Past-paper walk-through

Relationship between countries at different levels of development ▪ 11.5

eXercise

Questions in this set

- 9708/32 N25 Q26 ▪ 1 mark
- 9708/33 N25 Q27 ▪ 1 mark
- 9708/41 N25 Q1 ▪ 20 marks

Reading the mark scheme

- **B1** a mark that stands on its own – the point is either made or not.
- **M1** a *method* mark: the right approach, even if the number is wrong.
- **A1** an *answer* mark, and it usually needs its M mark first.
- **C1** a working mark on the way to the answer.
- // separates answers the examiner accepts equally.
- **ecf** = error carried forward: a later part is marked on your own earlier answer.
- **owtte** = "or words to that effect" – the wording need not match.

Question 26

9708/32 N25 ▪ Q26 ▪ 1 mark

26 The United Nations gives aid to a developing country so it can purchase vaccinations manufactured in India.

How is this aid characterised?

	characteristic 1	characteristic 2
A	bilateral	tied
B	bilateral	untied
C	multilateral	tied
D	multilateral	untied

Solution 26

Answer: **C**

Why

- Aid from an international body such as the UN is *multilateral*, not bilateral.
- Aid that must be spent on goods from a specified country is *tied* aid.
- So this is multilateral and tied – the two characteristics have to be read separately.

Question 27

9708/33 N25 ▪ Q27 ▪ 1 mark

27 A low-income country receives aid from a high-income country.

When will this aid give maximum benefit in the long term to the low-income country?

	type of aid	purpose of the aid
A	grant	purchase of agricultural machinery
B	grant	payment of food subsidies
C	loan	purchase of agricultural machinery
D	loan	payment of food subsidies

Solution 27

Answer: **A**

Why

- Aid gives the most long-term benefit when it builds lasting productive capacity.
- So it should fund education, infrastructure or healthcare rather than consumption.
- It is also more valuable *untied*, so the recipient can buy at the lowest price.

Question 1

9708/41 N25 ▪ Q1 ▪ 20 marks

1 **Working overseas**

Many low-income countries have large proportions of the population below the World Bank's absolute poverty level of $2.15 per day (United States dollars, 2022). One way in which these countries try to reduce their poverty is by the migration of workers to richer countries. The migrants send a portion of their incomes, known as remittances, back home to support their families.

These overseas workers are a link between migration and development. The flow of remittance money is greater than the foreign direct investment and official development aid received by middle-income and low-income countries. Total remittances received by those countries in 2022 was $650 billion, of which 45% ($293 billion) was received by only five countries.

About 50% of migrants from low-income countries went to high-income countries.

Migrants can find their incomes increase significantly. A nurse may make seven times more in Australia than in the Philippines, adjusted for purchasing power parity (PPP).

Question 1

Unlike official aid, remittances flow directly to their receivers and are a stable source of income. They can buy extra food and they may provide savings for the receiver. They may reduce child labour in disadvantaged families and allow for higher spending on education through higher enrolments and more years of completed schooling.

Migration can reduce unemployment and raise wages in home countries. Migration may lead to larger benefits for the home country by increasing the rates of return on human capital caused by the creation of better, more productive, and higher paying jobs.

When the flow of migrants goes to a host country whose population is ageing, it may reduce the average age of the population. This can lead to an increase in the size of the labour force, reduce the age dependency ratio and make a positive tax contribution. The migrants increase the demand for host country output and may utilise housing in less popular areas. Those with a high level of education make an even more significant contribution to economic output.

Question 1

Sources: The Guardian*, 23 August 2023*
asia.nikkei.com, 3 March 2023
imf.org, March 2020

(a) Explain what is meant by absolute poverty. [2]

(b) Explain, with the aid of a diagram, how the migration of workers from a low-income country is likely to affect wages in the low-income country. [5]

(c) The article states: 'Total remittances received by those countries in 2022 was $650 billion.'

Analyse how this is likely to benefit the migrants' home economies. [6]

(d) Consider if the article contains sufficient information to support the view that migrants have only a beneficial economic impact on the host country. [7]

Section B

Question 1

Answer **one** question.

EITHER

Solution 1

(a) Mark scheme

- Explain what is meant by absolute poverty.
- Absolute poverty is when an amount of money is chosen as the poverty level
- (1) In this case it is US$ 2.15 per day 1
- Allow for a comparison – absolute poverty is about a fixed, universal standard
- of survival (1), whereas relative poverty is defined by social comparison within
- a specific country or community 1
- Credit basic needs 1
- Do not credit minimum wage

Solution 1

- 2

Solution 1

(b) Mark scheme

- Explain, with the aid of a diagram, how the migration of workers from a
- low-income country is likely to affect wages in the low-income country.
- Labels and axes Wages/labour (1) Initial S and D for labour (1) and
- equilibrium point 1
- Reduction in the supply of labour (supply curve shift) 1
- New equilibrium wage and quantity 1
- Maximum 3 marks if no diagram
- 5

Solution 1

(c) Mark scheme

- The article states: ‘The remittances received by those countries in 2022
- was $650 billion.’
- Analyse how this is likely to benefit the migrants’ home economies.
- Remittances a form of invisible earning for the migrant’s home country 1
- thus the US$650 are secondary income for the home country 1
- There BoP effect is to increase exports (X) (1) and to increase the (X–M)
- element in the aggregate demand equation (1).
- The increase in AD will shift the AD curve to the right 1

Solution 1

- and GDP will increase 1
- Candidates can show this effect through an AD/AS diagram 2
- NOTE: Candidates may take a wider view than the macro mark scheme and
- consider groups within the economies as the references in data.
- 6

Solution 1

(d) Mark scheme

- Consider if the article contains sufficient information to support the view
- that migrants have only a beneficial economic impact on the host
- country.
- Beneficial to host country: Higher labour force (1), pay taxes (1) allows pay-
- as you-go pension system (1), increases demand (1), Increased productivity
- and economic growth (1) Entrepreneurship e.g. new business startups Max 3.
- Disadvantages: The effects of higher demand for housing (1), health services
- (1), education services (1). cultural differences (1) are not mentioned,

Solution 1

- Other considerations-wage suppression in some sectors, short term
- unemployment effects, integration/training costs, regional disparities Max 3.
- Justified Conclusion 1
- 7
- 9708/41
- October/November
- 2025
- EITHER
- 2
- Market failure is to blame for climate change and the inefficient

Solution 1

- allocation of resources. The only solution is for governments to
- intervene to improve resource allocation.
- Assess the extent to which you agree with this statement
- AO1 Knowledge and understanding and AO2 Analysis
-
  -
- Climate change can be regarded as a form of market failure can be
- explained by linking this to the requirement to allocate resources to
- maximise consumer satisfaction. This can be supported by a diagram
- illustrating a level of output where $AR = MC$ or $MSB = MSC$ which is
- consistent with an outcome that achieves allocative efficiency.

Solution 1

- ▪
- Negative externalities occur when the consumption/use of a good
- produces a cost to society which is greater than that received by an
- individual producer MPB MSB or MSC MPC. This is sometimes
- described as a negative ‘spill-over’ effect. The negative externality leads
- to an over production of the good carbon dioxide or other greenhouse
- gas.
- ▪
- Government intervention takes place to address the failure of market
- forces to allocate resources efficiently. In this case positive externalities

Solution 1

- would lead to under–consumption of a good or service.
- ▪
- Different types of government intervention can be used to correct the
- under-production of output to enable consumer satisfaction to be
- maximised.
- ▪
- Forms of government intervention might include: the use of subsidies for
- consumers to move to less polluting forms of consumption and also
- producers to change production methods, use of positive advertising; the
- direct provision of goods and services such as alternative transport

Solution 1

- methods. Alternatively indirect taxation might be applied to the CO 2
- producing source. Nudge theory effects.
- ▪
- A clearly labelled, accurate diagram can be used to show the impact of a
- positive/negative externality on the level of output and the welfare change
- will be identified.
- ▪
- The diagram could show the market equilibrium point which does not take
- into account the existence of a negative consumption externality and may
- compare this with the allocatively efficient level of output when the

Solution 1

- negative externality is taken into account. The diagram may be amended
- or re-drawn to show the impact of a chosen policy(ies) and the impact on
- consumption or production shown.
- ▪
- Reference to the diagram and the outcomes it illustrates is made in the
- text.
- 20
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- 2025

Solution 1

- 2
- AO3 Evaluation
- ▪
- A government might introduce a subsidy to encourage producers to
- increase output to enable allocative efficiency, however it is difficult to
- measure the precise value of the subsidy. Subsidies are costly in that the
- funds might have been used by governments for other purposes. This
- means governments will have to make a value judgement when deciding
- whether to provide a subsidy. There are opportunity costs of the subsidy.
- ▪

Solution 1

- Also, the impact on price and output in some circumstances takes a long
- time to become effective.
- ▪
- Advertising is often costly and it is not always certain that it will have a
- sufficiently persuasive effect to ensure the correct level of output/
- consumption is reached.
- ▪
- Direct provision is also costly and sometimes less efficient than that
- provided through market forces.
- ▪

Solution 1

- It is possible to show that government intervention can reduce the level of
- inefficiency caused by the existence of positive externalities but it is not
- clear whether the net effect of government intervention will always be
- positive. Some types of intervention will be more effective than others
- depending on the nature of the good/service under consideration.
- ▪
- Government failure.
- Concluding point which considers ‘only’ aspect.
- Accept all valid responses.
- AO1 Knowledge and understanding and AO2 Analysis

Solution 1

- 14
- AO3 Evaluation
- 6
- 9708/41
- October/November
- 2025
- OR
- 3
- The degree of competition a firm experiences is determined only by the
- barriers to entry into its market.

Solution 1

- With the aid of diagrams, evaluate this statement.
- Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table
- B: AO3 Evaluation to mark candidate responses to this question.
- AO1 and AO2 out of 14 marks. AO3 out of 6 marks.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding and AO2 Analysis
- ▪
- A discussion of types of barriers to entry.
- ▪

Solution 1

- The impact of barriers to entry on market structures.
- ▪
- A detailed analysis of at least 2 forms of market structure one with no
- barriers (perfect competition or monopolistic competition) and one with
- barriers to entry (oligopoly or monopoly) to include reference to product,
- knowledge levels, profit levels.
- ▪
- Diagrams are correctly labelled and accurately drawn.
- ▪
- with correct labelling and relevant reference to it/them in the answer.

Solution 1

- ▪
- Max L2 if no diagram
- ▪
- Max L2 if only one type of structure
- AO3 Evaluation
- ▪
- Competition is linked to the number of firms who can access a market, so
- the simple answer is yes because barriers to entry prevent firms entering
- a market.
- ▪

Solution 1

- Perfect competition and monopolistic competition with their lack of
- barriers are both highly competitive.
- ▪
- Competition takes place in oligopoly through product differentiation and
- sales and marketing.
- ▪
- Monopolies are subject to limitations on their ability to exploit the
- consumer by the limitations of contestable markets.
- ▪
- Regulation

Solution 1

- Accept all valid responses
- 20
- 9708/41
- October/November
- 2025
- EITHER
- 4
- Evaluate the effect of a rise in the exchange rate on the achievement of
- the macroeconomic aims of a country.
- AO1 Knowledge and understanding and AO2 Analysis

Solution 1

- ▪
- Explanation of the effect of a rise of the $US on the US's exports and
- imports OR any other currency
- ▪
- Analysis of exchange rate rise on the price of exports (X) and imports (M)
- and the consequences for their demand, links to aggregate demand (AD)
- through the balance of payments effect (X–M). A decrease in exports
- and an increase in imports, potentially worsening the trade balance
- ▪
- Candidates may refer to this change in terms of injections and leakages

Solution 1

- and their effect on AD.
- ▪
- The use of AD and AS diagram to show this effect on the level of national
- income and economic growth.
- ▪
- Alternatively, the analysis of the increased injection may be through the
- multiplier effect and/or the 45° diagram.
- ▪
- A clear link should be made between the effect of the rise in exchange
- rate and economic growth, reference to the type of economic growth:

Solution 1

- actual or potential should be made.
- ▪
- Ignore $US on the US's exports
- ▪
- Minimum of 2 aims developed for L3
- AO3 Evaluation
- ▪
- Why the US$ rate rose and how that might have affected economic
- growth.
- ▪

Solution 1

- The nature of exports from the US to the rest of the world: oil, agricultural
- produce etc. and the price elasticity of demand for that produce.
- ▪
- Extent the effects of a rise in ER on employment and inflation.
- ▪
- The effect of the $US being a reserve currency.
- ▪
- The size of the marginal propensity to export/import on the multiplier and
- its affect on the change in AD
- ▪

Solution 1

- The impact of inflow of capital in terms of MNC and the effect on US
- output and growth.
- ▪
- The percentage of US GDP represented by (X–M)
- ▪
- Accept all valid responses
- 20
- AO1 Knowledge and understanding and AO2 Analysis
- 14
- AO3 Evaluation

Solution 1

- 6
- 9708/41
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- 2025
- OR
- 5
- Economic growth can only occur when an economy is below full
- employment.
- Evaluate this statement.
- Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table

Solution 1

- B: AO3 Evaluation to mark candidate responses to this question.
- AO1 and AO2 out of 14 marks. AO3 out of 6 marks.
- Indicative content
- Responses may include:
- AO1 Knowledge and understanding and AO2 Analysis
- ▪
- Definition of economic growth: increase in real GDP/output over time.
- ▪
- Definition of full employment: when all resources, especially labour, are
- used efficiently (natural rate of unemployment remains).

Solution 1

- ▪
- Below full employment (Keynesian range):
- Growth possible via increase in AD (e.g., higher consumption,
- investment).
- Movement from inside PPF towards PPF.
- Little inflationary pressure due to spare capacity.
- ▪
- At full employment (Classical range):
- Growth possible only through potential growth – rightward shift of LRAS
- or outward shift of PPF.

Solution 1

- Driven by productivity, technology, education, capital formation.
- ▪
- Diagrams:
- AD–AS showing movement along the AS curve below full employment.
- LRAS shift showing potential growth.
- 20
- 9708/41
- October/November
- 2025
- 5

Solution 1

- AO3 Evaluation
- ▪
- The statement is too narrow – growth can occur both below and at full
- employment.
- ▪
- Context matters:
- In a recession, growth typically comes from AD increases (below full
- employment).
- In the long run, growth depends on supply-side improvements (even at
- full employment).

Solution 1

- ▪
- Inflationary pressures: At/near full employment, AD-led growth may
- cause inflation rather than real growth.
- ▪
- Judgement: Economic growth can occur when below full employment
- (actual growth) and at full employment (potential growth) – so the
- statement is partially correct.
- ▪
- Is unemployment the principal economic problem and the opportunity
- costs of pursuing low unemployment rather than balance of payments

Solution 1

- equilibrium etc.
- ▪
- The effect of the multiplier when considering the extent of the increase in
- GNI.
- ▪
- A discussion of whether C, I or (X–M) can increase without
- unemployment.
- AO1 Knowledge and understanding and AO2 Analysis
- 14
- AO3 Evaluation

Solution 1

- 6