



Mark Scheme (Results)

Summer 2025

Pearson Edexcel International A Level
In Economics (WEC14) Paper 01A

Unit 4: Developments in the global economy

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

Summer 2025

Question Paper Log Number P78819A

Publications Code WEC14_01A_2506_MS

All the material in this publication is copyright

© Pearson Education Ltd 2025

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	<p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p>The only correct answer is B</p> <p><i>A is not correct because the Lewis structural dual-sector model best explains industrialisation</i></p> <p><i>C is not correct because the Lewis structural dual-sector model best explains industrialisation</i></p> <p><i>D is not correct because the Lewis structural dual-sector model best explains industrialisation</i></p>	(1)
2	<p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p>The only correct answer is B</p> <p><i>A is not correct because this will most likely lead to a worsening in Saudi Arabia's terms of trade</i></p> <p><i>C is not correct because this will most likely lead to an increase in Saudi Arabia's budget deficit</i></p> <p><i>D is not correct because this will most likely lead to a reduction in transportation costs in Saudi Arabia</i></p>	(1)
3	<p>QS4: Construct and interpret a range of standard graphical forms.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p>The only correct answer is A</p> <p><i>B is not correct because this would cause the Lorenz curve to move away from the line of perfect equality</i></p> <p><i>C is not correct because the Marshall-Lerner condition is associated with changes in the exchange rate</i></p> <p><i>D is not correct because this would cause the Lorenz curve to move away from the line of perfect equality</i></p>	(1)

<p>4</p>	<p>QS1: Calculate, use and understand ratios and fractions. QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p>The only correct answer is C</p> <p><i>A is not correct because this is 6.8%/1.1% and does not calculate the terms of trade</i></p> <p><i>B is not correct because this is 1.1%/6.8% x100 and does not calculate the terms of trade</i></p> <p><i>D is not correct because this is (index of import prices/index of export prices) x100 = 98.9/93.2 x 100</i></p>	<p>(1)</p>
<p>5</p>	<p>QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p>	<p>The only correct answer is D</p> <p><i>A is not correct because these are both instruments of monetary policy and are not represented by the Laffer curve</i></p> <p><i>B is not correct because this is represented by the Harrod-Domar model</i></p> <p><i>C is not correct because this is represented by the Phillips curve</i></p>	<p>(1)</p>
<p>6</p>	<p>QS3: Understand and use the terms mean, median and relevant quantiles QS5: Calculate and interpret index numbers. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. QS11: Understand composite indicators.</p>	<p>The only correct answer is C</p> <p><i>A is incorrect because Malaysia was more economically developed than Thailand</i></p> <p><i>B is incorrect because students spent longer in education in Thailand than in Malaysia</i></p> <p><i>D is incorrect because average incomes were lower in Thailand than in Malaysia</i></p>	<p>(1)</p>

Section B

Question	With reference to Figure 1, calculate the percentage change in the rate of inflation between December 2023 and September 2024. You are advised to show your working. Answer	Mark
7(a)	Application 2 Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: <ul style="list-style-type: none">• $(3.5 - 25.5 / 25.5) \times 100$ (1)• -86.27% (1) Award one mark for the calculation of the percentage point change as part of the process for calculating the correct answer <ul style="list-style-type: none">• $3.5-25.5= -22 / -22 \text{ percentage-points/ } 22$ (1) NB Award 2 marks for correct answer (-86.27% / -86.3% / -86%) NB 2 marks may be awarded if percentage sign omitted e.g. 86.27 NB 2 marks may be awarded if the negative sign is omitted NB Do not award 22%	(2)

Question	With reference to Extract A, examine the likely effect of the depreciation of the Argentine peso against the US dollar on Argentina's current account and its capital and financial accounts. Answer	Mark
7(b)	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <p>Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge and analysis Up to 2 marks for identifying two effects and up to 2 marks for linked explanations, e.g.:</p> <ul style="list-style-type: none"> • Improvement in Argentina's current account position of the balance of payments (1K) as its exports become relatively cheaper / more price competitive OR its imports become relatively more expensive / less price competitive (1AN) • Improvement in Argentina's capital and financial account (1K) as there will be more inward FDI flows into Argentina Or less outward FDI flows from Argentina (1AN) <p>Application Up to 2 marks for application to Extract A, e.g.:</p> <ul style="list-style-type: none"> • Argentina's current account changed from a deficit in 2023 (1) to a surplus in 2024 (1) <p>Evaluation Up to 2 marks for evaluative comments (2 + 0 or 1 + 1):</p> <ul style="list-style-type: none"> • Impact on current account depends on PED for imports and exports (1) and if Marshall-Lerner condition is met (1) • Initially the current account may worsen (1) before it later improves (J-curve effect) (1) • Firms can repatriate profits, interest and dividends (1) this is an outflow from the primary income component of the current account (1) • As there are strict capital and currency controls, the effects may not be felt until after these restrictions have been removed (1) hence the financial account may not improve in the short-term (1) • Depends on the size of the depreciation (1) a large depreciation will have a substantial impact on Argentina's balance of payments (1) • Time period/SR vs LR considerations (1) exchange rate is volatile and could appreciate due to greater macroeconomic stability (1) 	

Question	With reference to Figure 2, analyse two policies that the Central Bank of Argentina can use to limit any further depreciation of the peso against the US dollar. Answer	Mark
7(c)	<p>Knowledge 2, Application 2, Analysis 2</p> <p>Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge and analysis Up to 2K marks for identification of two policies and up to 2AN marks for linked explanation, e.g.:</p> <ul style="list-style-type: none"> • Sale of US dollars on the foreign exchange market (1K) to decrease supply of the peso (1AN) <p>OR</p> <ul style="list-style-type: none"> • Purchase pesos on the foreign exchange market (1K) to increase demand for the peso (1AN) • Raise interest rates (1K) will result in greater returns, hence increasing the demand for the peso (1AN) • Ending quantitative easing (asset purchases) (1K) will reduce money supply in the Argentinian economy (1AN) <p>Application Up to 2 marks for any explicit reference to Figure 2, e.g.,</p> <ul style="list-style-type: none"> • Between November 2023 and December 2023, the Argentine peso-US dollar exchange rate depreciated from around 360 pesos to 800 pesos / by around 440 pesos / by around 122.22% / Between January 2023 and September 2024, the Argentine peso US dollar exchange rate went from approximately 200 pesos to 900 pesos / by around 700 pesos / by around 350% (1 + 1) 	(6)

Question	Explain what is meant by 'absolute poverty' (Extract A, line 20). Answer	Mark
7(d)	<p>Knowledge 2, Application 2</p> <p>Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge Up to 2 marks for understanding absolute poverty, e.g.:</p> <ul style="list-style-type: none"> • When a person earns less than \$2.15 per day based on 2017 PPPs (1+1) • When a person is unable to meet their basic needs/ obtain necessities (1) • For example a lack of access to: food/ shelter/ clothing/ clean drinking water/ sanitation/ healthcare/ education (1) <p>Application Up to 2 marks for application to absolute poverty, e.g.:</p> <ul style="list-style-type: none"> • Living standards have been falling since 2004 / there was a fall in real wages (1) • The share of the population living in absolute poverty increased by 11 percentage points in the first half of 2024 to 53% (1) / Between 2004 and 2024, the number of people living in absolute poverty increased from 42% to 53% (1+1) 	(4)

Question	<p>With reference to the information provided and your own knowledge, discuss the likely economic effects of a reduction in public expenditure as a proportion of GDP on Argentina's economy.</p> <p>Indicative content</p>
7(e)	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, Application and Analysis (8 marks) – indicative content</p> <ul style="list-style-type: none"> • Definition or understanding of public expenditure as a proportion of GDP <p>Likely economic effects include:</p> <ul style="list-style-type: none"> • Government spending is a component of AD and an injection into the circular flow of income; a reduction in public expenditure would reduce AD and could lead to a negative multiplier effect leading to lower economic growth – “economy is expected to be 3% smaller in 2024, than it was in 2023” • Lower incomes as a result of lower growth, reducing living standards – “Living standards have been falling since 2004, partly as a result of a fall in real wages.” • Unemployment is likely to rise as there will be less demand for labour (derived demand), thus reducing average incomes – “Unemployment in the second quarter of 2024 was 7.6%” • There is likely to be less inflationary pressure as aggregate demand decreases and the price level falls – may make reference to Figure 1 • Income inequality increases as measures may reduce transfer payments thereby not meeting the objective of greater income equality – cuts to “state pensions, social welfare programmes” • Government budget balance may improve/less borrowing required/the economy may be able to begin to repay national debt – “fiscal surplus every month in 2024” • Reduced opportunity costs as less need to pay debt interest repayments freeing up funds for other expenditure • Less financial and resource crowding out as the government will not have to finance its spending through borrowing (lower interest rates) and there will be more factors of production available to the private sector • If public expenditure on infrastructure/education/healthcare is reduced, then the potential output of the economy will decrease and LRAS may fall – cuts to “energy and transportation subsidies” • Lower quality/quantity of public services implies less access to these goods and hence the standard of living is likely to fall

N.B. Award positive effects as KAA and negative as evaluation (vice versa)		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p>Evaluation (6 marks) – indicative content</p> <ul style="list-style-type: none"> • The magnitude of the decrease in public expenditure from 38% of GDP to 32% of GDP (six percentage points) is relatively significant • Significance depends on how large a component of aggregate demand public expenditure/government spending was to start with • The impact on real output depends on the size of the multiplier as the effects might be negligible if the multiplier is low • Total public expenditure may still be rising if GDP is increasing at a faster rate than the rate of government spending • Effects on real output, employment and inflation depend on the level of spare capacity in the economy/reference to the elasticity of the LRAS • Less crowding out could mean aggregate demand does not fall; private investment and consumption could potentially increase • It depends on where spending is cut: if spending on benefit payments are cut, individuals have more of an incentive to work 		
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	<p>In 2024, the value of China's exports was \$3.6 trillion and the value of its imports was \$2.6 trillion. In 2024, China's rate of economic growth was 5%. This was the lowest rate since 2022.</p> <p>Evaluate the likely effects of a reduction in China's rate of economic growth on the global economy.</p> <p>Indicative content</p>
8	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, Application, Analysis (12 marks) – indicative content</p> <ul style="list-style-type: none">• Understanding of rate of economic growth <p>Possible effects could include:</p> <ul style="list-style-type: none">• Reduction in world trade as China imports less goods and services from the rest of the world; reduce global growth forecasts• Slowdown in global inflation: low inflationary pressures can trigger fears of a global deflationary spiral and debt defaults• Lower economic growth of China's main export partners that are highly dependent on Chinese demand for oil, metals, materials in its industrial centres and associated multiplier effects• Worries about China's economic strength is part of the reason for the fall in oil/commodity prices: this has pushed several exporting countries into recessions and negatively affected their public finances• Neighbours with (vertically) integrated supply chains e.g. Japan and South Korea are significantly affected• Increased levels of emigration from China if China cannot produce sufficient employment opportunities for its population• Reduction of FDI into China/from China – worsens financial account position of the balance of payments• The slowdown can affect global tourism and services industries as fewer Chinese tourists travel abroad• Global investors may withdraw significant amounts of money from China's stock markets and financial institutions: resulting in market volatility <p>N.B. Candidates may explain negative effects as KAA and positive effects as evaluation (and vice versa)</p>

	N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to the global economy in their answer	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	<p>Evaluation (8 marks) – indicative content</p> <ul style="list-style-type: none"> • Prioritisation of the most important effects • Significance of the effects discussed, e.g. imports of \$2.6 trillion are likely to mean that countries exporting to China will face an economic slowdown; likely to be important as China tries to rebalance its economy and achieve higher growth rates • Magnitude of the slowdown: economic growth rate of 5% is still likely to be higher than growth rates of most developed and developing countries • Chinese slowdown may not be as significant as another country may become the largest contributor to global economic growth over next few years e.g. India may see opportunities to attract FDI that might be leaving China • SR/LR effects: slowdown may be short-lived and economic growth may increase again (depends on the main reason for the slowdown) • Depends on the reactions of rest of the world; different countries will have different impacts (reference to changes in patterns of trade) 	

	<ul style="list-style-type: none"> • Some countries have avoided impact of slowdown by reducing their reliance on commodities, and through diversifying their portfolio globally • Depends on the Government of China's policy reaction to slowdown: reference to fiscal or monetary policy/joining a trading bloc/forming regional trade agreements with other countries
--	---

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4-6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	<p>In 2021, 2.4 million migrants moved into the European Union (EU) from non-EU countries. In 2022, this number rose to 5.1 million.</p> <p>Evaluate the likely benefits of a significant increase in migration into the EU.</p> <p>Indicative content</p>	
9	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, Application and Analysis (12 marks) – indicative content</p> <ul style="list-style-type: none"> • Understanding of migration <p>Benefits may include:</p> <ul style="list-style-type: none"> • Reduction in skills shortages in labour markets, increasing productivity; may help decrease production bottlenecks • Effects on labour market: rise in competition, reduction of wage and unit labour costs, making exports more internationally competitive • Reduction in voluntary unemployment/increase in filling of job vacancies; make the labour market more flexible as migrants are willing to take up jobs that are hard to fill, including seasonal and low-skilled work • Increase in economic growth as a result of an increase in LRAS: lower price level and higher real output • Rise in tax receipts for governments of countries in the EU resulting in an improvement in public finances • May bring new ideas and entrepreneurship, contributing to innovation and the creation of new businesses • Helps to counteract the ageing population in many EU countries by increasing the birth rate and supporting the dependency ratio • Migrants often work in essential sectors such as healthcare, education, and social services, helping to meet the demand for these services and supporting the overall functioning of society <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to the EU in their answer</p>	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	<p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Use of generic material or irrelevant information or inappropriate examples.</p> <p>Descriptive approach which has no chains of reasoning.</p>

Level 2	4–6	<p>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Limited application of knowledge and understanding to economic problems in context.</p> <p>A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.</p>
Level 3	7–9	<p>Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.</p> <p>Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.</p>
Level 4	10–12	<p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.</p> <p>Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.</p>
<p>Evaluation (8 marks) – indicative content</p> <ul style="list-style-type: none"> • Depends on the magnitude of the increase in migration: as 2.7 million/ 112.5% increase within one year is large, the impact on the EU is likely to be significant • Depends on whether migrants find jobs or remain economically inactive or unemployed • Depends on the skills of migrants, e.g. there may be a skills mismatch • Depends on whether migration into the EU is permanent or temporary • Impact on wages depends on whether migrants are skilled or non-skilled or non-working • Net migration / emigration figures are important <p>Costs may include:</p> <ul style="list-style-type: none"> • Pressure on public services: housing, health, education, social security/ benefit systems – impacts public finances in the long run • Rise in unemployment of domestic workers as they can be displaced by migrants who may be willing to work for low wages • Impact on origin countries e.g. brain drain, loss of workforce, loss of tax revenue to the governments of non-EU countries • Negative externalities/external costs e.g. crime or environmental issues • Increase in the supply of labour can put downward pressure on wages, particularly in low-skilled jobs; this can affect the income levels of workers in the EU and lead to income inequality • Governments may need to reallocate resources to address the needs of migrants, which can divert funds from other important areas 		

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4-6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

<p>Question</p>	<p>Between 2013 and 2023, Iraq’s national debt increased from 32% of Gross Domestic Product (GDP) to 49.2% of GDP.</p> <p>Evaluate the disadvantages of an increase in a country’s national debt. Refer to a country of your choice in your answer.</p> <p>Indicative content</p>
<p>10</p>	<p>Indicative content guidance</p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge, Application, Analysis (12 marks) – indicative content</p> <ul style="list-style-type: none"> • Understanding of national debt <p>Costs may include:</p> <ul style="list-style-type: none"> • Rising national debt implies a fiscal deficit that has been mainly caused by recession in the country (Iraq); reflects disequilibrium between government spending and tax revenues which leads to structural issues in the long run • Higher interest payments represent costs to future generations. Less money will be available for spending on social services and they face high opportunity cost of interest payments • Higher national debt implies increased interest payments: danger of financial crowding out. Higher interest rates reduce private sector investment • Rising national debt leads to a loss of confidence in the currency that may cause a fall in its value and result in cost-push inflationary pressures • Possibility of the need to seek assistance from international organisations e.g. the IMF and other countries • Reduction in the country’s credit rating and higher future borrowing costs; leads to a significant loss of confidence in markets resulting in a fall in FDI • Increase in taxation/reduction in public expenditure in the future resulting in a fall in disposable incomes or reduction in public services and welfare payments (could increase income inequality) • Rising national debt could lead to inflationary pressures. If debt becomes too high, there may be insufficient investors to buy government securities. Thus, the government may have to fill the shortfall in revenue by printing money and increasing the money supply • Increase in foreign currency gap as the country may have insufficient currency to meet interest repayments if any part of the national debt is held by foreigners <p>N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country of their choice in their answer</p>

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p>Evaluation (8 marks) – indicative content</p> <ul style="list-style-type: none"> • 17.2 percentage point increase in national debt as a proportion of GDP over 10 years shows that it may not be a major cause for concern • If national debt was as a result of an increase in government spending on education/infrastructure, it is likely to increase GDP in the long-run and reduce national debt as a % of GDP • National debt will be less of a concern if the fiscal deficits are cyclical and short-term rather than structural, long-term and unsustainable • Future generations will not be affected as much as high inflationary pressures might erode the real value of debt • If the interest rates start to decrease with a fall in the rate of inflation, financial crowding out may not be a significant issue in the long-term • National debt may not be a significant issue for the country if it is financed internally and not from external borrowing 		

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1-3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4-6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

