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Pearson Edexcel

Mark Scheme (Results)

Summer 2022

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

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Question Number	**Answer**	Mark
1(a)	**AO1 1 marks** The only correct answer is: **D** operates in more than one country A is not correct because shareholders may just be from one country B is not correct because MNCs may not necessarily export goods C is not correct because MNCs are owned by private investors and this would be a nationalised company	**(1)**

Question Number	**Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **A** Interest rate B is not correct because this would reduce disposable income meaning less saving C is not correct because this would make imports cheaper and encourage spending D is not correct because this would increase the price of goods meaning less saving	**(1)**

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

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Question Number	Describe one reason why governments make benefits payments. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to reducing poverty and 1 mark for reference to helping to meet basic needs Reduce poverty/inequality in a country **(1)** by making benefit payments to assist with meeting basic needs **(1)** Accept any other appropriate response.	**(2)**

Question Number	Using the data in Figure 1, calculate in £bn, the current account for the UK year ending July 2019. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation £646.7bn - £689.9bn **(1)** Award 1 mark for the correct answer = -£43.2bn **(1)** Award 2 marks if the correct answer of -£43.2bn is shown, with pound (£) symbol, even if no calculations are shown Award 1 mark if -43.2bn is shown, but with no £ sign, with or without calculations shown Do not award marks for formula	**(2)**

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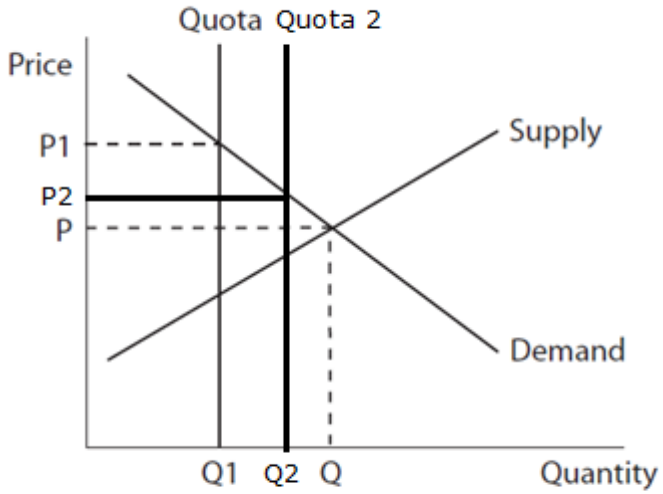
Question Number	Using the diagram below, draw the effects of the introduction of a new quota on the equilibrium price and quantity of haddock. Label the new curve, the new equilibrium price and new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for rightward shift of perfectly inelastic supply curve, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  **Figure 2**	**(3)**

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Question Number	Explain one possible reason why a country such as Norway has a current account surplus. **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 because of high quality domestic goods **(1)**. High quality goods may increase the demand for exports **(1)** resulting in more money flowing into the country than flowing out **(1)** • One reason is because of the lower price of domestic goods **(1).** Lower prices for domestic goods may result in less demand for imported goods **(1)** resulting in less money flowing out of the country **(1)** Accept any other appropriate response.	**(3)**

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Question Number	Analyse how a reduction in indirect taxation is likely to affect the standard of living in a country such as the UK. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Indirect taxes are government charges imposed on goods and services • Lowering indirect taxes such as VAT will result in consumers paying less for goods and services • This allows consumers and firms to make more purchases as prices are cheaper • Increased spending could be spent on more/better quality goods and services, thereby increasing the standard of living in the UK for consumers • With increased spending within the UK economy, output and employment may increase for firms, further increasing the standard of living	**(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).

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Question Number	**Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **D** integration and interdependence of national economies A is not correct because globalisation encourages trade and specialisation B is not correct because trade barriers should be reduced C is not correct because increased globalisation reduces the need for national legislation	**(1)**

Question Number	**Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **B** An increase in environmental damage A is not correct because unemployment should fall due to more jobs being available in the economy C is not correct because investment is likely to increase due to economic growth and firms expanding D is not correct because tax revenues are likely to rise as more people have jobs/ firms are making more profit	**(1)**

Question Number	State one type of unemployment. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** type. • cyclical • structural • seasonal • voluntary • frictional Accept any other appropriate responses.	**(1)**

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Question Number	What is meant by the term recovery? **Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to the economic cycle/recession and 1 mark for reference to increase in economic activity A phase in the economic cycle **(1)** where GDP starts to rise again/when consumers start to regain confidence/economic activity is on the increase **(1)** Accept any other appropriate response.	**(2)**

Question Number	Explain one impact of rising inflation on shoe leather costs for Nigeria. **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 in context • One impact is that shoe leather costs may increase **(1).** Consumers will try to find cheaper bread and meat **(1)**. This means that they will spend more time shopping around and looking for goods **(1)** Accept any other appropriate response.	**(3)**

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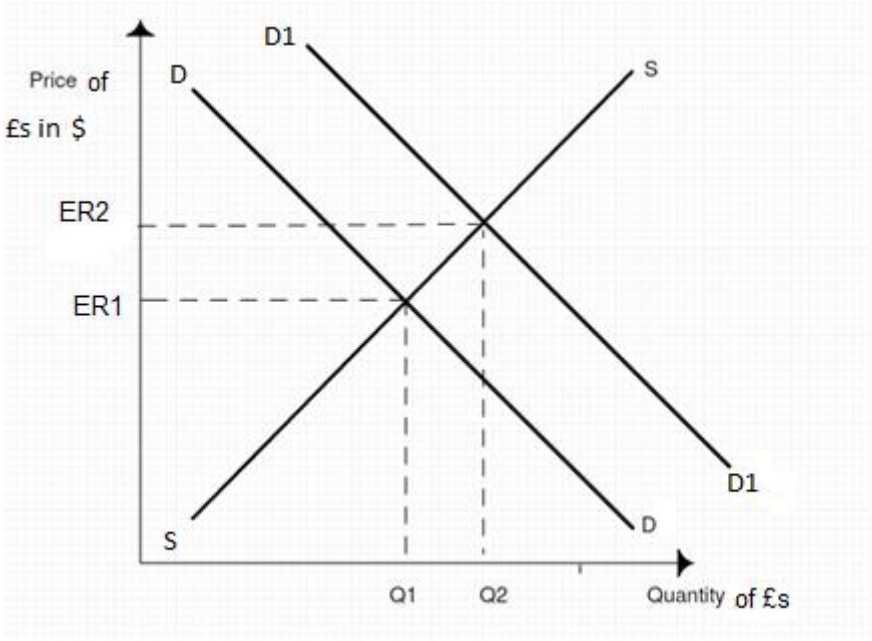
Question Number	Draw the effects on the exchange rate of the UK pound (£) from an increase in exports to the US. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for right shift of demand curve, labelled Award 1 mark for higher equilibrium exchange rate, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

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Question Number	Assess the advantages of free trade to firms located within the EU. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (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 • The new free trade area consists of over 770 million people and trades over €88bn in goods and €34bn in services every year • Firms located within the EU would be able to access a much wider market for its goods and services thereby increasing sales • Mercosur is removing tariffs on 91% of EU goods on items such as clothing, wine, chemicals and canned peaches • This means that any EU firm operating in these areas will be able to export to the Mercosur area without additional tariffs and could increase revenues • Expansion into a new trading bloc could help to reduce risk for EU firms if demand falls within the EU **AO4** • However, free trade also means that EU firms will face greater competition from firms within the Mercosur area • EU firms may have increased competition from cheaper, low-cost firms within the Mercosur area that may have lower wage costs compared to EU firms • The EU has agreed to end 92% of tariffs on goods from the Mercosur area • This may have a negative impact on EU farmers particularly those involved in the production of beef, sugar and chicken • The overall impact will depend on the quality and price of the products made within the EU compared to the products made in the Mercosur area	**(9)**

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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: **D** More firms allowed to enter a market A is not correct because this would mean more regulations to implement it B is not correct because this increases the amount of regulation C is not correct because regulations would be needed to oversee the issuing of licences	**(1)**

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Question Number	**Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **C** An increase in wage rates A is not correct because this would lower costs B is not correct because this is likely to increase supply of raw materials and therefore reduce cost-push inflation D is not correct because this likely to cause demand-pull inflation rather than cost-push inflation	**(1)**

Question Number	Explain one reason why the UK Government gives subsidies to firms in the renewable energy market. **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 the environment **(1).** Subsidies encourage firms to provide energy from renewable sources such as solar energy **(1)** which reduces the pollution from fossil fuels **(1)** • One reason is to lower the cost of renewable energy **(1).** Subsidies allow renewable energy firms to lower prices **(1)** encouraging consumers to switch to cleaner energy sources **(1)** Accept any other appropriate response.	**(3)**

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Question Number	Analyse the benefits of having a fiscal surplus for a country such as Nauru. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A fiscal surplus is when government tax receipts are greater than government spending • In this case, Nauru had a surplus of 16.1% of GDP in 2019 • The Government of Nauru could use the fiscal surplus in several ways • It could use the surplus to reduce taxes for the 10,824 population of the island • Alternatively, it could fund new education and training programmes or improve existing public services such as healthcare • If the Government of Nauru has any government debts, it has extra funds to repay them • This reduces the interest payable on any debt and helps the economy in the future	**(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).

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Question Number	Assess the effectiveness of pollution permits in protecting the environment for a country such as the US. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Business activity can damage the environment as it has done in the US state of Colorado • Pollution permits are a market-based scheme aimed at reducing pollution and trying to encourage firms to reduce the quantity of pollution they create • Pollution permits involve giving firms such as power stations a legal right to pollute up to a certain amount • If a power station produces less pollution/waste it can sell its pollution permits to other power stations/firms • Permits create a financial incentive to pollute less because power stations can then sell their excess permits to other firms • It can be a good way to reduce pollution, using the incentives of the market **AO4** • However, in practice, pollution permits can be difficult to implement and it is difficult to know how many permits to give out to power stations/firms in Colorado • If the US Government is too generous in the level of pollution the permit allows, there will be little pollution reduction • If the US Government is too strict in the level of pollution the permit allows, power stations/firms may complain it adversely affects output because they cannot comply • There may be an incentive to cheat and hide the amount of pollution a firm creates. This could make the scheme ineffective • There are alternatives to pollution permits which may be more effective such as fining the power stations on the amount of waste produced • A combination of measures may be the most effective way to protect the environment	**(9)**

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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).

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Question Number	Calculate, to two decimal places, the percentage of spending on all existing infrastructure projects that was spent on renewable energy on India in 2019. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage in spending on renewable energy in 2019 $\frac{\$200bn}{\$618bn}$ x 100 **(1)** = 32.36% **(1)** Award 2 marks if the percentage is accurately calculated as 32.36% even if no calculations are shown Award 1 mark if % is missing i.e. 32.36 with or without calculations shown No marks for formula	**(2)**

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Question Number	Analyse the impact of rising unemployment rates on business confidence for a country such as India. **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 risen from a low of 3.4% in July 2017 to 23.5% in April 2020 • This huge increase could reduce business confidence because unemployment is often linked to income and spending • As more people are reliant on unemployment benefits for their income, demand for many goods and services will fall which has a negative effect on firms • Firms require fewer workers to make goods and services which can increase unemployment further • Consumer confidence falls which in turn affects businesses which then become less confident about the future	**(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).

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Question Number	Evaluate the effectiveness of spending on infrastructure to increase total output in an economy such as India. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Infrastructure spending is an example of a supply-side policy • The productive potential of the Indian economy may increase if the quality of its infrastructure is improved • The Indian Government is investing in a wide range of projects including renewable energy, airports, roads and the rail network • This may help to increase geographical mobility as well as improve the distribution of goods/services • In the short term, building or upgrading transport or energy networks can boost (aggregate) demand through increased construction activity and employment • Indian construction, road, cement and steel firms may require additional employees to complete the projects • In the long term, infrastructure investment can boost economic growth by attracting investment and increasing the potential supply capacity of an economy • The Indian economy slowed to a more than six-year low of 4.5% in 2019 so investing in infrastructure projects could help to boost output without the danger of inflation **AO4** • However, it can be argued that spending $1.5 trillion may not increase the total output in the Indian economy • It is unclear how the Indian Government's share of the $1.5 trillion will be funded • The Indian Government may have to borrow the additional finance adding to its fiscal deficit which is already set to increase to 3.7% in 2020 • There is an opportunity cost of these investments with no guarantee that total output will increase in the long term • These are very ambitious plans and many things can change in a 5-year period which could result in less output for the Indian economy • 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 approved list of projects can add to (aggregate) demand and (aggregate supply)	

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	• The Indian Government should use a range of supply-side and fiscal policies to increase overall output	**(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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