

Question 1

- (a) Examine possible factors which might have led to changes in the value of the pound sterling against the euro in recent years.

Level 5

28-40 marks

Factors include:

- Interest rates in UK higher than in eurozone
- UK economy stronger than eurozone's
- Independence of Bank of England increase confidence in management of UK economy
- Relatively low inflation rate in UK

Evaluation points might include:

- *Discussion of relative importance of factors*
- *Comment on the significance of hot money flows*
- *Comment on reasons for lack of confidence in the euro.*

For a L5 mark (28-31): Discussion of 3 points and one evaluation point.

A Level 5*mark (32-40) should be awarded for answers which meet the Level 5 criteria convincingly e.g. 3 points with 2 pieces of evaluation. .

Max 28 marks if no evaluation.

Award a L4 mark (24-27 marks) if only 2 factors + evaluation

Award a L2 mark (16-19 marks) for identification of points only or for narrow response focussing on one point.

(40 marks)

- (b) Evaluate the likely economic effects of a significant fall in the value of the pound against the euro.

Level 5

42-60 marks

Economic effects include consideration of impact on:

- Impact on competitiveness of UK goods
- The B/P on current account
- The level of unemployment
- The rate of economic growth
- The rate of inflation
- Possibility of UK joining the euro made easier

Evaluation points might include:

- *Consideration of extent of fall in value of £*
- *Effect on B/P depends on Marshall-Lerner condition*
- *Relative importance of different effects*
- *Two evaluation points are required.*
- *J curve effect*

For a L5 mark (42-47): Discussion of 4 points and two evaluation points.

A Level 5*mark (48-60) should be awarded for answers which meet the Level 5 convincingly e.g. 4 points and three pieces of evaluation.

Max 42 marks if no evaluation

Award a L4 mark (36-41 marks) if only 3 points + evaluation

Award a L2 mark (24-29 marks) for identification of points only or for narrow response focussing on one or two points. **(60 marks)**

Question 2

- (a) **Examine the impact of the European Union's Common Agricultural Policy on the world trade in agricultural goods.**

LEVEL 5

28-40 marks

Responses could include:

Outline of CAP

Effects include:

- guaranteed prices on EU producers leading to development of surpluses
- dumping of surpluses on world market, depressing prices
- production in countries outside EU disrupted by dumping of surpluses
- limited access to EU markets
- no exit of inefficient producers
- potential impact on trade relations with other countries
- trade diversion
- trade creation.

Evaluation points might include:

- *magnitude of effects*
- *reduction of surpluses in recent years due to quotas, set aside*
- *conclusion: inefficient resource allocation*

For a L5 mark (28-31): Discussion of 3 points and one evaluation point.

A Level 5* mark (32-40) should be awarded for answers which meet the Level 5 criteria convincingly e.g 3 points with two pieces of evaluation.

(40 marks)

Max 28 marks if no evaluation.

Award a L4 mark (24-27 marks) if only 2 factors + evaluation

Award a L2 mark (16-19 marks) for identification of points only or for narrow response focussing on one point.

- (b) **Evaluate the implications of a significant reduction in barriers to the trade in goods and services for the global economy.**

LEVEL 5

42-60mark

Implications include:

- Higher output and higher living standards: application of law of comparative advantage
- For consumers: lower prices; more choice
- For Producers: possible benefits of larger markets and economies of scale
- External costs

Evaluation points might include:

- *Critique of assumptions behind law of comparative advantage*
- *Differential effects on developing countries compared with developed countries*
- *Growth of multinationals might limit benefits of lower prices and greater choice*
- *Welfare analysis*

For a L5 mark (42-47): Theoretical analysis and 2 other points and two evaluation points..

A Level 5* mark (48-60) should be awarded for answers which meet the Level 5 criteria convincingly e.g. As above and 3 pieces of evaluation.

Max 42 marks if no evaluation

Award a L4 mark (36-41 marks) if only 3 points + evaluation

Award a L2 mark (24-29 marks) for identification of points only or for narrow response focussing on one or two points.

(If no reference to theoretical analysis then maximum Level 3 (30-35 marks). **(60 marks)**)

- 3 (a) In 2002, the unemployment rate in Spain, France and Italy was significantly higher than in the UK. Examine the factors which might explain why the UK's unemployment rate was lower than in these countries.

mark:

28-40 marks

LEVEL 5

Factors include:

- Stronger economic growth in UK
- More successful in attracting FDI (until recently)
- More flexible labour market
- Lower labour and non-labour costs
- Greater application of supply side policies
- Euro countries need to conform to stability and growth pact.

Evaluation points might include:

- *Relative importance of factors*
- *Differences in unemployment benefits*
- *Consideration whether this is a short term or long term situation*
- *UK has a lower natural rate of unemployment*

For a L5 mark (28-31): Discussion of 3 points and one evaluation point.

A Level 5* mark (32-40) should be awarded for answers which meet the Level 5 criteria convincingly e.g 3 points and 2 pieces of evaluation.

Max 28 marks if no evaluation.

Award a L4 mark (24-27 marks) if only 2 factors + evaluation

Award a L2 mark (16-19 marks) for identification of points only or for narrow response focussing on one point.

(40 marks)

marks)

- (b) To what extent might the pursuit of full employment conflict with other economic objectives?

LEVEL 5

42-60 marks

Consideration of possible conflicts with:

- Stable prices
- Analysis using Phillips curve may count as 2 points
- Balance of Payments equilibrium
- Economic growth
- Clean environment
- Income equality

Analysis including possible conflicts = 2 pts

Evaluation points might include:

- Comment on reasons for co-existence of low inflation and low unemployment in recent years e.g. new technology resulting in increased productivity
- Full employment might not conflict with B/P equilibrium if there is export led growth
- Full employment might conflict with economic growth if there is very low productivity
- Changing government priorities

For a L5 mark (42-47): Discussion of 4 points and two evaluation points.

A Level 5* mark (48-60) should be awarded for answers which meet the Level 5 criteria convincingly e.g. 4 points and 3 pieces of evaluation.

Max 42 marks if no evaluation

(60 marks)

Award a L4 mark (36-41 marks) if only 3 points + evaluation

Award a L2 mark (24-29 marks) for identification of points only or for narrow response focussing on one or two points.