Anderson Junior College
JC2 2013 H1 Economics Prelims Examinations
Case Study Questions

Question 1 Fuel prices and the need for renewable energy

(a)	**(i)**	**Using Table 1, compare Indonesia's production and consumption of oil between 2009 and 2012.**	**[2]**
		Oil consumption generally increased while oil production generally decreased. [1m] Oil consumption was always greater than oil production throughout the years. [1m]	
	(ii)	**Explain whether the above explains the changes in Indonesia's current account balance in Table 1.**	**[4]**
		The current account balance is the balance of the transactions of currently produced goods, currently rendered services, income flows and unrequited transfers. Indonesia's current account generally worsened over the years from a surplus position till a deficit position in 2012. **Perspective 1: The above explains the changes in Indonesia's current account balance.** Oil consumption consistently exceeds domestic oil production and the shortfall has been increasing over the years because oil consumption has increased while domestic oil production has decreased. This suggests that Indonesia increasingly needs to meet this shortfall by importing from other countries. Hence, we can infer that the number of imports would be rising [1m] and this is likely to worsen its current account balance. [1m] **Perspective 2: The above does not explain the changes in Indonesia's current account balance.** However, there are limitations to the data in Table 1. The data for oil production and consumption in Table 1 is presented in absolute terms at thousand barrels daily. As such the data only reflects quantities of oil produced and consumed. [1m] However, current account balance is measured in monetary values, taking into consideration net inflow or net outflow of money. Hence, to have a more comprehensive analysis of the changes to the export revenue or import expenditure, price of oil has to be considered. [1m] **OR** The data only considered the oil component. Hence, how significant oil is relative to other exports and imports in the current account balance has to be considered to explain the impact of changes in oil production and consumption on current account balance. [1m] As current account also consists of import expenditure and export revenue of other goods and services and other components such as net income flows and net transfers, the data on oil production and consumption is limited to explain the	

		changes to current account balance. [1m]	
(b)		**Using demand and supply diagram(s),**	
	(i)	**explain the impact of an introduction of a fuel subsidy on the Indonesian government**	**[2]**
	(ii)	**discuss whether consumers or domestic producers of fuel in Indonesia are more likely to benefit from the introduction of a fuel subsidy**	**[8]**

(i) The Indonesian government will have to bear the entire burden which is shown by the sum of the 2 shaded areas in Figure 1 which is also calculated by subsidy per unit multiplied by the equilibrium quantity.

As mentioned in Extract 1, this spending on fuel subsidy will strain the government's finances, leading to budget deficit [1m] that has threatened to swell to $30 billion in 2013.

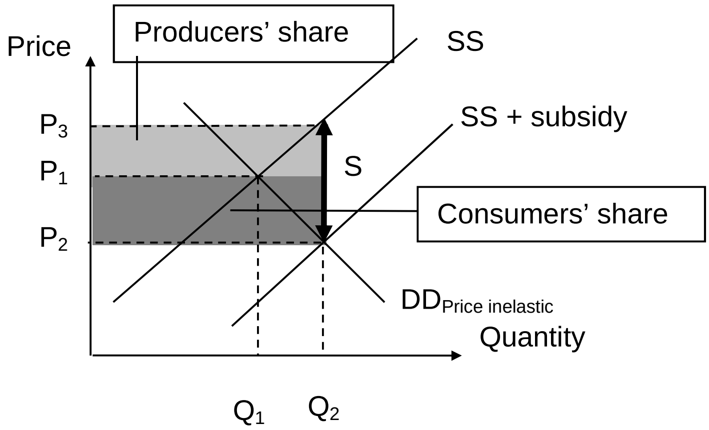

Figure 1: **Subsidy to consumer and producer** (1m for diagram)

(ii) Fuel subsidy lowers the cost of production which increases the quantity supplied by the producer at every price. Hence, the supply of fuel increases and the price of fuel falls from P_1 to P_2.

The introduction of a fuel subsidy will benefit both consumers and domestic producers of fuel in Indonesia. However, the relative share of benefit for the consumers and producers would differ under different time periods. The relative values of Price Elasticity of Demand (PED) and Price Elasticity of Supply (PES) will determine which party will benefit more. A subsidy favours the side of the market that is less price elastic.

PED is defined as the degree of responsiveness of the quantity demanded to a change in its price, ceteris paribus. PES is defined as the degree of responsiveness of the quantity supplied to a change in its price, ceteris paribus.

In the short run, **demand is likely to be relatively more price inelastic than supply** as consumers find it difficult to adjust their consumption pattern. Given the fuel subsidy, the consumers' share of the benefit from the subsidy is the proportion of the government funding that leads to a reduction in the market price from P_1 to P_2. The domestic producers' share of the benefit from the subsidy is the proportion of the government funding that allows them to receive a higher price (P_3) which is inclusive of the subsidy. Hence, the consumers' share of the subsidy will be greater than that of the domestic producers of fuel, as shown in Figure 1**. Hence consumers benefit more in the short run relative to the domestic producers of fuel.**

In the long run, **demand is likely to be relatively more price elastic than supply** as consumers are better able to adapt and adjust their consumption pattern. Given the fuel subsidy, the consumers' share of the subsidy will be lesser than that of the domestic producers of fuel, as shown in Figure 2. **Hence domestic producers of fuel benefit more in the long run relative to the consumers.**

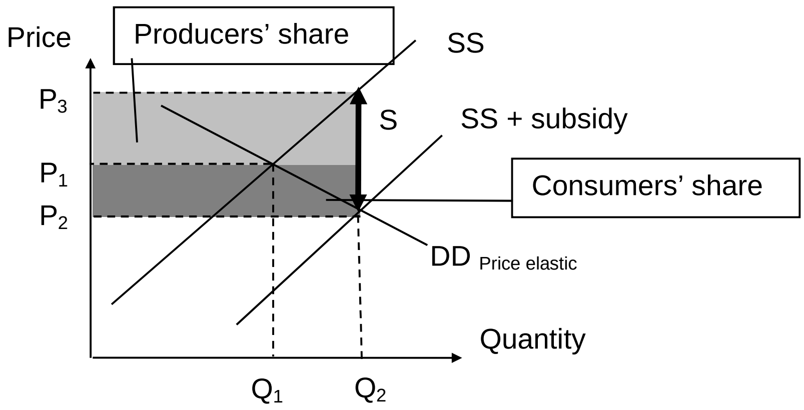

Figure 2: **Subsidy to consumer and producer**

Evaluation

S: Whether consumers or domestic producers benefit more from the fuel subsidy depends on the price elasticity of demand/ supply which can be caused by the different time period considered. In this case, price elasticity of demand differs under different time period, hence giving rise to the different share of the subsidy.

Knowledge, Application, Understanding and Analysis		
L3	Comprehensive knowledge of whether consumers or producers are likely to benefit from the fuel subsidy, with evaluation Balanced answer, with well-labeled diagram	6 – 8 marks
L2	Good knowledge of whether consumers or producers are likely to benefit from the fuel subsidy Balanced answer, with well-labeled diagram (if no reference to diagram, max L2)	3 – 5 marks
L1	Insufficient application of relevant economic concept to determine whether consumers or producers are likely to benefit from the fuel subsidy For an answer that showed conceptual errors One-sided, no/inaccurate diagram	1 – 2 marks

(c)		**Explain how cutting fuel subsidies can improve the allocation of resources.**	**[6]**

Briefly explain the market failure problem arising from fuel consumption.

Fuel subsidies further hinder the effective working of the market mechanism by encouraging even more consumption of fuel. Hence, cutting fuel subsidies is in the right direction to improve the allocation of resources. The cut in subsidies would increase the private marginal cost of consuming fuel. As consumption of fuel inflicts external costs such as health problem experienced by third parties who live in the environment polluted by the consumption of fuel. Social marginal cost is greater than its private marginal cost. It is therefore necessary to factor in the external costs in the consumption of fuel in order to prevent over-allocation of resources

- As private marginal cost increases due to the cut in subsidies, the PMC curve would shift to the left by the amount of the cut in the subsidies. If the cut in subsidies were to be very significant, this could even reduce consumption right down to the socially optimum level, where social marginal benefit equates social marginal cost.

- At this level of consumption (where SMB=SMC), society's welfare is maximized as society's benefit of consuming the last unit of good equates society's cost of consuming that last unit. Resources are thus allocated in an efficient manner as society's welfare is maximized in the allocation of resources.

The **cut in subsidies helps remove inefficient firms** that are complacent in cost controls and therefore tend to be less productive efficient. In extract 3, China provides subsidies to fuel-dependent industries. As a result, there might be no competitive pressure to produce at the least cost method of production as firms are heavily subsidized in their use of fuel for production purposes. As the domestic firms do not strive to use the technique of production with the least opportunity cost, they could be forgoing a higher amount of goods for the same set of resources deployed. With the cut in fuel subsidies, the cost inefficiencies of such firms will become more apparent which are likely to be reflected in the form of higher price charged for the goods / services they produce. This is a better reflection of the true cost of production. These inefficient firms may exit the market, thus ensuring a more efficient allocation of resources.

Subsidy can be a protectionist measure used by the government to give the domestic producer an advantage over the foreign producer. Indonesia may appear to have a comparative advantage in the production of certain goods due to the subsidies given by the government. With the cut in subsidies, the artificial cost advantage of domestic firms over foreign firms is now removed and the price of goods produced by domestic firms will now be higher than that produced by foreign competitors. This will allow foreign firms which may have the true comparative advantage to thrive. In this regard, world resources can be more efficiently allocated as countries that incur relatively lower opportunity costs in producing the goods will be producing the good.

Mark scheme

Knowledge, Application, Understanding and Analysis		
L2	For an answer that provides a thorough discussion with close reference to the case material and contains developed analysis.	4-6 m
L1	For an answer that attempts to discuss the issue and make some reference to case material but inadequate economic analysis.	1-3 m

(d)		Comment on the impact of cutting fuel subsidies on the Indonesian economy.	[8]
		Perspective 1: Cutting fuel subsidies will lead to positive impact on the Indonesian economy. From extract 1, the budget deficit is likely to swell to $30 billion and take a significant percentage of Indonesia's Gross Domestic Product. Hence the cut in subsidies is needed in order to reduce the mounting budget deficit. This will lead to a gain in investors' confidence and thus achieving economic growth. Additionally, the improvement of Indonesia's budget deficit can lead to a greater investor confidence leading to a higher FDI and thus having a positive impact on its capital account and exchange rate. With a greater inflow of FDI, demand for Indonesia's currency will now be higher, resulting in an appreciation of the exchange rate. A stronger exchange rates can help to lower the price of imported good and mitigate cost push inflation. **This is significant for Indonesia as inflation is likely to rise above 7% in recent months.** The cut in the fuel subsidies will help to reduce income inequality. From extract 2, the fuel subsidies were in fact not pro-poor, indicating that the subsidies were largely enjoyed by the middle class. Since the current fuel subsidies favour the middle class, production of goods and services is skewed towards producing the wants of the rich. The price mechanism signals the allocation of resources of goods and services and these goods are distributed to those who are able to pay. With the cut in fuel subsidy and hence having a higher budget to finance social welfare programmes for the poor, this will lead to a more equitable allocation of resources. Furthermore, in extract 4, in order for Indonesia to disburse more incentives to develop renewable energy that is more sustainable, it has to cut its fuel subsidies. Subsequently, this could lead to higher government spending and foreign direct investment (FDI) for developing renewable energy. Hence, Indonesia can develop its potential comparative advantage in this alternative energy, generating growth and employment. **Perspective 2: Cutting fuel subsidies will lead to negative impact on the Indonesian economy.** **A cut in fuel subsidies may lead to a higher cost of production as oil is an essential raw material use in the production of many goods. This will lead to a fall in SRAS resulting in cost push inflation.** Inflation is defined as a period of sustained and general increase in the average level of prices. From extract 2, Indonesia is already experiencing a high inflation of 7%. Thus the high rate of inflation will cause problems both in the domestic and the external sector for Indonesia. In the domestic sector, a high rate of inflation tends to have adverse effect on <u>output and employment</u> in the short run. In the case of high cost-push inflation, firms that cannot pass on the high costs to consumers have to absorb them. They might find it difficult to survive and hence this results in business failure. All these will result in a <u>lower income and employment</u>. With a high rate of inflation, firms are also reluctant to make plans for investment. This will <u>reduce the rate of economic growth</u> over the long term. Furthermore, high rate of inflation tends to encourage firms to engage in more risky speculative activities in hopes of generating higher returns that can outstrip inflation. This leads to a diversion	

of funds from productive activity into speculative activity. A high rate of inflation also erodes the real value of savings hence people are likely to withdraw their savings and spend it on real assets. Long term economic growth of the economy will be affected since the investors need savings as funds for investment.

As for the external sector, a high rate of inflation in Indonesia will have adverse effects on trade and capital flows.

A high rate of inflation in Indonesia that supersedes that of other countries can erode the competitive edge of Indonesia's exports as they are priced relatively higher than other countries'. On the other hand, relatively cheaper imports into Indonesia may channel domestic demand away from locally produced substitutes to foreign imports. This will lead to a fall in net exports, worsening Indonesia's current account and give rise to a significant fall in aggregate demand (AD). With this fall in AD, output and employment will fall leading to demand deficient unemployment. If this trend persists to affect future return on foreign investment, withdrawals of FDI may occur, hurting Indonesia's capital account and threatening its long term growth prospects as well.

Evaluation

(R) The Indonesian economy faced the twin problems of a current account deficit and high inflation of 7%. Though a cut in the subsidies of oil prices can help correct the current account deficit, it could worsen inflation. In order to mitigate the adverse impact of a cut in fuel subsidies on the economy, the government can use a combination of policies to correct these different issues. For e.g. Incentives can be offered to encourage more R & D efforts to reduce firms' reliance on fuel while cutting subsidies to correct a current account deficit. According to Tinbergen's rule, it states that the government should use a separate policy instrument for each macroeconomic objective.

(*Adapted from Han Wen PDG 0912*)
(R, T) In conclusion, given the major problems – high inflation, current account deficit and social unrest, it is best for Indonesia to cut fuel subsidies at a gradual pace. The notion of cutting fuel subsidies has substantial impact, but it is important for the government to push through such reform as the present rate of consumption of fuel is unsustainable given the fuel resources. Additionally, when fuel subsidies are cut, more incentives are given to invest in renewables energy, leading to more cost savings and ultimately less pollution, hence a better material and non-material standard of living for Indonesians in the long run.

Knowledge, Application, Understanding and Analysis		
L3	For an answer that provides a thorough discussion of the positive and negative impact on the economy due to a cut in fuel subsidies and makes close reference to the case material and contains sufficient analysis.	6-8 m
L2	For an answer that attempts to discuss the positive and negative impact on the economy due to a cut in fuel subsidies and make close reference to case material but inadequate economic analysis. Max 4m if positive impact is ONLY on improvement in resource allocation [from Q(c)]	3-5 m
L1	For an answer that is one-sided or lacking in economic analysis.	1-2 m

Question 2 Growth and Crisis

(a)	**Using Table 3, compare the real GDP growth rates of the emerging economies with that of the advanced economies between 2008 and 2011.**	**[2]**
	• **Similarity**: Both emerging economies and advanced economies generally enjoyed positive growth. (1m) • **Or** both generally enjoyed rising growth rates (1m) • **Difference**: Advanced economies experienced negative growth in 2009 but emerging economies experienced positive growth throughout the period of 2008 to 2011. (1m) • **Or** emerging economies had higher growth rates than advanced economies (1m)	
(b)	**i. Using AD/AS analysis, explain how the European debt crisis might lead to a fall in the exports revenue of Singapore.**	**[4]**
	Given the debt crisis in Europe, some countries in the Euro area are unable to repay or refinance their public debt without assistance from third parties. As stated in Extract 5, the credit rating could be downgraded and this lowers investors' and consumers' confidence level (1m). This lowers the investment and consumption expenditure respectively, resulting in a fall in AD of European countries (1m). This lowers the real NY of European countries. The purchasing power of European countries is thus lowered and hence they are less able to consume goods and services, including imported goods (1m). This leads to a **weaker demand for Singapore's exports and hence a fall in Singapore's export revenue** (1m)	
	ii. Using AD/AS analysis, explain how a rise in its real exchange rate affects the inflation rate in China.	**[4]**
	With an appreciation of the yuan, the foreign price of China's exports rises while the domestic price of imports falls. Assuming MLC holds, i.e. (PED_X + PED_M) >1, an appreciation of the Yuan would result in a worsening of the BOT (1m) → (X-M) falls → AD falls → reduce **DD-pull inflation** (1m) With an appreciation of the yuan, the foreign price of China's exports rises while the domestic price of imports falls. →Price of imported inputs is lower→ this lowers the COP of goods and services (1m) →AS increases→ GPL falls→ lowers **imported inflation** (1m)	
(c)	**With reference to Extract 7, explain the likely change in the size of the multiplier in China.**	**[2]**
	• In Extract 7, "behind the spectacular economic growth in China, however, households are more inclined to save than spend the extra income"→ may indicate that MPC was low. • As China attempts to boost consumer spending → **MPC** may increase (1m)→there is **less leakage** from the circular flow of income and therefore the size of the multiplier will be **larger**. (1m)	
(d)	**With reference to Figure 1 and Table 2, explain the possible short term and long term consequences on living standards from a change in investment such as that experienced in China.**	**[4]**
	• Short-term consequences for living standards (2m) o The short-term consequences for living standards as a result of an increase in investment depend upon **the extent of any unemployed resources in China** to determine if there's any **trade-off** between	

	producing consumer goods and capital goods. If China is operating near or at full employment level, a trade off results. o **As seen in Figure 1, the share of investment in GDP has increased while the share of private consumption fell.** This suggests that there could be a **trade-off** between production of consumer goods and capital goods, ceteris paribus, especially when the economy is close to full-employment. **Table 2 shows that China's unemployment rate is 4.1%**, which may be considered relatively close to full-employment level. Thus, the **opportunity cost** of increased investment would be the consumer goods that have to be sacrificed as resources are diverted to the production of capital goods. Therefore, **material standard of living could possibly fall in the short term**. • Long-term consequences for living standards (2m) o As for the long-term consequences on living standards, the increased in capital spending could lead to the **increase in the productive capacity** of the economy (1m) since there could be an increase in the quality and quantity of resources available. As a result, this could possibly increase the amount of goods and services available for consumption in the future and hence**, improve living standards** as well. (1m)	
(e)	**How far does Table 2 and Table 3 support the view expressed in the first sentence of Extract 7 that China may overtake US as the world's largest economy?**	**[6]**
	<u>Perspective 1: There is some data in Table 2 and Table 3 that may support the view expressed in the first sentence of Extract 7 that China may overtake the US as the largest economy.</u> **Table 2:** • As Seen in Table 3, China has a much higher rate of real GDP growth compared to US and it is already the 2nd largest economy based on Extract 7. Thus, it can likely overtake US if the difference in growth rate persists. • The real GDP growth in other countries & also the world seem to mirror China's direction of growth more than US. **Evidence**: →US' growth rate is higher in 2012 compared to 2011. China's growth rate is, however, smaller in 2012 compared to 2011. The growth in **world output** in 2012 is smaller compared to 2011 too. This shows that China may be influencing world output more than the US. →A similar trend is also seen in the projections in 2013, where China's growth rate is expected to remain the same as in 2012, likewise for the world output despite US' growth being projected to fall. This shows that China may be starting to have more impact on the world economy than US and it may overtake US as the world's largest economy. **<u>Perspective 2: However, there is information in Table 2 and Table 3 that does not support the view</u>** • High growth rate in China seems to be **tapering off** while US growth seems to be restarting based on estimates for 2014. <u>If this trend continues</u> & China's growth slows even more, then China may not be able overtake to be the largest economy • Relatively higher growth rates in China compared to the US and the other advanced economies implies that China might be approaching full-employment level as more of her resources are utilised to produce goods and services in her economy. As seen in **Table 2**, **China's unemployment rate is about 4%** throughout the period and there is a possibility for China to suffer from **DD-pull**	

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inflation in future. (**Table 2** shows that **China's inflation rates are relatively higher** compared to the US). → In order to be the largest economy, there is a **need to ensure sustained economic growth** (ie: actual growth accompanied by potential growth). → if resources are used up and economy grows too rapidly, may not experience potential growth and result in higher inflation instead.

- Furthermore Table 3 **only provided projections up till 2014**. → not sure what the future growth trend will be like → cannot come to a conclusion that China will overtake the US as the largest economy.

Conclusion:

- Table 2 and 3 support the view to a large extent based on the large difference between the growth rate of China and US and that it has persisted over many years, China is on the path to overtake US. OR
- More information is required beyond 2008-2014. Data for 2013 and 2014 are also projections which may be inaccurate. (Extract 9 shows World Economic Outlook having to adjust China's growth forecast downwards in 2013).

➔ Depends whether china is making effort or able to increase its productive capacity in the future OR

➔ Depends if US is able to continuously attract foreign talent into her country and constantly innovate (productivity and technological improvements), China may not be able to overtake the US as the largest economy.

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Marks Scheme for part (e)

<table>
<tr><th colspan="3">Knowledge, Application, Understanding and Analysis</th></tr>
<tr><td>L3</td><td>Thorough, balanced approach on both views. Citing evidence from case material to support the arguments, with good evaluative comments made.</td><td>5-6 m</td></tr>
<tr><td>L2</td><td>Correct, balanced approach but limited or underdeveloped explanation. Some attempt in making reference to the case materials. No / little evaluative comments made.</td><td>3-4 m</td></tr>
<tr><td>L1</td><td>Very superficial analysis. Weak interpretation of data or No clear reference to case materials as stated in question Inaccurate knowledge of concepts.
One-sided answer, max 3 marks</td><td>1-2 m</td></tr>
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<tr><td>(f)</td><td>Extract 8 explained that emerging economies such as China should look for inner richness for growth. With reference to the data, to what extent should countries rely more on internal sources rather than external sources of growth?</td><td>[8]</td></tr>
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<u>**Perspective 1:**</u>
<u>**Some countries particularly, may need to rely more on inward sources of growth rather than outwards.**</u>

The reason why some countries may need to rely more on inward sources of growth rather than outwards differs across countries, depending on the nature of the economy. One reason why there should be such a shift is **to reduce the vulnerability of a country to adverse economic situation** in trading partners' countries. On top of this, for some countries, there is just <u>**huge potential**</u> **of domestic consumption** that can be tapped on instead of just relying on external demand which can be destabilising for other countries which are running huge trade deficits.

- Extract 8: Large emerging economies need to "make structural changes to **sustain their growth momentum through… robust domestic demand**." Hence these emerging economies need to look at internal demand to sustain their growth.
  In addition, with huge domestic consumption potential, when efforts are directed

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to boost domestic spending, the people's attitude towards spending can also be altered. MPC could increase. Hence such countries could tap on their **large multiplier** to increase actual growth.

- Extract 8: China plans to rebalance its economy towards domestic demand as **external demand is expected to be weak** (consumers from the west need to repay debt → will not spend at previous rates). Table 2 also shows current account balance taking up smaller portion of China's GDP.
  China should therefore focus less of its resources on measures that support export-driven growth and focus more on developing its domestic market potential. This can also **prevent China from being vulnerable** to adverse demand conditions elsewhere.
- Extract 9 also stated that there's a need for "structural reforms across all major economies, **<u>to lift global growth and support global rebalancing</u>"**. It is suggested that domestic demand be raised in economies with large current account surpluses (such as China). This is because in light of the recent crisis that occurred in the advanced economies like the US and EU, who were previously big importers of output from other countries, **there's a need for other economies to increase demand in order to support global growth, especially in an increasingly globalised world**. By building up its domestic demand potential, not only China can enjoy growth but also other countries as well. People in China could also import more goods and services, leading to faster recovery in the global economy. Hence, **large emerging economies like China could demand goods and services from other countries** (including advanced economies) to support growth in those countries. As China imports from the advanced economies, exports of advanced economies would increase, resulting in **increase in AD, and thus actual growth in those economies.**

<u>Perspective 2: There's a limit to which China and other emerging economies can rely on inward sources of growth. → Need to look outwards as well.</u>

- Extract 8: "China will need to look outwards and continue to integrate with the global economy so its firms can learn while competing on the world stage." China needs to **look outwards to promote technological and productivity improvements** – need to **obtain talent and resources** from abroad (external source of growth). This would help China to **increase its LRAS and achieve potential growth.**
- Extract 9: "Infrastructure bottleneck and other capacity constraints" are seen to lower growth rates. While working on improving domestic productive capacity in the current period, China could consider carrying out more **outward investments (**external source of growth).
- In the SR, it will **not** be **easy to boost domestic consumption** in China. China is the second largest economy but <u>ranks at 119 in terms of average incomes.</u> **<u>Low average incomes imply low purchasing power</u>**<u>. (Extract 7)</u>

<u>Perspective 3: Some economies may need to rely more on outward sources of growth either due to the nature of the economies or the economic conditions facing them.</u>

- Extract 5 talked about how the **US and EU are still grappling with negative/slow growth and unemployment** in 2011 although measures to address the problem have been put in place since the onset of the crisis few years earlier. Therefore this shows that these economies **cannot just depend on domestic demand to support growth. It also needs external demand as well.**
- As part of the reform that Extract 9 stated to support <u>global growth and global rebalancing,</u> there's a need for measures be put in place to improve

competitiveness in economies with large current account deficits. This implies the **importance of exports for those economies in driving growth.**

- Also, given the characteristics/nature of certain economies, it is not possible for these economies to rely more on domestic demand than external demand. E.g. S'pore. – Extract 6: **small economy → small domestic demand** → won't be able to support growth and employment. → Need to **rely on external dd and FDI** to **increase AD and support growth**. Therefore it needs to be open.
  Small economy→ limited resources → need to also **source for foreign talent to increase LRAS (to achieve potential growth).**

Conclusion

- For small economies → rely more on external sources than internal sources.
- For the advanced economies facing crisis → may need to look outwards more, particularly in the short term (as confidence is weak in the domestic market).
- For China (and other emerging economies) → as analysed earlier, there's a need for these countries to look inwards more / build up domestic sources of growth due to the reasons mentioned earlier (while looking outwards for productivity improvements at the same time). This is especially important in an era of increasing globalisation. In a more recent situation analysed in Extract 9, it talked about how growth rates of emerging economies like China are revised downwards. This is partly attributed to the financial stability concerns, which arise partly due to the crisis that occurred in the US and EU that affected the confidence of investors worldwide. This showed the importance of the external environment in influencing China's growth. Hence for China and other emerging economies, despite shifting their reliance towards inward sources of growth, cannot be too "inward-looking" in the measures it puts in place to achieve sustainable growth.

Marks Scheme for part (f)

Knowledge, Application, Understanding and Analysis		
L3	Thorough, balanced approach to analyzing the different economies citing evidence from case materials to support the arguments, **with good evaluative comments made**.	7-8 m
L2	Correct, balanced approach but limited or underdeveloped explanation. Some attempt in making reference to the case materials. **No / little evaluative comments made**.	4-6 m
L1	Very superficial analysis. Mere listing of points. Inaccurate knowledge of concepts. One-sided answer, max 3 marks.	1-3 m