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Pearson Edexcel

Mark Scheme (Provisional)

Summer 2021

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

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Question Number	Which type of unemployment occurs when the demand for a product is only at certain times of the year? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **C** Seasonal A is not correct because this is caused by changes in whole industries B is not correct because this is caused by falling demand as a result of a downturn in the economic cycle D is not correct because this is caused from people choosing not to work	**(1)**

Question Number	Which **one** of the following terms refers to a tax on imported goods? Answer	Mark
1(b)	**AO1 1 mark** The only correct answer is **B** Tariff A is not correct because this is money paid by a government to reduce costs and lower prices C is not correct because this is a financial penalty for firms that break laws D is not correct because this is a document that gives business the right to discharge a certain quantity of polluting material	**(1)**

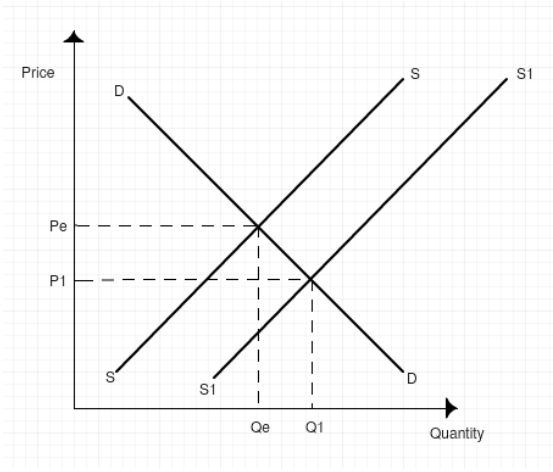
Question Number	What is meant by the term recession? Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to fall in GDP and 1 mark for reference to time period A fall in GDP **(1)** for two successive quarters **(1)**. Accept any other appropriate response	**(2)**

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Question Number	What is meant by the term dumping? Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to exporting goods and 1 mark for reference to the price being below manufacturing costs A firm sells goods in another country **(1)** below the cost of production **(1).** Accept any other appropriate response	**(2)**

Question Number	Calculate **the fiscal surplus/deficit in Indian rupees crore (Rs)** for India in 2019–2020. You are advised to show your working. Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation 2 080 201 Rs – 2 784 200 Rs **(1)** Award 1 mark for the correct answer = –703 999 Rs **(1)** Award 2 marks for the correct answer of –703 999 Rs even if no calculations are shown. Award 1 mark if the answer given is –703 999 with or without calculations shown Do not award marks for the formula	**(2)**

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Question Number	Using the diagram below, draw the likely effects of the introduction of a subsidy on the equilibrium price and quantity of new cars for families with three or more children. 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 curve, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

Question Number	Explain **one** benefit to the UK Government of providing parks. 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 national parks can protect a large area of land **(1)**. The Lake District National Park has over 12% of woodland that is protected **(1)**. Restrictions are in place to stop business activities that could damage the environment **(1)** • One benefit is that national parks can be used for recreational purposes **(1)**. Over 19.17 million people visited the Lake District National Park in 2018 **(1)** increasing tourism for local firms **(1)** Accept any other appropriate response	**(3)**

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Question Number	With reference to the data above and your knowledge of economics, analy the benefits of FDI for a country such as Ireland. Indicative content
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • FDI is the value of inward investment from other countries/firms into a country • FDI can bring in capital investment to Ireland as MNCs will need buildings, equipment and infrastructure to operate within the country • Jobs can be created by MNCs which reduces unemployment and increases disposable income in Ireland • There may be increased demand for the products or services of local Irish firms that supply MNCs • MNCs may train up the local workforce and MNCs often bring new technologies, techniques and methods • Increased employment and wages should lead to increased tax for the Irish Government • Exports may also increase therefore improving the balance of payments for Ireland

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 an organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

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Question Number	An appreciation in a country's exchange rate is most likely to lead to which **one** of the following? Answer	Mark
2(a)	**AO1 1 mark** The only correct answer is: **D** A decrease in exports and an increase in imports A is not correct because an appreciation would result in a decrease in exports and an increase in imports B is not correct because an appreciation would result in a decrease in exports and an increase in imports C is not correct because an appreciation would result in a decrease in exports and an increase in imports	**(1)**

Question Number	Which **one** of the following is likely to result in poverty? Answer	Mark
2(b)	**AO1 1 mark** The only correct answer is: **B** Low GDP per capita A is not correct because this can result in people gaining jobs and therefore income C is not correct because economic agents would retain more of their income D is not correct because more people are in paid employment	**(1)**

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Question Number	State **one** effect on the balance of payments of improved quality of foreign goods. Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct effect • Higher imports • Worsened balance of payments • Lower exports • Increased deficit • Worsened surplus Accept any other appropriate response	**(1)**

Question Number	What is meant by the term free trade? Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to the import/export of goods and 1 mark for reference to not being taxed Goods/services coming into or going out of a country **(1)** which are not controlled/taxed **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** impact of rising unemployment on consumer confidence for a country such as Argentina. Answer	Mark
2(e)	**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 context • One impact is that consumer confidence is likely to fall **(1)**. High rates of unemployment of 10.1% may make consumers more cautious **(1)**. This can cause lower levels of consumer spending **(1)** Accept any other appropriate response	**(3)**

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Question Number	Explain **one** reason why the reduced cost of communication has helped to increase globalisation. Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a possible reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is the internet makes it cheaper to communicate with other overseas markets **(1)**. Many small firms are able to use e-commerce marketplaces such as Alibaba **(1)**. This allows firms of all sizes to sell to a wider geographical area/trade globally **(1)** • One reason is that you do not need face to face meetings **(1)**. The internet allows for communication via videoconferencing/online meetings **(1)**. These improvements in communication links mean it is easier for international businesses to interact **(1)** Accept any other appropriate response	**(3)**

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Question Number	With reference to the data above and your knowledge of economics, assess the use of taxation to protect the environment in a country such as Germany. Indicative content
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 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 • Increasing taxation from 7% to 19% would substantially increase the price of meat for consumers which may result in less demand for meat products • This would reduce the amount of greenhouse gas emissions caused by animals • Increased taxation could also raise additional revenue for the German Government • This could be used to finance other pollution reduction schemes or improve animal welfare • Taxation provides a market incentive for firms and consumers to switch to meat alternatives which may not cause as much environmental damage **AO4** • However, increasing taxes on meat may reduce incomes for farmers if demand falls for meat products • Increasing taxes on meat products may reduce the choice for consumers of what food they can afford, particularly low-income families • Demand for meat may be quite inelastic and an increase in tax may do little to reduce demand and therefore only marginally reduce the amount of pollution • There are other methods that might be more effective in protecting the environment, such as subsidies, fines or pollution permits • The German Government should use a combination of methods to protect the environment

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	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).

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Question Number	What is the total amount of revenue raised by indirect taxes? Answer	Ma
3(a)	**AO2 1 mark** The only correct answer is: **C** £218.2bn A is not correct because this is calculated by Sales tax (VAT) + Income tax B is not correct because this figure is calculated by Income tax + Tariffs D is not correct because this is calculated by Tariffs + Business tax	**(1)**

Question Number	Member countries of a trading bloc agree to Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **A** trade together with low or no barriers B is not correct because countries in a trading bloc can have different rates of income tax C is not correct because members can trade with any country outside of the trading bloc D is not correct because member countries do not always have common borders	**(1)**

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Question Number	Explain **one** advantage of using quotas for a country such as Brazil. 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 domestic producers face less competition **(1)**. By only allowing 600 million litres of ethanol into Brazil **(1)** domestic producers may gain more market share **(1)** • One advantage is higher revenue for domestic producers **(1)**. By restricting the amount of ethanol being imported into Brazil to 600 million litres **(1)** domestic producers might be able to increase sales **(1)** Accept any other appropriate response	**(3)**

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Question Number	With reference to the data above and your knowledge of economics, analys y the Slovenian Government might want to increase investment in healthcare. Indicative content
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Healthcare provides medicines and medical treatments to increase the overall health of the nation • The social benefit of providing healthcare to an individual often exceeds the private benefit through immunisation programmes • Investing €3.05bn in healthcare means that illnesses can be treated quickly therefore improving life expectancy across all age groups in Slovenian • This can help to reduce inequality and poverty by enabling the population to work and gain income from being fit and healthy • Having a healthier workforce reduces the amount of sickness absence and potentially improves labour productivity • This could result in economic growth and therefore help to improve standards of living in Slovenia • Healthcare also provides many jobs for healthcare workers including nurses and doctors which helps to reduce unemployment

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).

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Question Number	With reference to the data above and your knowledge of economics, asses likely benefits of economic growth for a country such as Turkmenistan. Indicative content
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Economic growth is the increase in the level of output by a nation and is one of the main macroeconomic objectives • Turkmenistan has seen a 6.2% GDP growth rate which could result in an increase in employment levels in the oil and natural gas extraction industries • This is due to firms requiring more workers for production as the economy grows • Figure 4 shows an increase over time of GDP per capita which indicates that people have more income in Turkmenistan • Consumers might be able to purchase more goods and services thereby improving standards of living • Rapid economic growth could also help to reduce poverty in Turkmenistan particularly as over 50% of the labour force work in agriculture **AO4** • However, not all economic growth is good for an economy • If economic growth is too fast, the Turkmenistan economy may overheat • This could result in demand pull and cost push inflation • Economic growth could also result in more negative externalities such as pollution and waste • Turkmenistan relies heavily on the extraction of finite resources such as oil and gas which may cause a long-run depletion of natural resources • Rapid increases in GDP can lead to a higher level of inequality as the gains from growth may go to only a few people

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	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).

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Question Number	Calculate how much **interest, in Yuan (¥)**, Zhang Li received in one year. You are advised to show your working. Answer	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the interest on savings (¥8 000 ÷ 100) × 2.25 **(1)** = ¥180 **(1)** Award 2 marks for the correct answer of ¥180 is accurately calculated with no workings shown Award 1 mark if the answer given is 180 with or without calculations shown Do not award marks for the formula	**(2)**

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Question Number	With reference to the data above and your knowledge of economics, analyse the impact of inflation on individuals in a country such as China. Indicative content
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Inflation is the rate at which the general level of prices for goods and services is rising within an economy • The current inflation rate is 2.8%, an increase on the previous month, which reduces the purchasing power of consumers if wages do not keep up with inflation • This may make goods and services too expensive for many people • Many individuals might not be able to afford as much as they used to • Shoe leather costs may increase as consumers must shop around to find the best deals on food and other products due to the increase in the rate of inflation

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).

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Question Number	With reference to the data above and your knowledge of economics, eval the effectiveness of monetary policy in controlling inflation in a country suc China. Indicative content
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and control of the money supply to manage demand in the economy • Monetary policy can be used to reduce inflationary pressures in China by the PBOC increasing interest rates • An increase in interest rates tends to reduce spending and investment in the economy thus slowing down economic activity and reducing inflationary pressure • There might be a greater reward for saving which may discourage consumers from spending helping to reduce demand in the economy • A rise in interest rates may increase the value of the currency which could result in cheaper imports and therefore reduced inflation **AO4** • However, there can be time lags for the increase in interest rates to filter through the Chinese economy • Increasing interest rates may raise the cost of production for firms which may have an even greater negative impact on prices • The effectiveness will depend upon the type of inflation China is experiencing which seems to be cost push inflation due to the increases in the price of meat and fresh fruit • Demand is not totally dependent on interest rates and there are other factors that have an impact on inflation • Monetary policy can therefore conflict with economic growth and employment • There are other ways in which the Chinese Government could try and control inflation including supply-side policies • These could help to reduce inflationary pressures by helping the Chinese economy to produce more goods and services at all price levels

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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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