



# GCE

## Economics

Advanced GCE F585

The Global Economy

# Mark Scheme for June 2010

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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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Question Number	Answer	Max Mark	Additional Guidance
1 (a)	<p><b>For <u>two</u> of the key macro-economic variables, describe the consequences of a period of negative economic growth such as that experienced by the UK economy in 2008–2009</b></p> <p><i>Synoptic knowledge: AS Unit F582, The national economy Government economic policy objectives and indicators of national economic performance</i></p> <p>Up to 4 marks:</p> <p>1 mark for identification of a relevant macroeconomic performance indicator (x2) Accept employment, unemployment, rate of inflation, balance of payments on current account, exports, imports, savings, taxation receipts, government expenditure, budget deficit (PSNCR), investment, consumption, exchange rate, national debt (x2) 1 mark for a description of how a relevant macroeconomic performance indicator is likely to be affected by negative economic growth (x2) Accept employment falls, unemployment rises, rate of inflation falls, balance of payments on current account improves <b>or</b> worsens, exports fall if negative growth is global, imports fall, savings rise <b>or</b> fall, taxation (receipts) fall, government expenditure rises, budget deficit (PSNCR) increases, investment falls, consumption falls, exchange rate rises <b>or</b> falls, national debt rises. (x2)</p> <p>Maximum 4 marks</p>	[4]	<p>Do not accept balance of payments unless specified to be current account.</p> <p>Accept trade balance instead of current account balance.</p> <p>Accept price level (1) falls (1) or deflation (1) BUT do not also credit <b>fall</b> in rate of inflation.</p> <p>NOTE: Some variables can change in different ways depending on other factors – candidates are not expected to identify or explain these other factors. So, for example, accept exchange rate rises OR falls.</p> <p>Do not credit interest rates as this is a policy response rather than a variable.</p> <p><b>ONE TICK PER MARK AWARDED TO A MAXIMUM OF 4 TICKS</b></p>

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Question Number	Answer	Max Mark	Additional Guidance
1 (b)	<p><b>Despite the Bank of England cutting interest rates earlier and more aggressively than the European Central Bank, the UK economy had not emerged from recession by the third quarter of 2009.</b>  <b>Analyse the reasons why this was the case.</b></p> <p><i>Synoptic knowledge: AS Unit F582, The national economy                      Aggregate demand and aggregate supply and their interaction                      The application of macroeconomic policy instruments.</i></p> <p>1 mark for a valid/plausible reason (x2)                      Up to 4 marks for an analysis of the reasons why the UK economy had not emerged from recession in the third quarter of 2009.</p> <p>Analysis marks should be awarded where candidates make a clear attempt to identify cause and consequence (i.e. <b>linkages</b>) in their responses as opposed to listing reasons or making assertions.</p> <p>Example responses:</p> <ul style="list-style-type: none"> <li>• UK economy may have larger multiplier (1) so that there was a greater reduction in consumer and business confidence than in euro area (1), this resulted a greater reduction in AD in the UK (1)</li> <li>• Interest rate reductions in the UK may have been less effective in raising consumption and investment (1), because of high levels of household and corporate debt (1) which meant that the interest elasticity of consumption and investment was lower (1)</li> <li>• UK firms responded to the recession by de-stocking (1), this caused a bigger reduction in output in the UK (1) and meant that when consumption began to increase there was not corresponding increase in output/GDP (1)                      (No marks for a statement such as 'behaviour of firms' only)</li> </ul>	[6]	<p>It is not possible to list all possible approaches candidates might take to this question.</p> <p>The key point is to award 1 mark for the reason (indicate with green tick) and up to 3 additional marks for analysis of each of the reasons given (use green tick plus)</p> <p>Valid reasons might also include:</p> <ul style="list-style-type: none"> <li>• role of the housing market in the UK;</li> <li>• consumer confidence;</li> <li>• households paying back debt at low interest rates rather than raising consumption;</li> <li>• ability of economies such as Germany to benefit from upturn in global economy, because of its economic structure (increase in manufactured exports);</li> <li>• monetary stimulus could not be sustained once interest rates had reached 0.5%</li> </ul> <p>No marks for how expansionary monetary policy SHOULD work.</p> <p>In awarding analysis marks ensure that the candidate is explicitly explaining why UK had not emerged from recession despite the cut in interest rates.</p>

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	<ul style="list-style-type: none"> <li>• Fiscal expansion in the UK wasn't as big (1) or automatic stabilisers in the UK less effective (1), so impact of lower interest rates was not supported by fiscal policy to same extent (1) and continued reductions in consumption and investment not compensated by increases in G or increases in disposable income through tax cuts (1)</li> <li>• UK retail banks did not pass on lower base rates to customers (1), so no incentives to increase borrowing or reduce saving (1), so UK AD continued to fall (1), because the monetary policy transmission mechanism was weakened (1)</li> </ul> <p>Max 6 marks in total for this question Max 2 marks for reasons only</p>		<p>Additional analysis marks can be awarded where candidate offers more than 2 reasons, but no more than 2 marks can be awarded for the reasons themselves i.e. there are only 2 x AO2 marks for this question</p>

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<p>1 (c)</p>	<p><b>Comment on the extent to which an economy’s macroeconomic performance, such as that of Estonia, Lithuania and Latvia, is affected by its decision to operate a fixed exchange rate regime.</b></p> <p><i>Synoptic knowledge: AS Unit F582, The national and international economy</i>  <i>Aggregate demand and aggregate supply and their interaction</i>  <i>Government economic policy objectives and indicators of national economic performance</i></p> <p>Level 4 <b>[7 – 10 marks]</b>                      For a commentary on the extent to which an economy’s macroeconomic performance, such as that of Estonia, Lithuania and Latvia, is affected by its decision to operate a fixed exchange rate regime.</p> <p>Examples of responses in this level:</p> <ul style="list-style-type: none"> <li>• The extent to which macroeconomic performance is improved by a fixed exchange rate regime depends on the rate which the currency is fixed. The beneficial impacts of a fixed exchange rate regime are likely to be greater the more the exchange rate is undervalued.</li> <li>• Macroeconomic performance in the long run is determined by real economic factors not monetary ones. The exchange rate does little to affect capital investment and productivity and impacts more on the demand side of the economy than the supply side.</li> <li>• Long run economic growth is more influenced by policies to improve the supply side performance of the economy than it is by exchange rate policies which impact largely on AD. In the short run, macroeconomic performance may be more influenced by other factors as the experience of the UK economy might suggest.</li> </ul>	<p><b>[10]</b></p>	<p>To gain 10 marks candidates must refer to <b>other</b> determinants of macroeconomic performance</p> <p>Where 2 sides are well analysed but there is no reference to other determinants of macroeconomic performance maximum of 9 marks.</p>

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	<p>Level 3 <b>[4 – 6 marks]</b>                      For a one-sided analysis of the extent to which an economy’s macroeconomic performance, such as that of Estonia, Lithuania and Latvia, is affected by its decision to operate a fixed exchange rate regime.</p> <p>Examples of responses in this level which explain the <b>benefits only</b> of a fixed exchange rate regime for macroeconomic performance</p> <ul style="list-style-type: none"> <li>• Fixed exchange rates may improve macroeconomic performance by reducing exchange rate uncertainty and reducing the risks from trade. This is likely to boost export led growth. This has a beneficial impact on AD which, in turn, is likely to raise GDP and employment and reduce unemployment. Fixed exchange rates also reduce the costs of trade, further boosting AD, growth and employment.</li> <li>• Deliberate over-valuation of the exchange rate in a fixed regime may improve macroeconomic performance by reducing inflation – domestic firms have to reduce costs or increase efficiency in order to gain or retain international competitiveness and, for a major importer of production inputs, the impact may be significantly beneficial.</li> </ul> <p>Examples of responses in this level which explain the <b>costs only</b> of a fixed exchange rate regime for macroeconomic performance</p> <ul style="list-style-type: none"> <li>• With a fixed exchange rate governments must sacrifice the ability to set domestic interest rates to manage performance in order to achieve an exchange rate target. A fall in the value of the currency will require higher interest rates to maintain the fixed rate of the currency. This might damage macroeconomic performance by reducing AD, especially at a time of recession. This may mean that interest rates cannot be cut during an economic recession to stimulate AD and boost GDP/GDP growth and employment</li> </ul>		<p>Level 3 <b>[4 – 6 marks]</b>                      Responses in this level will show an ability to EXPLAIN how macroeconomic performance is affected by choosing to operate a fixed exchange rate regime.</p> <p>Candidates will explain why performance might be improved or might be worsened but will not consider both perspectives.</p> <p>1 benefit / problem for macroeconomic performance explained well can achieve up to 5 marks</p> <p>2 benefits / problems for macroeconomic performance with supporting explanation should be awarded 6 marks</p>

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	<ul style="list-style-type: none"> <li>• A fixed exchange rate regime does not allow for the correction of imbalances on the balance of payments or for the adjustment to external economic shocks, such as the global recession in 2008-09. The fact that the exchange rate cannot depreciate does not allow the economy to restore price competitiveness or lower the price of exports to boost external demand.</li> </ul> <p>Level 2    <b>[2 – 3 marks]</b> For an application knowledge and understanding, and critical understanding, of the extent to which an economy's macroeconomic performance, such as that of Estonia, Lithuania and Latvia, is affected by its decision to operate a fixed exchange rate regime.</p> <p>Examples of responses in this level:</p> <ul style="list-style-type: none"> <li>• The decision to operate a fixed exchange rate regime will benefit macroeconomic performance because it will reduce uncertainty in trade and raise exports.</li> <li>• The Baltic States had negative economic growth whereas countries with floating exchange rates had better rates of economic growth</li> </ul> <p>Level 1    <b>[1 mark]</b> For knowledge and understanding of exchange rate regimes or macroeconomic performance only, with no attempt to link the two.</p>		<p>Level 2    <b>[2 – 3 marks]</b> Responses in this level will only make STATEMENTS about how macroeconomic performance might be affected either positively or negatively by a decision to operate a fixed exchange rate regime.</p> <p>Alternatively, they will focus only on the stimulus material paraphrasing it or using examples descriptively.</p> <p>Level 1    <b>[1 mark]</b> Responses in this level will only show knowledge of a fixed exchange rate regime (either explicit or implicit) and/or what is meant by macroeconomic performance (economic growth, inflation, employment/unemployment, balance of payments on current account)</p>

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2 (a)	<p><b>Distinguish between the fiscal rules of the UK and those of the European Union’s Stability and Growth Pact.</b></p> <p>Up to 2 marks for knowledge:</p> <ul style="list-style-type: none"> <li>• 1 mark for UK’s ‘golden rule’ states that, over the course of the economic cycle, governments should not borrow to finance current expenditure</li> <li>• 1 mark for UK’s ‘sustainable investment rule’ states that, over the course of the economic cycle, national debt as a percentage of GDP should be set at a ‘stable and prudent’ level (&lt;40% of GDP)</li> <li>• 1 mark for EU’s Stability and Growth Pact limits borrowing to 3% of GDP</li> <li>• 1 mark for EU’s Stability and Growth Pact limits national debt to a maximum of 60% of GDP</li> </ul> <p>Up to 2 marks for application of the distinction / difference (either 1 mark for two of the following points or 2 marks for one of the points done well)</p> <ul style="list-style-type: none"> <li>• UK rules take account of the economic cycle, whereas EU rules are annual (1)</li> <li>• UK rules relate to different types of public expenditure, whereas EU rules relate solely to the budget deficit (1)</li> <li>• UK rules place a tighter restriction on national debt (1), though over the course of the economic cycle rather than in any one year (1).</li> <li>• UK rules are more relaxed / flexible (1) as they do not relate to any one year (1)</li> <li>• One of the UK rules does not specify a figure (1)</li> <li>• UK rule sets no limit on size of borrowing / PSNCR (1)</li> <li>• EU rule, by setting a limit, should be more effective in controlling budget deficits (1)</li> <li>• EU rules carry penalties if broken, UK rules do not (1)</li> </ul>	[4]	<p><b>USE GREEN TICKS FOR KNOWLEDGE MARKS (MAX 2)</b></p> <p>Candidates <b>MUST</b> state ‘over the course of the economic cycle’. Accept: business cycle, over 10 years, in a boom current surplus should be enough to pay off deficit from recession</p> <p>Candidates <b>MUST</b> state &lt; 40% of GDP’ <b>or</b> ‘stable’/‘prudent’ level</p> <p>Candidates <b>MUST</b> state ‘as a % of GDP’</p> <p>Candidates <b>MUST</b> state ‘as a % of GDP’</p> <p><b>USE GREEN TICK PLUS FOR DISTINCTIONS (MAX 2)</b></p> <p>No marks for EU rules apply to more countries!</p>

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2 (b)	<p><b>Analyse the impact on economies such as France, Spain and Greece, of adhering to the fiscal rules of the European Union's Growth and Stability Pact in a time of recession.</b></p> <p><i>Synoptic knowledge: AS Unit F582, The national and international economy</i>  <i>Aggregate demand and aggregate supply and their interaction</i></p> <p><b>Level 3 (5 – 6 marks)</b>  For an analysis of the impact on economies such as France, Spain and Greece of adhering to the SGP's fiscal rules in a time of recession</p> <p>Responses in this level will make explicit use of economic concepts such as:</p> <ul style="list-style-type: none"> <li>• AD, components of AD, AD / AS diagram (though not required for highest mark), and develop the impact on GDP, unemployment, rate of inflation, current account of the balance of payments</li> </ul> <p><b>Level 2 (3 – 4 marks)</b>  For an application of knowledge and understanding of economies such as France, Spain and Greece will be affected by adhering to the fiscal rules in a time of recession</p> <p>Responses in this level will be descriptive and include no economic concepts.</p> <p>Example responses</p> <ul style="list-style-type: none"> <li>• To adhere to the fiscal rule governments may need to reduce government expenditure / raise revenue from taxation</li> <li>• Sticking to the fiscal rules will make the recession worse</li> <li>• Expansionary fiscal policy will be limited</li> <li>• The economy will be more stable</li> </ul>	[6]	<p>Level 3  Credit in Level 3 alternative analysis of the impact of sticking to fiscal rules. This is likely to be a non-Keynesian approach which argues that limiting public sector borrowing / debt will increase business confidence / reduce crowding out and raise levels of private sector investment</p> <p>Watch out for answers which analyse the problems stemming from BREAKING the rules</p>

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	<ul style="list-style-type: none"><li>• They will avoid fines from the EU</li></ul> <p>Level 1 (1 – 2 marks)</p> <p>For knowledge and understanding of a recession and / or the need to reduce government expenditure / raise taxation receipts in a recession to meet the rules</p> <p>Example responses:</p> <ul style="list-style-type: none"><li>• Recession is two consecutive quarters of negative economic growth</li><li>• In a recession government spending will rise and tax receipts fall so budget deficit may exceed the limit (automatic stabilisers)</li><li>• France, Spain and Greece have all broken one of SGP's fiscal rules (deficits &gt; 3% of GDP)</li><li>• In a recession expansionary fiscal policy may be needed</li></ul>		

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2 (c)	<p><b>Comment on the case for restricting imports, such as the US tariffs on imported tyres from China, in a time of recession.</b></p> <p><i>Synoptic knowledge: AS Unit F582, The national and international economy</i>  <i>The international economy – free trade vs protectionism</i></p> <p><b>Level 4 [7 – 10 marks]</b>  For a commentary on the case for restricting imports, such as the US tariffs on imported tyres from China, <b>in a time of recession.</b></p> <p>Responses in this level will consider the case for <b>and</b> the case against restricting imports <u>in a time of recession</u> <b>OR</b> simply comment on the case for restricting <u>imports in a time of recession</u></p> <p>Examples of comments on the case for might include:</p> <ul style="list-style-type: none"> <li>• The case for protection of domestic jobs depends on how many jobs are likely to be at risk from foreign competition.</li> <li>• The case for restricting imports might be stronger where the industry concerned has suffered large reductions in demand and employment as a result of the recession itself.</li> <li>• The case for restricting imports might be greater where there are large multiplier effects, particularly in supply industries.</li> </ul> <p><b>Level 3 [4 – 6 marks]</b>  For one-sided analysis of the case for <b>OR</b> against restricting imports, such as the US tariffs on imported tyres from China.</p> <p>Examples of responses in this level which explain the <b>case for</b> restricting imports:</p> <ul style="list-style-type: none"> <li>• Tariffs raise the price of imported goods, encouraging domestic consumers to buy more domestically produced goods.</li> </ul>	[10]	<p>To gain 10 marks candidates must relate their arguments to the recession</p> <p>Where 2 sides are well analysed but there is no developed reference to the recession then maximum of 9 marks</p> <p><b>Level 3 [4 – 6 marks]</b>  This might be the case for analysis of the arguments for or the arguments against, but not both. Diagrammatic analysis would be helpful to candidates but is not required for the award of marks at the top of Level 3.</p>

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	<ul style="list-style-type: none"> <li>• Without tariffs there are likely to be multiplier effects of reductions in employment.</li> <li>• Reductions in employment will reduce government receipts from taxation and raise government expenditure on welfare benefits causing an increase in the government’s budget deficit.</li> <li>• Restricting imports may be justified if there is unfair subsidisation of foreign firms or industries as it can be viewed as an anti-dumping measure which would have added validity in times of recession.</li> <li>• By raising consumption of domestically produced goods, AD is higher than it would otherwise be and so too is GDP and employment.</li> </ul> <p>Examples of responses in this level which explain the <b>case against</b> restricting imports:</p> <ul style="list-style-type: none"> <li>• Import restrictions raise domestic prices which reduce domestic consumption causing a reduction in consumer surplus which is not offset by the increased producer surplus in protected industries. Overall economic efficiency (allocative) is reduced.</li> <li>• Protectionism may allow inefficient domestic production to continue, with resource allocation implications.</li> <li>• Restrictions on imports by any one economy are likely to result in retaliation in times of recession.</li> <li>• There is a danger that retaliatory measures reduces the overall level of global trade which will cause a reduction in global AD and GDP</li> </ul>		

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	<p>Level 2 <b>[2 – 3 marks]</b>            For an application of knowledge and understanding of, the case for and / or against restricting imports, such as the US tariffs on imported tyres from China.</p> <p>Examples of responses in this level:</p> <ul style="list-style-type: none"> <li>• Countries might restrict imports in order to protect domestic jobs.</li> <li>• Countries might restrict imports to encourage consumers to buy domestically produced goods.</li> <li>• Imports might be restricted because they are unfairly subsidised by foreign governments</li> </ul> <p>Level 1 <b>[1 mark]</b>            For knowledge and understanding of methods of restricting imports only</p> <p>Examples of responses in this level:</p> <ul style="list-style-type: none"> <li>• Imports can be restricted with the use of tariffs, quotas, voluntary export restraints and / or non-tariff barriers to trade</li> </ul>		<p>Level 2 <b>[2 – 3 marks]</b></p> <p>Responses in this level will only make STATEMENTS about why countries such as the US might restrict imports in a time of recession and will lack ANY economic analysis.</p> <p>Responses with unexplained diagrams are also likely to be in this level unless there is textual analysis elsewhere.</p>

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3	<p><b>The discussions which took place in Copenhagen in December 2009 as part of the United Nations Framework Convention on climate change, together with the Kyoto Protocol are examples of international agreements aimed at promoting sustainability. Discuss the extent to which international agreements are useful in promoting sustainability.</b></p> <p><i>Synoptic knowledge: AS Unit F581, Markets in Action Market failure and government intervention</i></p> <p>Level 4 (a) <b>[16 – 20 marks]</b> For a discussion which includes a judgement on the extent to which international agreements are useful in promoting sustainability.</p> <p>Examples of the types of judgements which candidates might make in this level include:</p> <ul style="list-style-type: none"> <li>• The extent to which international agreements are useful in promoting sustainability depends on the ability of all governments to monitor the implementation of the agreement and the outcomes of the policies introduced by each country</li> <li>• A determinant of whether international agreements promote sustainability concerns who agrees to what – for examples, whether targets are based current levels of emissions, on per capita emissions rather than the total level of emissions or whether developing economies receive aid/capital to make the necessary adjustments to internalise the external costs of production</li> <li>• The problems of international agreements can be overcome by putting in place measures to ensure that all parties stick to the agreement reached – for example through trade sanctions against non-compliance.</li> <li>• Trade sanctions against non-compliance would internalise the external costs of failing to implement international agreements and end the possibility of free riding which undermines</li> </ul>	<b>[20]</b>	<p>Candidates are likely to focus on agreements such as Kyoto and focus their responses on environmental sustainability. Credit must be given to other approaches which consider economic and social sustainability and, therefore, candidates who make links to the usefulness of the WTO for example should be able to access all levels of the mark scheme.</p> <p>Level 4 (a) <b>[16 – 20 marks]</b></p> <p>Annotate where candidates state, explain, or develop judgements using EE</p> <p>To gain 20 marks, two or more judgements must be explained / developed</p> <p>To gain 19 marks, candidates explain / develop one judgement and state others</p> <p>To gain 18 marks, candidates must explain / develop one judgement</p> <p>To gain 17 marks, candidates must state two or more brief judgements</p> <p>To gain 16 marks, candidates need only state one brief judgement</p>

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	<p>international agreements.</p> <ul style="list-style-type: none"> <li>• Use of the market mechanism might help to overcome the problems of international agreements by establishing a global price for carbon which would allow some countries to gain from exceeding their emissions 'quota' by selling the rights to those economies not meeting their quotas.</li> <li>• The equity issues between developed and developing nations depend very much on how quotas/targets for emissions are arrived at.</li> <li>• Depends on which methods/policies are used to meet the targets set</li> <li>• Usefulness depends on how 'international' the agreement is ie how many countries are involved</li> </ul> <p>Level 4 (b) <b>[11 – 15 marks]</b>                      For a balanced discussion of the usefulness of international agreements to promote sustainability. This is most likely to take the form of an analysis of why and how international agreements are useful and the recognition of a range of problems in reaching agreements, meeting agreements or of the aspects of sustainability which might not be met (i.e. a recognition that sustainability involves more than just achieving the environmental objectives of economic growth).</p> <p>Candidates will explain the two sides outlined in Level 3 below. They may also make additional points such as:</p> <ul style="list-style-type: none"> <li>• Measures to promote environmental sustainability do not necessarily promote the social objectives of economic growth or ensure that the benefits from such growth increase standards of living</li> </ul> <p>The discussion will be underpinned by the use of appropriate economic concepts and theories at the top of this band.</p>		<p>Level 4 (b) <b>[11 – 15 marks]</b></p> <p>To gain 15 marks, candidates must explain one side of the argument and explain / develop two or more points on the other side</p> <p>To gain 14 marks, candidates must explain one side of the argument, explain / develop one point on the other side and state others</p> <p>To gain 13 marks, candidates must explain one side of the argument and explain / develop one point on the other side</p> <p>To gain 12 marks, candidates must explain one side of the argument and make two or more brief statements on the other side</p> <p>To gain 11 marks, candidates must explain one side of the argument and make one brief statement on the other side</p>

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	<p>Discussion which is simply descriptive should be awarded a mark at the bottom of this level. Analysis of the usefulness of international agreements in promoting sustainability with descriptive discussion should be awarded a mark at the bottom of this level.</p> <p>Level 3 <b>[5 – 10 marks]</b> For a one-sided analysis of the usefulness of international agreements to promote sustainability.</p> <p><b>There are two approaches which can gain L3 marks:</b></p> <ul style="list-style-type: none"> <li>• <b>Approach 1 – analysis of why international agreements ARE useful</b></li> <li>• <b>Approach 2 - analysis of why international agreements are NOT useful</b></li> </ul> <p>Analytical responses will make use of at least one of the following terms and concepts:</p> <ul style="list-style-type: none"> <li>• opportunity cost, use of PPCs, diagrams explaining policy measures, internalisation of external costs, MPC, MSC, AD, AS etc</li> </ul> <p>Candidates are most likely to focus on the way in which international agreements can help to internalise the external costs of production. Diagrammatic analysis is likely to characterise responses at the top of this level, but is not necessary to achieve the highest marks. The key to recognising analysis is that candidates move beyond description and assertion, employ relevant theoretical concepts and clearly establish cause and consequence through reasoned explanation of how international agreements promote sustainability. This is unlikely to be possible without a clear understanding of the nature of sustainability.</p> <p>Approach 1: Examples of responses which explain why international agreements <b>ARE</b> useful in promoting sustainability:</p> <ul style="list-style-type: none"> <li>• Individual governments are unlikely to put in place the</li> </ul>		<p>Level 3 <b>[5 – 10 marks]</b></p> <p>Treat as one-sided analysis, explanation of pros and cons of different methods of achieving sustainability where these just focus on the policies and are not set in the context of international agreements</p> <p>For example: Candidates who explain two of the measures/policies made under international agreements, how they correct market failure and explain two problems of such measures should be awarded 10 marks</p> <p>Candidates who explain two of the measures/policies made under international agreements, how they correct market failure and explain one problem of such measures should be awarded 9 marks</p> <p>Candidates who explain one of the measures/policies made under international agreements, how they correct market failure and explain one problem of such measures should be awarded 8 marks</p> <p>Candidates who explain one of the measures/policies made under international agreements and how they correct market failure should be awarded 7 marks.</p>

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Question Number	Answer	Max Mark	Additional Guidance
	<p>measures to promote sustainability without them</p> <ul style="list-style-type: none"> <li>• Measures to promote sustainability include raising the marginal private costs of production towards the marginal social costs</li> <li>• If one country introduces measures to increase the private costs of production, through environmental taxation or pollution permits for example, whilst others do not the cost of such action could be detrimental to economic performance and living standards</li> <li>• There are few incentives for individual countries to take the steps necessary to promote sustainability on their own</li> <li>• The benefit of international agreements is that it should ensure that the maximum global economic benefit is attained by all.</li> </ul> <p>Approach 2: Examples of responses which explain why international agreements are <b>NOT</b> useful in promoting sustainability:</p> <ul style="list-style-type: none"> <li>• Countries can effectively free ride off the actions of others to meet their targets – they, therefore, gain from lower levels of global emissions without taking the action themselves</li> <li>• Countries may agree to cut carbon emissions but not carry out the action necessary to bring about such reductions.</li> <li>• Countries may gain from increased international competitiveness by cheating on the agreement</li> <li>• International agreement is difficult to reach</li> <li>• Developing economies argue that damage to the environment and to sustainable economic growth has been created by the development of rich nations such as the USA and that they should not be burdened with the additional costs of reducing emissions simply because they lack the capital to make the investments needed</li> <li>• The interests of future generations are unlikely to feature in the short term calculations of any one individual government and agreements are likely to be very hard to reach.</li> </ul>		<p>Candidates who explain one or more of the measures/policies made under international agreements and the problems/limitations should be awarded 6 marks</p> <p>Candidates who explain one or more of the measures/policies made under international agreements should be awarded 5 marks</p>

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Question Number	Answer	Max Mark	Additional Guidance
	<p>Level 2 <b>[3 – 4 marks]</b>                      For an application of knowledge and understanding of the nature of measures/policies to promote sustainability or general reasons why they are useful</p> <p>Responses in this level will show a total lack of economic analysis of the impacts but will make some valid general points. Theoretical terms and concepts will not be employed, the response will be descriptive and candidates will not move beyond assertion to reasoned explanation of cause and consequence.</p> <p>Examples of responses in this level:</p> <ul style="list-style-type: none"> <li>• Measures / policies to promote sustainability include emissions trading schemes, environmental taxation and emissions targets</li> <li>• Raises awareness of sustainability issues</li> </ul> <p>Level 1 <b>[1 – 2 marks]</b>                      For knowledge and understanding of sustainability and/or international agreements only.</p> <p>Responses in this level will not consider what the usefulness and problems of international agreements in promoting sustainability are.</p> <p>Examples of responses in this level:</p> <ul style="list-style-type: none"> <li>• Sustainability is economic growth which meets the needs of the current generation without compromising the ability of future generations to meet their own needs</li> <li>• Sustainability is concerned with ensuring that economic growth improves the living standards and the quality of people’s lives both now and in the future</li> <li>• Sustainability requires a balance between the economic objectives of increasing output in an economy and the social, environmental and resource consequences of growth.</li> </ul>		

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## Assessment Objectives Grid (includes QWC)

Question	AO1	AO2	AO3	AO4	Total
<b>1 (a)</b>	4	0	0	0	<b>4</b>
<b>1 (b)</b>	0	2	4	0	<b>6</b>
<b>1 (c)</b>	1	2	3	4	<b>10</b>
<b>2 (a)</b>	2	2	0	0	<b>4</b>
<b>2 (b)</b>	2	2	2	0	<b>6</b>
<b>2 (c)</b>	1	2	3	4	<b>10</b>
<b>3</b>	2	2	6	10	<b>20</b>
<b>Totals</b>	<b>12</b>	<b>12</b>	<b>18</b>	<b>18</b>	<b>60</b>

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