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Question 26 (Answer: **B**)

- A less developed economy has a large primary sector and a small tertiary sector.
- It typically has high population growth and low literacy.
- So look for the row combining a small tertiary sector with high population growth.

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Question 25 (Answer: **D**)

- GDP measures output that is *bought and sold*.
- Food grown and eaten by the farmer's own family never enters a market.
- So it is left out of GDP, and the standard of living is understated.

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Question 20 (Answer: **A**)

- Oil is a finite, non-renewable resource with external costs from burning it.
- A tax raises its price, so less is used.
- That both conserves the resource and reduces the pollution – it is not meant to raise employment.

5(a)	**Identify <u>two</u> benefits an MNC may provide for its home country.** Two from: • profits • (increased) exports • raw materials • job opportunity / wages for workers • raise country's income
5(b)	**Explain <u>two</u> disadvantages of import tariffs.** Logical explanation which might include: • Reduce (free) trade (1) lower competition (1) . • Risk of retaliation (1) resulting in trade war / unemployment (1). • Raise price of imports (1) which may raise price of domestically produced goods (because of the lack of competition) (1) . • Raise the price of imported raw materials / capital goods (1) cause cost-push inflation (1) . • Reduce quality (1) due to lower competition (1) • Protected industries / infant industries / declining industries may become inefficient (1) if become reliant on tariff (protection) (1). • Reduce output / consumption / less quality / less choice (1) lower living standards (1). • Reduce ability of countries to specialise (1) less efficient use of resources / loss of potential economies of scale (1).

5(c)	**Analyse how an increase in investment can result in a rise in a country's HDI value.** Coherent analysis which might include: • Investment can increase GDP / GNI (1) employment (1) which may increase GDP/ GNI per head (1) higher GDP/ GNI may raise tax revenue (1) enabling the government to spend more on education and healthcare (1). • Higher personal income / wages (1) enabling families to afford sending children to school (1) pay for private healthcare (1). • An increase in investment in healthcare facilities (1) can increase life expectancy (1). • An increase in investment in education (1) will increase mean / expected and expected years of schooling (1) increase skills/productivity (1) which may increase GDP per head (1) raise awareness about nutrition (1) increase life expectancy (1). • An increase in investment may introduce more advanced technology (1) which can make work less physically demanding (1) improving health / life expectancy (1).

5(d)	**Discuss whether or not having a floating exchange rate benefits an economy.** In assessing each answer, use the table opposite. Why it might: • may eliminate a current account imbalance • if there is a current account deficit, exchange rate may fall making exports fall in price and imports rise in price • no need to keep reserves of foreign exchange • no need to change interest rates to influence the exchange rate • enable government to concentrate on other aims as does not have to keep the exchange rate fixed. Why it might not: • may make it difficult for firms to plan, not knowing how much they will have to pay for imports and earn from exports • may create uncertainty • discourage investment • speculation can cause (significant) destabilising changes in the exchange rate.

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5(d)	

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Question 24 (Answer: **D**)

- HDI combines income per head, education and life expectancy.
- A large gap between two countries means several of those components differ.
- So look for the explanation that affects health, schooling or income – all three feed the index.

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Question 26 (Answer: **A**)

- A high-income economy has most of its labour force in services – the tertiary sector.
- It also has a high HDI, reflecting high income, health and education.
- Primary-sector dominance and a low HDI describe a low-income economy instead.

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Question 26 (Answer: **B**)

- Development is broader than income alone: it also covers health and education.
- So compare life expectancy alongside GDP per head.
- The most developed country is the one scoring well on the *combination*, not just the highest GDP.