief, e.g. reduces spending on interest payments.</p> <p>OR:</p> <p>Some knowledge of different causes of growth.</p> <p>0 marks for an answer which is not worthy of any credit</p>

Question	Answer	Marks	Guidance
4 (a)	<p>Calculate the total amount spent on Fairtrade products in the UK in 2012. Show your working.</p> <p>One mark for identifying that Fairtrade sales in 2013 were £1.78bn</p> <p>One mark for identifying that Fairtrade sales rose by 14% in 2013.</p> <p>One mark for £1.56bn or £1.6bn (rounded up)</p> <p>$£1.78bn / 1.14 = £1.56bn$ Or: $(£1.78bn / 114) \times 100 = £1.56bn$ Or: $£1.78bn \times 0.877 = £1.56bn$</p>	3	<p>Up to three marks</p> <p>Three marks for the correct answer of £1.56bn, if no working shown.</p> <p>Two marks if candidate identifies $£1.78bn / 1.14$ or $(£1.78bn / 114) \times 100$.</p> <p>Maximum of 2 marks if £ symbol and/or billions/bns is/are missing from the final answer.</p> <p>N.B. Remember OFR may apply.</p>
(b)	<p>Up to five marks for a correct diagram such as:</p>  <p>Price</p> <p>D2 D S</p> <p>P1 A</p> <p>P2 B</p> <p>0 Q2 Q1 Quantity</p> <ul style="list-style-type: none"> • One mark for shifting the demand curve to the left and labelling correctly • One mark for the original equilibrium (including labels) • One mark for the new equilibrium (including labels) • One mark for illustrating/shading the original income of farmers • One mark for illustrating/shading the new income of farmers 	5	<p>A maximum of five marks for the diagram.</p> <p>OFR applies for the price/quantity and income parts. If the demand curve is shifted to the right candidates can gain a max of four marks.</p> <p>N.B. Do not reward candidates who answer the question using a diagram showing any shift of supply.</p>

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(c)	<p>Discuss whether or not developing economies have benefited from producing and selling Fairtrade products.</p> <p>The benefits of Fairtrade include:</p> <ul style="list-style-type: none"> a. Buyers often buy the products over a certain period of time at a price above the equilibrium market price b. Buyers sometimes agree to buy a guaranteed amount of produce over a certain period of time c. As a result, farmers' incomes rise above what they would have been otherwise d. Farmers have more certainty about the future, which might encourage them to invest more or to increase output e. Fairtrade is linked to community development such as funding for health and/or education and/or rural infrastructure f. Fairtrade is linked to fair working conditions so child labour must not be used g. Production must be sustainable, which helps to protect the environment <p>Arguments against Fairtrade include:</p> <ul style="list-style-type: none"> a. Fairtrade sales are very small and so the impact upon the developing world is minimal b. It does not address the key issues of development and is simply a means for western supermarkets to appear ethical and for consumers to pretend to be making a difference c. Supporting some farmers through purchasing Fairtrade products causes other farmers to lose out as demand 	8	<p>Exemplar responses:</p> <p>Level 4 Fairtrade means better prices, decent working conditions, fair terms of trade for farmers and workers and protecting the environment in which they live and work. This means that incomes in rural areas will rise and this can lead to improved standards of living and increased life expectancy and decreased child mortality in rural areas. However, Fairtrade prices might lead to lower prices for non-Fairtrade farmers and, as a result, they and their families experience lower standards of living and increased infant mortality. The overall impact of Fairtrade sales is very small and so the impact upon developing economies is argued to be minimal. In fact, some people have argued that it is a distraction to the real challenges of the development process as all it does is give supermarkets an ethical appearance, which they use to improve their marketing and their profits. In contrast, however, some would argue that millions of people in developing economies are benefiting and that sales are rising very fast. Therefore, any benefits are better than nothing in the face of such levels of poverty faced by many developing economies.</p> <p>Level 3 Fairtrade means better prices, decent working conditions, fair terms of trade for farmers and workers and protecting the environment in which they live and work. This means that incomes in rural areas will rise and this can lead to improved standards of living and increased life expectancy and decreased child mortality in rural areas.</p>	<p>Level 4 (7–8 marks) Candidate evaluates the impact of Fairtrade reaching a reasoned conclusion as to whether or not it is beneficial to developing economies.</p> <p>Answers need to analyse both advantages AND disadvantages as well as offering a conclusion with clear judgement in order to reach the top of Level 4.</p> <p>Level 3 (5–6 marks) The candidate analyses benefit(s) and/or cost(s) of Fairtrade with respect to economic growth/development. 6 marks – costs and benefits</p>

Question			Answer	Marks	Guidance	
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			<p>falls for their non-Fairtrade products</p> <p>d. If farmers grow more Fairtrade products to take advantage of higher prices then supply increases and the prices of non-Fairtrade products fall</p> <ul style="list-style-type: none"> Economic growth and development can be promoted by a variety of other means including monetary and/or fiscal policy, trade, aid, investment, etc. 		<p>However, Fairtrade prices might lead to lower prices for non-Fairtrade farmers and, as a result, they and their families experience lower standards of living and increased infant mortality.</p> <p>Level 2 Fairtrade means better prices, decent working conditions, fair terms of trade for farmers and workers and protecting the environment in which they live and work. This means that incomes in rural areas will rise and is often accompanied by community development in terms of spending on health, education and rural infrastructure in order to reduce poverty and promote development.</p> <p>Level 1 Fairtrade means better prices, decent working conditions, fair terms of trade for farmers and workers and protecting the environment in which they live and work.</p>	<p>5 marks – costs or benefits</p> <p>Level 2 (3–4 marks) Candidate explains benefit(s) and/or cost(s) of Fairtrade.</p> <p>Level 1 (1–2 marks) Candidate shows knowledge of Fairtrade in terms of fairer prices, decent working conditions and fair terms of trade for farmers and workers.</p> <p>OR</p> <p>Candidate identifies a benefit(s) of Fairtrade, e.g. higher incomes for farmers in developing economies.</p> <p>0 marks for an answer which is not worthy of any credit</p>

Question			Answer	Marks	Guidance
5	(a)	(i)	Other than the UK, identify one country which is a member of the European Union but not a member of the Eurozone.		
			Indicative content: One mark for the correct identification of any one of the other 8 members of the European Union besides the UK which are not members of the Eurozone – namely, Denmark, Sweden, Poland, Czech Republic, Hungary, Croatia, Romania, Bulgaria	1	For one mark. No marks for identifying the UK.
	(a)	(ii)	Other than Germany, Italy, Spain and Lithuania, identify one country which is a member of the Eurozone.		
			Indicative content: One mark for the correct identification of any one of the other 15 members besides Germany, Italy, Spain and Lithuania of the Eurozone – namely, France, Belgium, the Netherlands, Luxembourg, Portugal, Ireland, Latvia, Estonia, Finland, Greece, Malta, Cyprus, Slovenia, Slovakia, Austria, Latvia	1	For one mark. No marks for identifying Germany, Italy, Spain or Lithuania.

Question	Answer	Marks	Guidance	
			Content	Levels of response
(b)	<p>Discuss how rising prices of basic foodstuffs might affect the distribution of income in Lithuania.</p> <p>Rising prices of basic foodstuffs would affect the distribution of income in Lithuania in a variety of arbitrary ways:</p> <ul style="list-style-type: none"> • Those people on fixed incomes or incomes that are rising at a rate slower than the rate of price increase of basic foodstuffs would experience lower real incomes and living standards. This might apply to pensioners, people on state benefits or minimum wages, unskilled workers or non-unionised workers. • Those people on incomes that are rising at a rate faster than the rate of price increase of basic foodstuffs would experience higher real incomes and living standards. • If interest rates rise to counter inflation and rise above the rate of inflation then savers earn positive real returns from savings. • If interest rates do not rise and are lower than the rate of inflation then savers earn negative real returns from savings. 	6	<p>Exemplar responses:</p> <p>Level 3 Due to rising prices of basic foodstuffs, those worse off in Lithuania would include those on fixed incomes; those on incomes rising slower than the rate of price increase of basic foodstuffs; and those savers facing negative real rates of interest. Due to rising prices of basic foodstuffs, those better off would include those on incomes rising faster than the rate of price increase of basic foodstuffs and those savers facing positive real rates of interest. This means that those people who are worse off will have a smaller proportion of the country's total income, while those people who are better off will have a larger proportion of the country's total income. All of this means that the distribution of income will become less equal/more unequal and that the Gini coefficient/index will increase in value. As spending on basic foodstuffs makes up a higher proportion of the total spending of lower income earners, rising prices of basic foodstuffs would have a greater impact upon lower income earners than higher income earners. However, the overall impact upon income distribution in Lithuania will depend upon how many people are losing out relative to how many people are gaining.</p> <p>Level 2 Due to rising prices of basic foodstuffs, those worse off in Lithuania would include those on fixed incomes; those on incomes rising slower than the rate of price increase of basic foodstuffs; and those savers facing negative real rates of interest. Due to rising prices of basic foodstuffs, those better</p>	<p>Level 3: 5-6 marks – Candidate evaluates the impact of rising prices of basic foodstuffs on the distribution of income in Lithuania.</p> <p>Level 2: 3-4 marks – Candidate analyses the impact of rising prices of basic foodstuffs on the distribution of income in Lithuania.</p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
					<p>off would include those on incomes rising faster than the rate of price increase of basic foodstuffs and those savers facing positive real rates of interest.</p> <p>This means that those people who are worse off will have a smaller proportion of the country's total income, while those people who are better off will have a larger proportion of the country's total income. All of this means that the distribution of income will become less equal/more unequal and that the Gini coefficient/index will increase in value.</p> <p>Level 1 Due to rising prices of basic foodstuffs, those worse off in Lithuania would include those on fixed incomes; those on incomes rising slower than the rate of price increase of basic foodstuffs; and those savers facing negative real rates of interest. Due to rising prices of basic foodstuffs, those better off would include those on incomes rising faster than the rate of price increase of basic foodstuffs and those savers facing positive real rates of interest.</p>	<p>Level 1: 1-2 marks – Candidate demonstrates an understanding of how rising prices of basic foodstuffs impacts on the distribution of income or on real incomes in Lithuania.</p> <p>0 marks for an answer which is not worthy of any credit</p>

Question		Answer	Marks	Guidance	
				Content	Levels of response
	(c)	Analyse how changes in the euro to the dollar exchange rate might affect the competitiveness of French exports to the United States after May 2014.			
		<p>A weaker euro will make French exports cheaper to the USA and therefore more competitive. Demand for French exports should rise in the USA therefore causing the French current account to improve.</p> <p>It is possible that French exports become less competitive if they are produced using a high proportion of imported raw materials priced in US dollars, e.g. oil. Thus, competitiveness of some French exports to the USA could be worsened.</p>	6	<p>Exemplar responses:</p> <p>Level 2 As the value of the euro falls against the US dollar so French exports to the USA become more competitive because US importers have to exchange less dollars to buy euros. E.g. in May 2014 a euro was worth approx. \$1.37, but by February 2015 a euro was worth approx. \$1.13 and a French export of €1000 fell in price from approx. \$1370 to approx. \$1130 in the USA. This means that the demand for French exports to the USA should rise and so cause the French current account to improve. However, a weaker euro will also make French imports priced in US dollars more expensive and so this could lead to higher costs of production in France, e.g. for raw materials like oil. This could worsen the competitiveness of French exports if they have a high dollar-priced import content.</p> <p>Level 1 As the value of the euro falls against the US dollar so French exports to the USA become more competitive because US importers have to exchange less dollars to buy euros. E.g. in May 2014 a euro was worth approx. \$1.37, but by February 2015 a euro was worth approx. \$1.13 and a French export of €1000 fell in price from approx. \$1370 to approx. \$1130 in the USA.</p>	<p>Level 2: 4-6 marks – Candidate analyses the impact of how a fall in the value of the euro could affect the competitiveness of French exports to the USA/US imports from France.</p> <p>For L2 candidates must refer to the data in the abstract and must analyse in terms of some impact for France and/or French exporters of the fall in the value of the euro after May 2014.</p> <p>N.B. Reference to the data is not analysis.</p> <p>Level 1: 1-3 marks – Candidate demonstrates an understanding of how a fall in the value of the euro could affect the competitiveness of French exports to the USA/US imports from France.</p> <p>0 marks for an answer which is not worthy of any credit</p>

Question	Answer	Marks	Guidance	
			Content	Levels of response
6*	<p>Using the information in the case study and your own knowledge of economics, evaluate the case for the UK joining the Eurozone.</p> <p>Answers may include:</p> <p>Benefits Increased price transparency for firms and consumers Reduced transactions costs for trading firms and travellers More trade and economies of scale Further opportunities for Foreign Direct Investment and employment/reduced unemployment as non-EU firms wish to take advantage of Eurozone benefits and locate in the UK Economic growth – improved living standards – increasing real incomes Better political standing in Europe</p> <p>Costs Loss of control over UK interest rates Loss of control over UK exchange rate One-off conversion costs such as vending machines, etc. Need to meet entry requirements relating to levels of public expenditure and national debt Not all countries in the Eurozone are performing as well as each other and there are structural problems as ‘one size does not fit all’ – will the UK be in the group of countries performing less well due to austerity measures? The importance of the City of London as a financial centre – will entry to the Eurozone diminish its importance?</p>	12	<p>This part of the question assesses the candidates’ quality of written communication.</p> <p>Exemplar responses:</p> <p>Level 4 The Eurozone has been through a turbulent period since 2008 (Fig. 1) and some countries have experienced serious economic problems as a result, e.g. Greece, Spain, Italy and Ireland. This has caused them to suffer the costs of severe austerity programmes (Fig. 3) including big cuts in public expenditure and large tax increases both leading to high levels of unemployment and worries about deflation. The future of the Eurozone continues to look bleak (Fig. 2) despite the potential benefits that membership of a single currency area might bring. The most significant issue would appear to be the structural problems caused by the ‘one size fits all’ policy of a single interest rate combined with the inability to alter the value of the currency. With the global economy not long emerged from the recent recession, it is almost impossible to think that the UK would be willing to give up its economic sovereignty over setting interest rates and the value of sterling (Fig. 9). After all, the UK did not perform that well with those options, so what might have happened if it had been subject to the sort of criteria that Greece and Ireland had to meet as part of an international bail out? (Reference could be made to Fig. 1 here.) Lithuania has decided to enter the Eurozone (Fig. 6). However, does Lithuania resemble the UK in any way? It is much smaller and with a</p>	<p>To achieve Levels 3 and 4 candidates must use some supportive evidence from the data</p> <p>Level 4 (10 – 12 marks) Candidate evaluates the benefits and costs of joining the single currency for the UK – complex issues are discussed reaching a reasoned conclusion with clear reference to data in the stimulus material.</p> <p><i>Complex issues have been expressed clearly and fluently using a style of writing appropriate to the complex subject matter. Sentences and paragraphs are consistently relevant, and have been well structured, using appropriate technical terminology. There may be few, if any, errors of spelling, punctuation and grammar. Candidate has been able to demonstrate and apply knowledge and understanding. The candidate should have analysed with reference to the question.</i></p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
					<p>different set of trading partners. The falling value of the euro relative to the US dollar (Fig. 8) would benefit UK exporters to the USA. In addition, the UK's biggest export market is still the EU and the falling value of the Euro has made UK exports more expensive in that market. So abandoning the pound would help with trade to fellow Eurozone countries where a rising value of the pound has been causing some difficulties for UK exporters (Fig. 9).</p> <p>Level 3 Membership of the Eurozone allows 19 countries to use the same currency and to gain benefits such as price transparency and lower transactions costs for firms. These benefits could allow consumers in the UK to enjoy lower prices and improved standards of living, while workers could enjoy increased employment opportunities due to increased FDI in the UK and economies of scale due to increased trading opportunities. While at the same time, those 19 countries no longer set their own interest rates and cannot control the value of their own domestic currency – areas of economic sovereignty which the UK still enjoys. This means that the UK does not have to rely as heavily on a narrow range of economic policies such as supply-side policy as it still maintains control over its domestic interest rate and its currency value. The Eurozone is predicted to continue to perform poorly in the next couple of years with some countries experiencing very weak growth (Figs. 2 and 3). The UK is predicted to outperform the Eurozone as a whole and some of its member states (Fig. 2).</p>	<p>Level 3 (7 – 9 marks) The candidate analyses a range of factors, including benefits and costs to the UK of joining the single currency.</p> <p><i>There will be some errors of spelling, punctuation and grammar, but these are unlikely to be intrusive of obscure meaning. Knowledge and understanding has been demonstrated and applied/understood.</i></p>

Question			Answer	Marks	Guidance	
					Content	Levels of response
					<p>Issues raised in the context of Lithuania could be applied to the UK (Fig. 6).</p> <p>Level 2 Membership of the Eurozone allows 19 countries to use the same currency and to gain benefits such as price transparency and lower transactions costs for firms. While at the same time, those 19 countries no longer set their own interest rates and cannot control the value of their own domestic currency.</p> <p>Level 1 The Eurozone involves individual member countries giving up their own domestic currencies in favour of a single currency. At present there are 19 countries in Europe that operate in the Eurozone and use the euro.</p>	<p>Level 2 (4 – 6 marks) Candidate demonstrates an understanding of some of the costs and/or benefits of joining the single currency.</p> <p><i>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. A basic knowledge and understanding has been demonstrated.</i></p> <p>Level 1 (1 – 3 marks) Candidate has some knowledge of a single currency or the Eurozone, but the answer is poorly expressed.</p> <p><i>Some simple ideas have been expressed.</i> <i>There will be some errors of spelling, punctuation and grammar, which will be noticeable and intrusive.</i> <i>Writing may also lack legibility.</i></p> <p>0 marks for an answer which is not worthy of any credit</p>

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