Pearson Edexcel

Mark Scheme (Results)

Summer 2025

Pearson Edexcel International GCSE In Economics (4EC1) Paper 02

Paper 2: Macroeconomics 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.

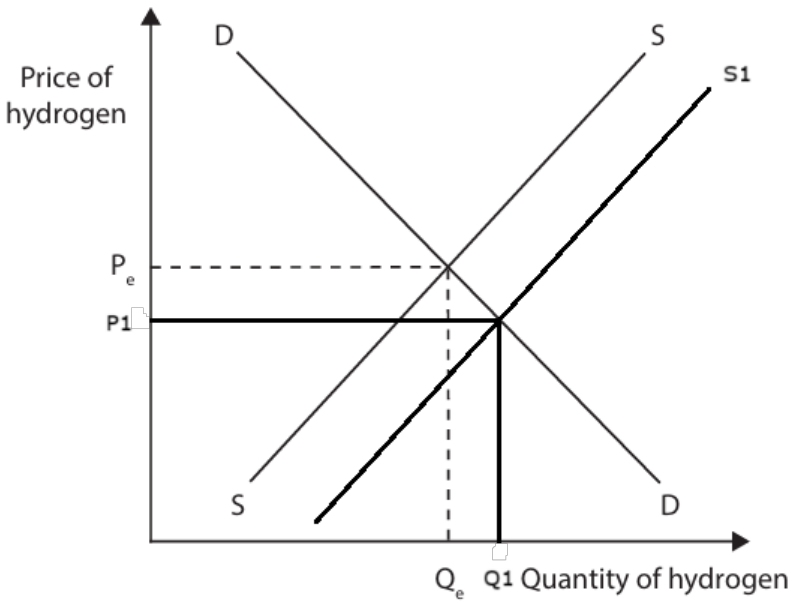
Question Number	Which **one** of the following is the most likely reason for increased globalisation? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **B** Lower transportation costs A is not correct because increasing these barriers would likely decrease globalisation by limiting international trade C is not correct because it is the increased significance of multinational corporations that contributes to globalisation D is not correct because this would make trade more expensive and less likely to occur	**(1)**

Question Number	What is likely to happen if a government successfully reduces unemployment? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **A** Inflation might rise as more people have money to spend B is not correct because employment growth is associated with higher output and economic growth C is not correct because more people have jobs and therefore more money to spend D is not correct because government spending on benefits would decrease as more people are now employed	**(1)**

Question Number	What is meant by the term trading bloc? **Answer**	Mark
1(c)	**AO1 2 marks** Award 2 marks for a correct definition A trading bloc is a group of countries that join together **(1)** to reduce/eliminate trade barriers between themselves **(1)** Accept any other appropriate response	**(2)**

Question Number	Describe **one** impact on consumers of an increase in interest rates. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the impact and 1 mark for the development of the impact One impact is that the cost of borrowing becomes more expensive **(1)** therefore fewer consumers take out loans to buy products **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate the **visible trade balance** in €bn for the country. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for export of goods – import of goods €150bn - €120bn **(1)** Award 1 mark for the correct answer = €30bn **(1)** Award 2 marks if the correct answer is €30bn even if no calculations are shown Award 1 mark if the answer given is 30bn even if no calculations are shown Do not award marks for the formula.	**(2)**

Question Number	Using the diagram below, draw the effects of the introduction of the subsidy on the equilibrium price and quantity of hydrogen in France. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for a rightward shift of the supply curve, labelled Award 1 mark for a lower equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled  	**(3)**

Question Number	Explain **one** possible benefit of a fiscal surplus for a country such as Portugal. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant benefit Award 1 mark for developing the benefit Award 1 mark for the response being in context • One benefit is that Portugal can spend more money on public services **(1).** Investing more in these sectors can lead to better schools and hospitals **(1)** therefore improving the quality of life for its citizens. **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse the impact of a recovery on unemployment for a country such as Greece. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Firms might start hiring more people because they need more workers to meet the demand for their products or services reducing unemployment levels in Greece • Economic recovery often encourages entrepreneurs to start new businesses • These new firms will need employees, creating more jobs and increasing overall employment levels in Greece • When the economy is doing well, both firms and consumers feel more confident • Firms are more likely to invest in new projects or expand, needing more workers • Consumers spend more which can lead to more jobs in retail, services and other sectors	**(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).

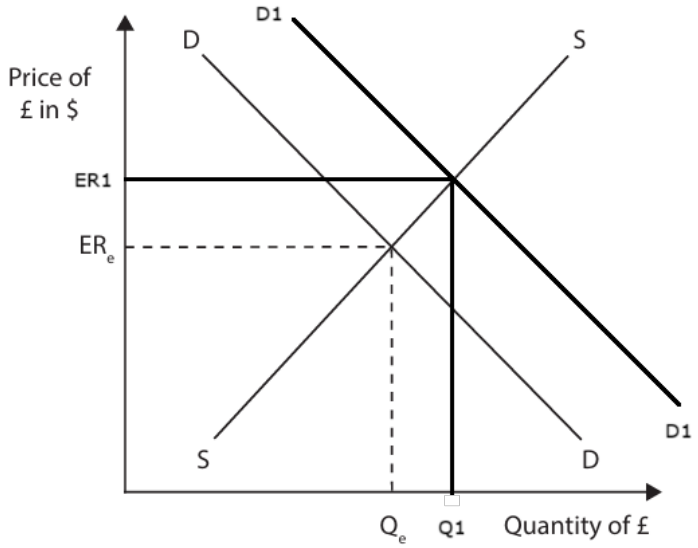
Question Number	Which **one** of the following is a government policy that changes the rate of interest? **Answer**	Mark
2(a)	**AO1 1 marks** The only correct answer is: **C** Monetary A is not correct because this involves government revenue and government expenditure B is not correct because this involves increasing the productive capacity and output of an economy D is not correct because this involves the supply of and demand for currencies	**(1)**

Question Number	Which **one** of the following is an example of deregulation? **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **B** Allowing more foreign firms into the domestic market A is not correct because it involves imposing a new regulation on how much government officials can be paid C is not correct because compulsory employee training adds a new layer of requirements for firms D is not correct because this increases the amount of regulation to protect consumers	**(1)**

Question Number	State **one** possible advantage of foreign direct investment (FDI) for an economy. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** possible impact • Creating jobs • Investing in infrastructure • Developing skills • Developing capital • Contributing to taxes • Greater choice • Rising living standards • Lower prices Accept any other appropriate response	**(1)**

Question Number	What is meant by the term indirect tax? **Answer**	Mark
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition A tax levied **(1)** on spending **(1)** **OR** A tax added to the price of goods and services **(1)** which consumers pay when they buy something **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** way government provision of healthcare can help to reduce poverty. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in context • One way is that healthcare helps people to stay healthy **(1)** so they can work more and earn an income **(1).** With more income, they can improve their living conditions and escape poverty **(1)** Accept any other appropriate response	**(3)**

Question Number	Using the diagram below, draw the likely effect of currency speculators on the equilibrium exchange rate of the UK pound (£) against the US dollar ($). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for a rightward shift of demand curve, labelled Award 1 mark for higher equilibrium exchange rate, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Question Number	With reference to the data above and your knowledge of economics, assess the possible benefits for the South Korean car industry from the removal of tariffs by the Philippines. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • The removal of a 5% import tariff on Korean cars makes them cheaper and more competitive against other foreign brands in the Philippines, potentially increasing market share • With tariffs gone, it is likely that more Korean cars will be exported to the Philippines, benefiting manufacturers through increased sales and revenue • Accessing the large and growing Philippine market, which has the 12th largest population and is a significant car importer, offers a substantial expansion opportunity for Korean car makers • Increased car exports to the Philippines can contribute to economic growth and job creation in South Korea's car industry **AO4** • However, with Japanese cars dominating 82.5% of the Philippine market, Korean cars might still struggle to significantly penetrate or compete, even without tariffs • The removal of tariffs may lead to increased competition from domestic car manufacturers in the Philippines, making it harder for Korean cars to gain market share • Filipino consumers might prefer other brands or have a strong brand loyalty to existing cars, making it difficult for Korean cars to penetrate the market • Philippine car manufacturers might retaliate against the influx of cheaper Korean cars • Exchange rate fluctuations could affect the profitability and pricing of Korean cars in the Philippines	**(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	Which **one** of the following is an advantage of pollution permits? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **B** They reduce overall pollution by setting emission limits A is not correct because pollution permits are designed to cap emissions at a certain level C is not correct because firms must adhere to the limits set by pollution permits or face penalties D is not correct because pollution permits encourage the use of clean energy to reduce the need for permits	**(1)**

Question Number	An economy has a national output of €300bn and its current account deficit is €15bn. What is the current account deficit as a percentage of national output? **Answer**	Mark
3(b)	**AO2 1 mark** The only correct answer is: **C** 5% A is not correct because this is €15bn/€300bn B is not correct because this is €300bn - €15bn/100 D is not correct because this is €300bn/€15bn	**(1)**

Question Number	Explain **one** reason why some people might suffer from structural unemployment in a country such as China. **Answer**	Mark
3(c)	**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 having the wrong skills **(1).** Young graduates have skills for higher skilled jobs rather than lower skilled jobs **(1)** therefore they cannot find jobs that match their qualifications **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on menu costs for small firms in the UK. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • With inflation at 4%, the cost of inputs such as raw materials, labour and energy is likely to increase for small firms • To maintain margins, these firms might need to pass these costs onto consumers, necessitating regular price updates and thereby increasing menu costs • With inflation rising, firms may need to adjust their prices more frequently to keep up with increasing costs for raw materials, labour and other expenses • This means more frequent updates to menus, price lists and advertising materials leading to higher menu costs • This can be particularly challenging for small firms with limited resources	**(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	With reference to the data above and your knowledge of economics, assess whether lower income tax rates will encourage more people to work in a country such as Italy. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Reducing income tax rates to 23% and 33% may motivate people to work additional hours or seek better-paying jobs, knowing they will keep more of their income • More favourable tax conditions might encourage those not currently working, including young people, to enter the workforce • With less income going to taxes, individuals might be willing to work more hours or take on additional jobs, increasing overall labour supply • Lower taxes might attract skilled workers from abroad boosting productivity and innovation in the Italian workforce • As firms benefit from individuals having more disposable income and potentially investing, this can lead to job creation, further encouraging employment **AO4** • However, reducing taxes might lead to a significant loss in government revenue, affecting public services and investment • Less tax revenue could mean cuts to crucial public services like healthcare, education or infrastructure affecting the quality of life for the citizens of Italy • The higher rate of income tax remains at 43% meaning those with the highest incomes may not feel incentivised to work harder • While there might be immediate boosts to the economy, the long-term effects of reduced government revenue could lead to economic challenges • Other factors like job availability, wages, working conditions and childcare may have a more substantial impact on employment decisions than tax rate changes	**(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	Calculate, to two decimal places, the **percentage decrease** in the number of single-use plastic bags sold in the UK between 2021 and 2023. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage change in single-use plastic bags sold in the UK $\frac{133 \text{ million} - 197 \text{ million}}{197 \text{ million}} \times 100$ **(1)** **OR** $\frac{-64 \text{ million}}{197 \text{ million}} \times 100$ = 32.49% **(1)** Award 2 marks if the correct answer is 32.49% even if no calculations are shown Award 1 mark if the answer given is 32.49 even if no calculations are shown No marks for formula	**(2)**

Question Number	With reference to the data above and your knowledge of economics, analyse how business activity can damage the environment in a country such as the UK. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Consumer spending can lead to significant environmental damage particularly as this accounts for 26% of emissions in the UK • When consumers purchase goods, such as food and clothes, firms have to use energy to make these goods often using fossil fuels • Fossil fuels pollute the air with the energy sector accounting for 17% of emissions in the UK • The production and transportation of goods cause air, water and noise pollution from factories and vehicles • For example, factories may release harmful chemicals into rivers and trucks carrying products release exhaust fumes into the air damaging the environment	**(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	With reference to the data above and your knowledge of economics, evaluate the possible advantages of using regulation to protect the environment for a country such as the UK. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Regulation can provide direct control over harmful activities such as using single-use plastics by an outright ban resulting in immediate compliance by firms and consumers • Regulations establish clear standards and rules that must be followed providing certainty for firms and consumers • The new regulations will ensure firms and consumers adopt more sustainable practices • For example, banning certain types of single-use plastics encourages the use of more sustainable or reusable alternatives • Following regulations should result in less damage to the environment and reduce the 2.7 billion single-use plastic items used in England **AO4** • However, firms that produce or use single-use plastics may face significant costs to switch to alternative materials, particularly for small takeaway shops and food firms • Small firms might find it especially difficult to absorb the costs of transitioning away from single-use plastics and may not have the resources to quickly find or afford alternative products • Firms and consumers have less flexibility in choosing convenient and often cheaper single-use options • Ensuring that every retailer and firm in the food industry complies with the ban could be challenging and costly to monitor • There is a risk of non-compliance if the ban is not enforced consistently or the fine is not high enough • Overall, there are a number of ways the UK Government can protect the environment with regulation being used together with taxation and fines	**(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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