Pearson Edexcel

Mark Scheme (Results)

Summer 2022

Pearson Edexcel International GCSE
In Economics (4EC1)
Paper 02R Macroeconomics and 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.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

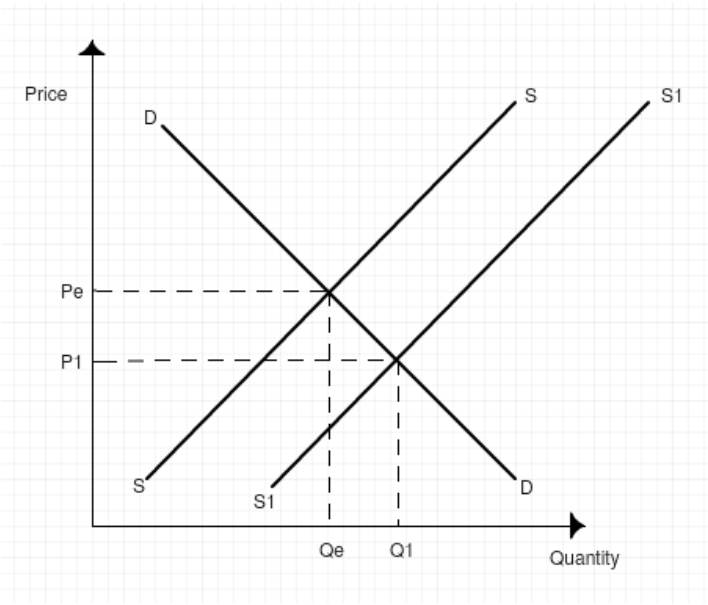
Question Number	Answer	Mark
1(a)	**AO2 1 mark** The only correct answer is: **D** An airline cuts jobs during a global recession A is not correct because it is structural unemployment B is not correct because it is seasonal unemployment C is not correct because it is frictional unemployment	**(1)**

Question Number	Answer	Mark
1(b)	**AO1 1 mark** The only correct answer is: **B** devaluation A is not correct because this is caused by market forces C is not correct because this is an increase in the exchange rate D is not correct because this is an increase in the exchange rate caused by market forces	**(1)**

Question Number	What is meant by the term exports? **Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to goods and 1 mark for reference to being to another country The sale of goods or services **(1)** to another country **(1)** Accept any other appropriate response	**(2)**

Question Number	Describe one impact that education may have on inequality and poverty. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference reducing inequality and poverty and 1 mark for reference to skills Education helps to reduce inequality and poverty **(1)** by providing skills needed to get a job **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate how much inflation there has been between 2015 and 2019. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation 110.2 - 100 **(1)** Award 1 mark for the correct answer = 10.2% **(1)** Award 2 marks if the correct answer 10.2% is shown, with percentage sign, even if no calculations are shown Award 1 mark if the answer given is 10.2, but with no percentage sign, with or without calculations shown Do not award marks for the formula.	**(2)**

Question Number	Draw the effects of the introduction of a subsidy on the equilibrium price and quantity of renewable energy. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Question Number	Explain the likely impact of a decrease in the UK interest rates on the UK pound. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context • One impact is that the currency will depreciate **(1).** It will become less attractive to deposit money in the UK **(1)**. Therefore, demand for the UK pound (£) will fall **(1)** Accept any other appropriate response.	**(3)**

Question Number	Analyse the disadvantages of free trade for domestic businesses located within this free trade area. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Free trade is a situation in which goods and services coming into or going out of a country/trade area are not controlled or taxed • Free trade means that domestic businesses are no longer protected • Domestic businesses will face greater competition from firms within the free trade area • Businesses may see increased competition from cheaper, low-cost firms within the free trade area who may have lower wage costs compared to domestic businesses • This could result in falling sales for businesses in the EU that will tend to have higher labour costs compared to Vietnam	**(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).

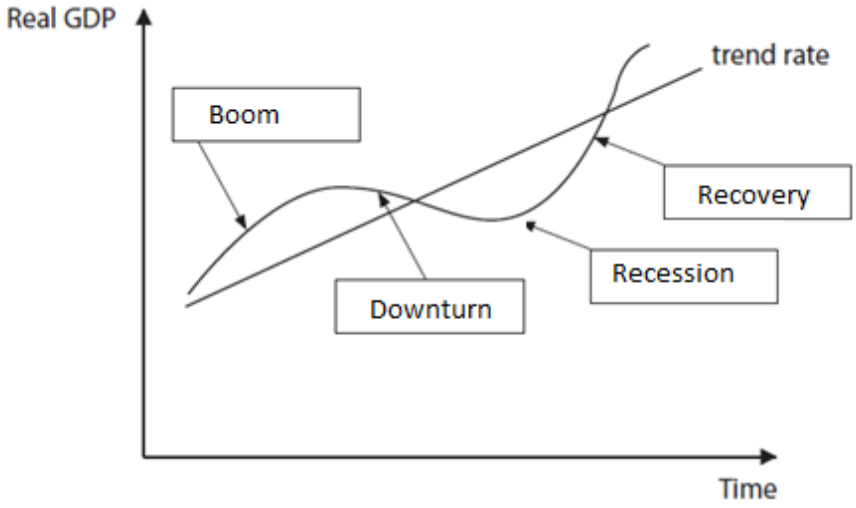
Question Number	**Answer**	Mark
2(a)	**AO1 1 marks** The only correct answer is: **B** Trade-off A is not correct because this is a result of inflation C is not correct because this the loss of the next best alternative D is not correct because this is the name for a group of countries with a preferential trading agreement	**(1)**

Question Number	**Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **C** Asset purchasing A is not correct because the central bank does not lend to firms B is not correct because this is the role of government D is not correct because is the role of the high street banks	**(1)**

Question Number	State one type of inflation. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** type. • Demand-pull • Cost-push	**(1)**

Question Number	What is meant by the term fiscal surplus? **Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to government revenue and 1 mark for reference to being greater than expenditure When government revenue **(1)** is greater than government expenditure **(1)** **OR** When government expenditure **(1)** is less than government revenue **(1)** Accept any other appropriate response.	**(2)**

Question Number	Explain one disadvantage of deregulation for a country such as Indonesia. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant disadvantage Award 1 mark for developing the disadvantage Award 1 mark for the response being in context • One disadvantage is damage to the environment **(1).** Mining often has a negative impact on the environment **(1)** and this may increase as mines no longer have to follow government controls **(1)** Accept any other appropriate response.	**(3)**

Question Number	Using the diagram below label the remaining three stages of the economic cycle in the boxes on the diagram. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for boom, labelled correctly Award 1 mark for recession, labelled correctly Award 1 mark for recovery, labelled correctly  	**(3)**

Question Number	Assess the effectiveness of infrastructure spending to reduce unemployment in a country such as Canada. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Infrastructure spending is an example of a supply-side policy • The local government in Alberta is investing in a wide range of projects including repairing roads, bridges and upgrading technology in schools and universities • In the short term, building or upgrading the transport network can boost (aggregate) demand through increased construction activity and employment • Canadian construction, road and technology firms may require additional employees to complete the projects • In the long term, infrastructure investment can reduce unemployment by increasing the potential supply capacity of an economy • The latest unemployment figures increased to 8.7% in March so investing in infrastructure projects could help to boost output without the danger of inflation **AO4** • However, it can be argued that spending $1.9bn may not reduce unemployment in the long term • There is an opportunity cost of these investments with no guarantee that unemployment will decrease in the long term • By nature, supply-side policies tend to take a very long time to work and infrastructure investments can be highly complex to manage • The overall impact on output will depend upon whether the projects can add to (aggregate) demand and (aggregate) supply • The local government in Alberta should use a range of supply-side and fiscal policies to reduce unemployment	**(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** The only correct answer is: **C** The costs of searching for cheaper suppliers when inflation is high A is not correct because these are variable costs B is not correct because these are input costs D is not correct because these are menu costs	**(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **D** Higher quality of domestic goods A is not correct because this would increase imports and reduce a surplus B is not correct because this would reduce the demand for exports and reduce a surplus C is not correct because it is would make imports cheaper and reduce a surplus	**(1)**

Question Number	Explain one possible reason why the Kazakhstan Government introduced quotas on imports of wheat and flour. **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 to protect domestic firms **(1).** By only allowing 200,000 tonnes and 70,000 tonnes of wheat and flour into the country **(1)** domestic producers may gain more market share **(1)** • One reason is higher revenue for domestic producers **(1).** By only allowing 200,000 tonnes and 70,000 tonnes of wheat and flour into the country **(1)** domestic producers might be able to increase supply to meet any shortages **(1)** Accept any other appropriate response.	**(3)**

Question Number	Analyse the impact of deflation on consumer confidence in a country such as Singapore. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Deflation is a persistent fall in the general price level of goods and services/ when the inflation rate is negative • Consumer confidence is the outlook that consumers have towards the economy • In the case of Singapore, the prices of airfares and holidays have declined due to the government lockdown as people cannot travel and demand has fallen sharply • Changes in prices of goods and services often cause uncertainty and may influence the confidence of consumers • Changes in prices might make consumers more anxious and cautious • This results in a fall in consumer confidence as consumers worry about the state of the economy • In times of deflation consumers will postpone spending particularly on consumer durables such as holidays and cars • This is because consumers expect prices to fall even further or wait until the economy improves before buying goods	**(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	Assess the advantages of using benefit payments to redistribute income in a country such as the UK. **Indicative content**	Mark
3(e)	**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 Universal Credit • Universal Credit involves giving money directly to people on no or low incomes • For example, people aged 25 and under can receive £342.72 and this can be used to pay for living costs • This will give those on low incomes a better living standard and the ability to be able to purchase basic necessities • Benefits can help to contribute to a more cohesive society and reduce inequality within a society by redistributing income • Benefit payments can help to reduce relative poverty in the UK **AO4** • However, using benefit payments may create a disincentive to work • Many families may face the poverty trap and are often better off on benefit payments than working • The cost of the benefit payments has to be borne by society so there is often an opportunity cost to a country from using benefit payments to redistribute income • There are other methods which might be more effective in redistributing income, such as progressive taxation or investment in education • The UK 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	Calculate, to two decimal places, the percentage increase in GDP per capita between 2018 and 2019. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation. $\frac{\$2715 - \$2590}{\$2590}$ x 100 **(1)** Award 1 mark for the correct answer. = 4.83% **(1)** Award 2 marks if the percentage change of 4.83% is accurately calculated with or without workings shown Award 1 mark if % is missing i.e. 4.83 with or without calculations shown Do not award marks for formula	**(2)**

Question Number	Analyse the impact of falling unemployment rates on tax revenues for a country such as Vietnam. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Unemployment is when those actively seeking work are unable to find a job • Figure 5 shows that unemployment has steadily fallen from a high of 2.3% in January 2017 to 2.15% in October 2019 • Higher rates of employment in Vietnam could result in higher tax revenue from taxing income from employment • Lower unemployment leads to higher spending which will increase revenue from indirect taxes • This could be used by the government in the economy to improve standards of living • This decline should increase tax revenues because most taxes are linked to income and spending	**(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	Evaluate the effectiveness of increasing taxation on petrol and diesel to protect the environment in a country such as Vietnam. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Taxation can be imposed on activities that damage the environment • Taxation is used to ensure consumers and producers pay the full social cost of producing a good or service • Up to 60,000 people died from air pollution and it reduces GDP by 5% per year • Increasing taxation by 33% on fuel would substantially increase the price of petrol and diesel for consumers which may result in less demand for transportation • This would reduce the amount of air pollution caused by the 3.6 million automobiles and 58 million motorbikes • Increased taxation could also raise additional revenue of $650.2m for the Vietnamese Government • This could be used to finance other pollution reduction schemes or to improve public transport • Taxation provides a market incentive for firms and consumers to switch to transport alternatives such as public transport which may not cause as much environmental damage **AO4** • However, increasing taxes on fuel reduces the income available to spend on other goods and services • Many of these journeys may be essential for getting to work or for delivering goods • Therefore demand for petrol and diesel may be quite inelastic and an increase in tax may do little to reduce demand and therefore only marginally reduce the amount of air pollution • The 33% increase in taxation is likely to result in an increase in inflation • The public transport in Vietnam might be unable to cope with additional passengers • There are other methods that might be more effective in protecting the environment, such as subsidies, fines or pollution permits • Phasing out polluting vehicles could be encouraged by providing subsidies for removing old cars from the road or for the purchase of electric vehicles • The Vietnamese Government should use a combination of methods to protect the environment	**(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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