Pearson Edexcel

Mark Scheme (Results)

November 2020

Pearson Edexcel International GCSE
In Economics (4EC1)
Paper 2: Macreconomics and The Global Economy

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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.

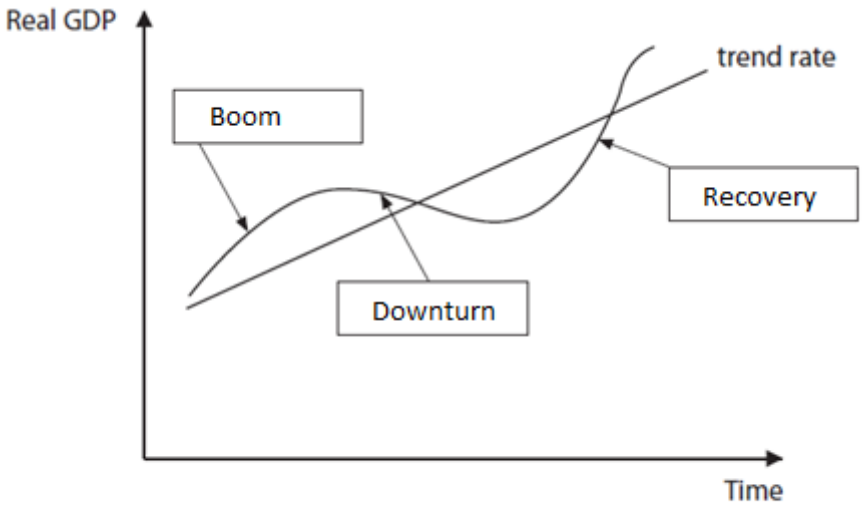
Question Number	Answer	Mark
1(a)	**AO1 1 marks** **B** unemployment	**(1)**

Question Number	Answer	Mark
1(b)	**AO1 1 mark** **C** Subsidies	**(1)**

Question Number	Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to value of goods/services and 1 mark to time period GDP is the market value of all goods and services **(1)** produced in a year **(1)** Accept any other appropriate response	**(2)**

Question Number	Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the positive impact and 1 mark for development of the positive impact An improvement in standards of living **(1)** due to more income from jobs **(1)** Accept any other appropriate response	**(2)**

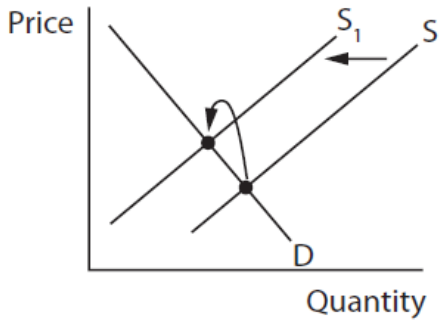
Question Number	Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation $\frac{130.3 - 120.4}{120.4}$ x 100 **(1)** Award 1 mark for the correct answer = 8.22% **(1)** Award 2 marks if the correct answer 8.22% is shown, with percentage sign, even if no calculation is shown Award 1 mark if correct answer is shown 8.22, but with no percentage sign, even if no calculation is shown Do not award marks for the formula	**(2)**

Question Number	Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for boom, labelled Award 1 mark for downturn, labelled Award 1 mark for recovery, labelled  **Figure 1**	**(3)**

Question Number	**Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is due to generous welfare benefits **(1)**. If a teacher is able to have a good standard of living on welfare benefits **(1)** then there is a disincentive to work at the current wage rates being offered in the education sector **(1)** • One reason is due to high rates of income tax **(1)**. If a person has to give a large proportion of earned income to the government **(1)** then there is less of an incentive to be employed as a teacher **(1)** Accept any other appropriate response	**(3)**

Question Number	Indicative content	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Firms need to transport goods and services around the world and often use large container ships or air to transport goods long distances • Larger cargo ships have resulted in a reduction in the cost of transporting goods by up to 70% on ships as more goods are able to be transported at the same time • This reduces the cost of fuel and economies of scale can be achieved by operating on a larger scale • Transport improvements in aviation also mean that goods and people can travel more quickly between different countries • This has enabled firms to react quickly to consumers around the world • Firms are able to provide perishable goods such as food more easily to a wider geographical area • All these factors have contributed to the increase in globalisation	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–2**	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	**3–4**	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	**5–6**	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Answer	Mark
2(a)	**AO2 1 mark** **C**  	**(1)**

Question Number	Answer	Mark
2(b)	**AO1 1 mark** **A** Deregulation	**(1)**

Question Number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct disadvantage • Foreign competition • Increasing unemployment Accept any other appropriate responses	**(1)**

Question Number	Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to price of a currency and 1 mark for reference to another currency The price of one currency **(1)** in terms of another currency **(1)** Accept any other appropriate response	**(2)**

Question Number	Answer	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is that there may be increased demand for German exports **(1)** if consumers overseas are responsive to the cheaper export prices **(1)**. This has a positive impact on the current account of Germany if there is an overall increase in net exports **(1)** • One reason is that this may reduce the quantity of imports into Germany **(1)** as it is now relatively more expensive to import goods due to the fall in the euro **(1)**. This could result in a decrease in net imports **(1)** Accept any other appropriate response	**(3)**

Question Number	Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a possible way Award 1 mark for developing the possible way Award 1 mark for the response being in context • One way is that privatisation introduces competition into the airport market **(1)**. It creates incentives to lower unit costs **(1)** to increase productivity and profit **(1)** • One way is that privatisation may improve the quality of the factors of production of airports **(1)**. This means that an airport can produce more services **(1)** without increasing inputs **(1)** Accept any other appropriate response	**(3)**

Question Number	Indicative content	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Benefit payments are payments given to people to ensure they have a minimum standard of living • These include benefits such as unemployment benefit, state pension and in this case, child benefit • The advantages are that benefit payments help to reduce inequality and reduce relative poverty as the money is given directly to people on no or low-incomes • Benefit payments will give those on low income a better living standard and help contribute to a more cohesive society • Canada estimates that 300,000 children have been lifted out of poverty due to the child benefit payments • This could be due to more working mothers being able to return to work and therefore being able to contribute to society **AO4** • However, increasing welfare benefits creates a disincentive to work • Many families may face the poverty trap and are often better off on benefits than working • The cost of the benefits has to be borne by society so there is often an opportunity cost to a country from using benefit payment to redistribute income • Not all people are entitled to receive the child benefit which could result in resentment • There are other methods which might be more effective in redistributing income, such as progressive taxation or investment in education • The Canadian Government should use a combination of methods to reduce inequality and poverty	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–3**	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	**4–6**	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	**7–9**	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Answer	Mark
3(a)	**AO1 1 mark** **B** Increased inflation	**(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** **B** Progressive	**(1)**

Question Number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying an advantage Award 1 mark for developing the advantage Award 1 mark for the response being in context • One advantage is the MNCs may create jobs **(1)**.The palm plantations require many workers to harvest the palm oil **(1)**. This can reduce the amount of unemployment in Indonesia **(1)** • One advantage is the contribution to government revenue **(1)**. Foreign MNCs might be required to pay taxes to the Indonesian Government **(1)**. This can be used to fund public services within Indonesia **(1)** Accept any other appropriate response	**(3)**

Question Number	Indicative content	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Recession is when GDP falls for two consecutive quarters • During a recession there is a decline in consumption and investment • There is often a loss of confidence which makes consumers buy fewer goods and services • Lower consumption of goods and services results in some firms requiring fewer workers • Manufacturers may cut back on recruitment and/or the number of employees in reaction to falling orders • Overall, the unemployment rate rises in a recession	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–2**	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	**3–4**	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	**5–6**	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and money supply to affect the level of economic activity • Expansionary monetary policy aims to boost economic growth by lowering interest rates • China has lowered interest rates to 4.35% in 2018/2019 from a high of 6% in 2014 • This makes borrowing more attractive to firms and households as a lower rate of interest is charged on loans • Firms and consumers with existing loans and mortgages will also see a drop in interest payments and therefore will have more disposable income to spend • This may increase the demand for goods and services within the Chinese economy, thus increasing economic growth **AO4** • However, not all economic growth is dependent upon interest rates • Other factors such as business and consumer confidence play a huge role in the demand for goods and services • Often there is a time lag for a reduction in interest rates to feed through into the economy in terms of increased demand • Lower interest rates may increase demand for goods and services but can result in inflationary pressures if supply is not able to keep up with demand • The effectiveness may depend upon a range of factors within the Chinese economy	**(9)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–3**	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	**4–6**	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	**7–9**	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

Question Number	Answer	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the fiscal deficit €8 119 601 – €8 197 243 **(1)** = -€77 642m **(1)** Award 2 marks if fiscal deficit is accurately calculated with no workings shown -€77 642m Award 1 mark if € sign is missing i.e. -77 642m Do not award marks for the formula	**(2)**

Question Number	**Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Fiscal policy is the use of government spending and taxation to affect macroeconomic objectives • An increase in taxation through either direct or indirect taxation may result in reduced spending for consumers and businesses in Estonian as there is less disposable income available • This reduced spending puts less pressure on prices and therefore can help to control inflationary pressures within the Estonian economy which increased to 4.4% in October • In addition, lower government spending within the Estonian economy may also have a downward effect on prices as government spending contributes to demand • Both measures may result in less demand-pull inflation within the Estonian economy	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–2**	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	**3–4**	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	**5–6**	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

Question Number	Indicative content	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Subsidies are given by a government to a producer to reduce the costs of production or to a consumer to reduce the price of consumption • The Estonian Government gives subsidies to public transport so that more people are able to use these services rather than cars • The Minister of Economic Affairs said that there has been an increase in 33% of people using the buses • Cheaper public transport has also reduced the number of cars and pollution in Estonia • The amount given to bus services has grown from €34.8m to €43.3m in 2019 which should encourage even more people to switch from cars to public transport reducing the environmental impact **AO4** • However, the Estonian Government will have to fund the public transport subsidies creating an opportunity cost • The money used to subsidise public transport could have been used elsewhere within the Estonian economy • Many people might argue that the Estonian Government should not be increasing the subsidy paid for air travel to €5.53m as this is a major cause of damage to the environment • There are other ways in which the government can protect the environment which may have less opportunity cost to the Estonian Government • Regulation through the use of laws and fines could be used to protect the environment which may have less of a financial burden upon the Estonian Government • Revenue from fines could be used to tackle some of the damaged caused by transport • The overall advantages will depend upon how much public transport contributes to environmental damage	**(12)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	**1–4**	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	**5–8**	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	**9–12**	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

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