

## Quick Answers

### Question 1

**Explain two reasons why a country may experience a decline in living standards at the same time as an increase in real GDP per head.**

Explanations which might include:

- Income may become more unevenly distributed (1) resulting in most people's living standards falling (1).
- Higher output may increase pollution (1) this may cause health care problems (1).
- The shadow economy may have shrunk (1) reducing output per head (1).
- Working hours may have increased (1) reducing leisure time (1).
- Working conditions may have declined (1) reducing the health of workers (1).
- More resources may have been devoted to producing capital goods (1) which may reduce the availability of consumer goods in the short run (1).

### Question 2

**Analyse the relationship between countries' GDP per head ranking and HDI ranking.**

**Coherent analysis which might include:**

- **Expected relationship:**  
Generally, the higher the GDP per head ranking, the higher the HDI ranking / positive relationship / direct relationship (1)
- **Supporting evidence:**  
The top country, the top two or top three countries with the highest GDP per head ranking have the highest HDI ranking (1) the country, two countries with the lowest GDP per head ranking have the lowest HDI ranking (1)
- **Exception:**  
Cuba or Indonesia (1) supportive data – Cuba has a lower GDP per head ranking than Indonesia but a higher HDI ranking than Indonesia (1)

- **Analysis:**

It is the expected relationship (1). GDP is a component of HDI / HDI ranking influenced by additional factors – education and/or life expectancy / higher GDP per head enables more to be spent on education and healthcare (1)

**Guidance:**

HDI now includes years of schooling but accept an idea that it includes education - adult literacy rate was included in the old measure. Responses do not have to be in the format suggested but they should address the expected/normal relationship, offer supporting evidence of that, highlight any exceptions to that, and analyse the overall data

*Question 3*

**Analyse the relationship between real GDP per head and the adult literacy rate.**

Coherent analysis which might include:

- The relationship shown is largely a positive one (1) as real GDP per head rises so does adult literacy (1) example that supports the relationship (1) Uganda is an exception (1)
- Countries with a higher adult literacy rate are likely to have more skilled workers (1) capable of producing a higher output (1)
- Countries with a higher real GDP per head are likely to have more funds to spend on education (1) more and higher quality education is likely to increase adult literacy (1)

*Question 4*

**Analyse the relationship between the size of countries' primary sector output and GDP per head.**

**Coherent analysis which might include:**

- Generally, the countries with the relatively smallest primary sectors have the highest GDP per head / inverse relationship (1)

- Evidence e.g. US has only 1% of output accounted for by the primary sector and the highest GDP per head (1) another piece of supporting evidence e.g. the two countries with the largest primary sectors have the lowest GDP per head (1)
- Exception is India/Philippines (1) India has a smaller relative sized primary sector but a lower GDP per head (1)
- This is the expected relationship as primary sector tends to decline as an economy develops / often larger in developing economies / resources move into secondary and then tertiary sectors (1) tertiary sector tends to generate higher incomes / primary sector tends to generate lower incomes (1)

### *Question 5*

**Discuss whether or not people in a high income country always enjoy a higher living standard than those in a low income country.**

#### **Level 3 (6-8 Marks)**

A reasoned discussion which accurately examines both sides of the economic argument, making use of economic information and clear and logical analysis to evaluate economic issues and situations. One side of the argument may have more depth than the other, but overall both sides of the argument are considered and developed. There is thoughtful evaluation of economic concepts, terminology, information and/or data appropriate to the question. The discussion may also point out the possible uncertainties of alternative decisions and outcomes

#### **Why they might:**

- may be able to enjoy more / better quality goods and services
- may receive good healthcare and so enjoy long life expectancy
- may enjoy good education and so have more choices
- working conditions may be better with less workers in jobs involving hard physical labour / more people working in the tertiary sector
- may be able to save, providing security for the future.

#### **Why they might not:**

- income may be unevenly distributed and some people in the population may be living in poverty, some may be unemployed

- pollution levels may be higher in the country
- people may be working longer hours, having less leisure time, more stressed
- some of the products produced in high income countries may be demerit goods
- may be high cost of living
- may have high tax rate

**Example of a Level 1 answer:**

Yes because people living in high income area will enjoy luxuries of life and those living in low income country will get less opportunity to enjoy their life.

**Principal Examiner comment:**

This answer is a maximum of L1. It only identifies that people in high income countries are more likely to enjoy luxury products. There is no development of links (analytical or evaluative discussion) in response to either side of the question.

*Question 6*

**Explain two reasons why net immigration may increase the standard of living in a country.**

- May increase the size of the labour force (1) increase the number of goods and services available / increase output / increase GDP / economic growth (1)
- May bring in new skills (1) raise productivity (1) increase the quality of products produced (1)
- Fill jobs that local workers do not want to do (1) reduce shortages (1)
- Fill jobs that local workers do not have the qualifications to do (1) reduce shortages (1)
- Increase total (aggregate) demand (1) which will encourage firms to increase their output (1)
- Make better use of other resources (1) if the country lacks labour / is underpopulated (1)
- Increase tax revenue (1) enabling government to spend more on e.g. education (1)

- Immigrants may set up firms (1) creating jobs / reducing unemployment (1) / purchasing power (1)
- May lower costs of production (1) make products more affordable (1)

**Guidance**

- Reward but do not expect reference to optimum population
- Do not reward lower wages because the effect on the standard of living is uncertain

*Question 7*

**Identify two components of the HDI.**

- GDP (GNI) per head / income per head / average income
- education
- life expectancy

**Guidance**

- For education accept (adult) literacy.

*Question 8*

**Explain two causes of an increase in a country's HDI.**

- an increase in GDP / GNI / income per head (1) raises the goods and services people can consume / due to e.g. higher employment (1)
- an increase in life expectancy (1) indicates better healthcare / due to better healthcare / more investment in healthcare (1)
- an increase in education / mean and expected years of schooling (1) increases job opportunities / quality of life / due to government investing more in education (1)

*Question 9*

**Discuss whether countries with a high Gross Domestic Product (GDP) per head will have a faster rate of economic growth than countries with a low GDP per head.**

**Up to 5 marks for why they might:**

- They are likely to have good education (1) good healthcare (1) this will mean skills will be high (1) productivity will be high (1) there may be advances in technology (1) reducing costs of production (1) exports may increase (1)
- Unemployment may be low (1) with most resources being used (1)
- MNCs may be attracted to set up in the country (1) contributing to the country's output (1)
- Foreign banks may be more willing to lend to the countries' firms (1) allowing them to expand (1)
- High incomes are likely to mean high demand / high consumer spending (1) encouraging firms to produce more (1)

**Up to 5 marks for why they might not:**

- Countries with a low GDP per head may discover raw materials (1) which may be in high world demand (1)
- People in poorer countries may have more drive to improve their living standards (1) they may work harder (1)
- Richer countries may have a lower rate of population growth or declining populations (1) this may mean their labour forces are growing more slowly (1) restricting their ability to produce more goods and services (1)
- Other factors may influence economic growth (1) e.g. type of government policies pursued / deficit on the current account of the balance of payments (1)

### *Question 10*

**Explain two ways in which more affordable medicines can improve standards of living.**

- more people can have medicines (1) improve health (1) raise productivity / enable people to work / not off work sick (1)
- different choice of medicines (1) consumers can find what suits them best (1)

- hospitals will have more medicines (1) easier to treat those who are ill/reduce death rate (1)
- less spent on healthcare (1) can spend more on other things that can improve standard of living such as education, holidays (1)
- higher productivity (1) higher incomes (1)

### **Guidance**

- Accept higher HDI if linked to improved life expectancy (1)
- Do not accept birth control or birth rate explanation

### *Question 11*

#### **Explain how the HDI compares living standards between countries.**

- Measures output/income/material standard of living (1) GDP/GNI per head (1).
- Measures healthcare (1) life expectancy (1).
- Measures education (1) mean and expected years of schooling / literacy rate (1).
- Provides an index figure for each country (1) from 0 to 1 / divides countries into very high, high, medium and low (1).
- Higher HDI means higher standard of living (1).

### *Question 12*

#### **Analyse, using Table 1, the relationship between annual GDP per head and life expectancy.**

- Generally, the higher the annual GDP per head, the longer the life expectancy (1) e.g. rich people are likely to have better nutrition / healthcare (1)
- The two countries, Monaco and Finland, with the highest annual GDP per head have the longest life expectancy (1). The country with the lowest annual GDP per head, Mali, has the lowest life expectancy (1)

- Russia or Costa Rica is an exception (1) e.g. Costa Rica has a lower annual GDP per head but a higher life expectancy than Russia (1)

### **Guidance**

Countries must be named.

### *Question 13*

**Explain two reasons why less-educated people tend to have a shorter life expectancy than people who have received more education.**

- a lower income (1) worse nutrition/healthcare/housing (1)
- less well-informed (1) less likely to eat healthily / more likely to have unhealthy habits e.g. smoking (1)
- more likely to be in a more physically demanding / risky job (1) less choice of occupation due to less skills/qualifications (1)

### *Question 14*

**Discuss whether or not protectionism is effective in raising living standards.**

**Up to 5 marks on how it will be effective in raising living standards:**

- Protectionism may increase the price of imports (1) the quantity of imports demanded will decrease (1) the quantity of domestic goods demanded may increase (1) demand for labour is derived demand (1) demand for workers will increase (1), therefore unemployment decreases (1) domestic incomes increase (1) consumption of goods and services increase (1) employment in infant/declining (sunrise/sunset) industries may be protected (1)
- Increased demand for products of domestic firms may lead to an increase in total revenue (1) and profits (1)
- Protectionism can decrease imports of demerit goods (1) reducing external costs (1) e.g. pollution, health/social problems (1)

**Up to 5 marks on how it will not be effective in raising living standards:**



- Protectionism may reduce the possibility of specialisation (1) to produce what a country is best at (1) increasing production costs (1) increasing import prices (1)
- Protectionism might lead to retaliation (1) other countries may adopt protectionist policies on imports (1) increasing the price of the country's exports (1) decreasing the demand for exports (1) reducing the demand for workers (1) unemployment increases (1) less income (1) consumption/production of goods and services decreases (1)
- Protectionism may reduce competition / choices available to domestic consumers (1) reducing the quality of the products available (1)
- Protectionist policies in one country could reduce employment in other countries (1) as they are no longer able to export the same amount (1)

### **Guidance**

- Each point may be credited only once, on either side of an argument, but separate development as to how/why the outcome may differ is to be rewarded.

### *Question 15*

#### **Analyse to what extent the information in Table 1 suggests that healthcare expenditure per head is an important influence on the infant mortality rate**

- Generally, yes, it would be expected that countries spending a higher amount would have a lower infant mortality rate (1) because e.g. they would be able to afford more midwives/doctors (1)
- Examples of supporting evidence e.g. Liberia spends the least and has the highest (1) UK spends the most and has the lowest (1)
- There is an exception, Cuba (1) spends the 4th lowest and has the 2nd lowest infant mortality rate (1)

### *Question 16*

#### **Discuss whether or not economic growth always increases living standards**

**Up to 5 marks for why it might:**

- Higher output (1) may enable people to enjoy more goods and services (1) especially if GDP per head rises (1) may increase employment (1) raise incomes (1) Higher output may increase tax revenue (1) more resources/higher quality of resources (1) may enable there to be better healthcare (1) increasing life expectancy (1) more/better education (1)
- Higher output may enable more resources to be devoted to improving environmental conditions (1) e.g. reduce pollution (1)

**Up to 5 marks for why it might not:**

- The benefits may not be evenly spread (1) income and wealth may be unevenly distributed (1) there may still be high levels of poverty (1)
- Higher output may have been achieved by increasing working hours (1) working conditions may have declined (1) there may be greater stress (1) quality of output may be lower (1)
- Expansion of heavy industries (1) may have created pollution (1) reduce health/life expectancy (1)
- Non-renewable resources may have been depleted (1) reducing the opportunity to achieve sustainable development (1)
- Economic growth may not be sustainable (1) increase in supply may not match increase in demand (1) causing inflation (1)
- Economic growth achieved by exporting goods and services (1) economy producing more investment goods at expense of consumer goods (1) resulting in fewer goods available in domestic market (1)

*Question 17*

**Discuss whether or not raising living standards is the most important economic objective for developing countries.**

**Up to 5 marks for why it might be:**

- Giving people access to basic necessities (1) may take them out of poverty (1)
- Suggests higher incomes per head (1) allowing people to consume more goods and services (1)
- Improving healthcare (1) reduce death rates/people more fit for work (1) raise productivity (1) raise output/generate economic growth (1)

- Improving education (1) may increase skills (1) raise productivity (1) raise output/generate economic growth (1)
- Better quality housing (1) can reduce illness (1) raise productivity (1) raise output/generate economic growth (1)

**Up to 5 marks for why it might not be:**

- Raising living standards may cause higher inflation (1) a rising current account deficit (1)
- Inflation may be more of a problem (1) costs of inflation (max 2)
- Unemployment might be more of a problem (1) costs of unemployment (max 2)
- Current account deficit might be more of a problem (1) costs of current account deficit (max 2)
- Living standards is an average concept (1) and may be associated with rising inequality (1)
- Some measures that could improve living standards such as taxing polluting firms (1) may reduce economic growth (1) and so may result in lowering living standards (at least in the short run) (1)
- It may be more important to maintain living standards (1) (because) a rising population (1) may be putting pressure on resources (1)

**Guidance**

- The chain of response raise productivity (1) raise output/generate economic growth (1) can only be credited once
- A maximum of 3 marks for a list-like approach

*Question 18*

**Analyse the extent to which the relationship shown in Table 1 between countries' GDP per head and their HDI value is the expected one**

- Generally, in the same order / positively related / countries with highest GDP per head have the highest HDI (1) countries with high incomes generally spend more on education and healthcare (1) supporting evidence e.g. Argentina has highest GDP per head and highest HDI (1)

- Egypt higher in terms of GDP per head but lower in terms of HDI than Cuba (1)
- Cuba may have a high life expectancy (1) indicating good healthcare (1)
- Cuba may have a high number of mean and expected years of schooling (1) indicating a strong education system / more educated population (1)

**Guidance**

- Reward 1 mark for a supported conclusion that it is generally the expected relationship
- Marks may be gained in relation to Cuba by mentioning Egypt may have less good healthcare and education

*Question 19*

**Discuss whether or not a decrease in the number of doctors will reduce living standards.**

**Up to 5 marks for why it might:**

- If there are less doctors patients may receive worse quality healthcare (1) reducing life expectancy (1)
- The productive capacity of the economy could fall in the long run (1) as a result of life expectancy falling / more sick days as a result of a worse quality health service (1)
- Worse healthcare can decrease productivity (1) causing wages to fall (1)
- A shortage of doctors would cause their wages to rise (1) making health care less affordable / less available / poor patients can't afford it (1)

**Up to 5 marks for why it might not:**

- Technological advancement (1) could mean the quality of healthcare is improving even though the number of doctors is falling (1) | increased expenditure on facilities / equipment (1) could offset the impact of fewer doctors (1)
- Access to healthcare is more important in determining living standards in the country (1) – there may be less doctors but if healthcare is now more affordable living standards on the whole may be rising (1)

- If population is increasing (1) less need for doctors / number of doctors per head may not change (1)