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Mark Scheme (RESULTS)

January 2023

Pearson Edexcel International GCSE
In Economics (4EC1)
Paper 02 Macroeconomics and the global economy

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January 2023
Question Paper Log Number P71557A
Publications Code 4EC1_02_MS_2301
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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	Which **one** of the following is a role of the World Trade Organization (WTO)? **Answer**	Mark
1(a)	**AO1 1 marks** The only correct answer is: **B** Settling trade disputes A is not correct because it does not have the power to do this C is not correct because its role is to decrease trade barriers D is not correct because this would increase protectionism	**(1)**

Question Number	Which **one** of the following is an example of a supply-side policy to increase output? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **C** Increasing the school-leaving age A is not correct because it is a fiscal policy B is not correct because it is a monetary policy D is not correct because it would deter investment	**(1)**

Question Number	What is meant by the term economies of scale? **Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to falling average costs and 1 mark for reference to expansion Falling average costs **(1)** due to expansion of the firm **(1)** Accept any other appropriate response	**(2)**

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Question Number	Describe **one** advantage of free trade for consumers. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to an advantage for consumers and 1 mark for development of an advantage for consumers An increase in choice **(1)** due to more foreign goods/services being imported into the country **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate the **net pay** in £ for Sofia. You are advised to show your working. **Answer**	Mark
1(e)	**AO2 2 marks** Award 1 mark for showing the calculation £22 500 x 20% = £4 500 **(1)** Award 1 mark for the correct answer £35 000 - £4 500 = £30 500 **(1)** Award 2 marks if the correct answer £30 500 is shown, with £ sign, even if no calculations are shown Award 1 mark if correct answer 30 500 is shown but with no £ sign, with or without calculations Do not award marks for the formula	**(2)**

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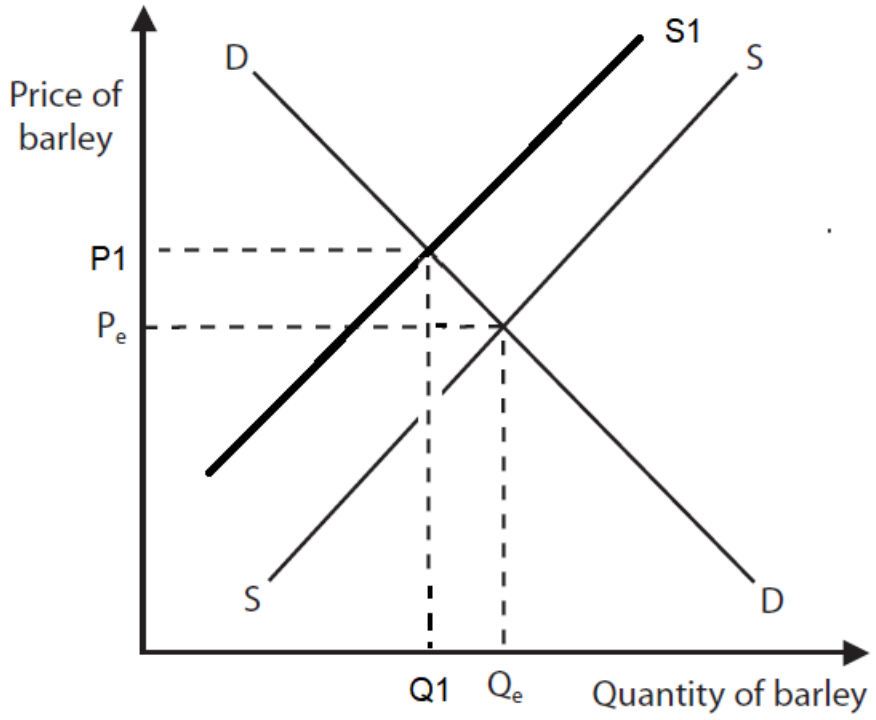
Question Number	Using the diagram below, draw the effects of the introduction of a tariff on the equilibrium price and quantity of Australian barley. Label the new curve, the new equilibrium price and new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for leftward shift of supply,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

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Question Number	Explain **one** reason why some people in the tourism sector might suffer from seasonal unemployment in a country such as France. **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 that workers are only required for certain times of the year **(1).** Tourist attractions/holiday resorts will require more workers during the holiday season **(1).** Seasonal workers are no longer needed when the holiday season ends so are therefore seasonally unemployed **(1)** Accept any other appropriate response	**(3)**

Question Number	Analyse the benefits of a current account surplus for a country such as Australia. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A current account surplus means an economy is exporting a greater value of goods and services than it is importing • Australia's current account surplus was $18.1bn in December 2020 • Australia's current account surplus benefits the country in terms of employment as higher export sales help to create jobs • This encourages economic growth and a higher GDP • This is likely to result in a higher standard of living for people living in Australia • Australia's current account surplus will mean that it will have surplus foreign exchange it can use to invest in other countries	**(6)**

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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	Money earned from foreign tourists visiting Canada is shown in Canada's current account on the balance of payments as: **Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **C** invisible exports A is not correct because this is trade in goods leaving the country B is not correct because this is trade in goods entering the country D is not correct because this is money leaving the country	**(1)**

Question Number	Which **one** of the following is likely to help protect the environment? **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **A** An increase in fines B is not correct because this will allow more pollution C is not correct because this will reduce control of pollution D is not correct because this will reduce protected areas of the environment	**(1)**

Question Number	State **one** possible disadvantage of economic growth. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct disadvantage • Inflation • Damage to the environment • Using up unsustainable resources Accept any other appropriate response	**(1)**

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Question Number	What is meant by the term privatisation? **Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to selling a government controlled activity and 1 mark to private investors The act of selling a company/activity controlled by the government **(1)** to private investors **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** possible reason why the Scottish Government wants to reduce poverty and inequality. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is to meet basic needs **(1)**. Many people do not have enough income for food and shelter **(1)**. By investing £37.2m fewer low income households may suffer from poverty **(1)** • One reason is to raise standards of living **(1).** Low income households would be able to access more goods and services **(1)** resulting in fewer low income households suffering from relative poverty **(1)** Accept any other appropriate response	**(3)**

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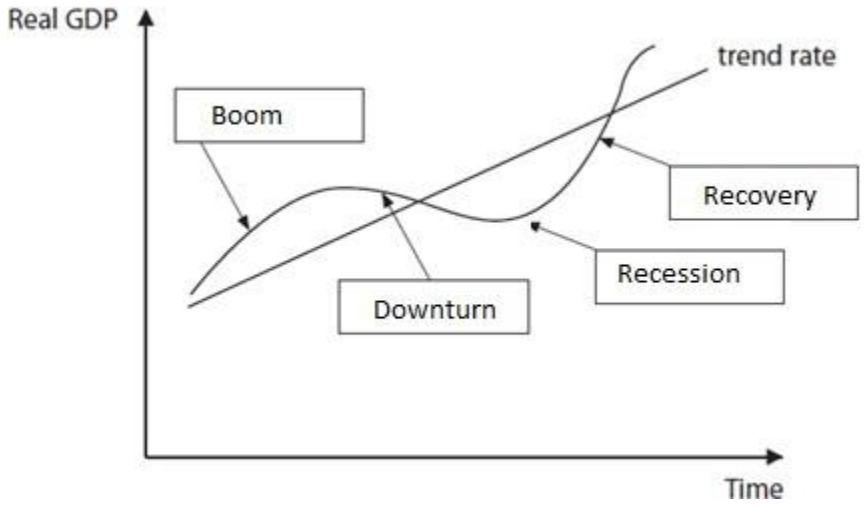
Question Number	Using the diagram below, draw and label the remaining **three** stages of the economic cycle in the boxes on the diagram. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for downturn, labelled Award 1 mark for recession, labelled Award 1 mark for recovery, labelled  	**(3)**

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Question Number	With reference to the data above and your knowledge of economics, assess the likely impact on the demand for US exports to Australia after the depreciation of the US dollar. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • A depreciation is where the value of currency falls relative to another currency • A depreciation of the US dollar against the Australian dollar may result in an increase in the amount of exports of goods between the US and Australia • This is because US exports are now cheaper to purchase as fewer Australian dollars are required to be exchanged for US dollars • This could result in more exports of machinery, vehicles, medical instruments and aircraft between the two countries • This could further improve the trade balance between the US and Australia if more exports are traded compared to imports **AO4** • However, a depreciation of the US dollar may not result in an overall increase in exports of goods between the US and Australia • The impact will depend on the size and duration of the depreciation • The impact will also depend on PED for US exports • The amount of goods traded between the two countries will not just depend on the exchange rate between the US and Australia • The quality of US exports is a factor in whether Australia will purchase more US made goods, not just the exchange rate	**(9)**

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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 was the rate of inflation if the consumer price index (CPI) of a country rose from 120 to 150? **Answer**	Mark
3(a)	**AO2 1 mark** The only correct answer is: **A** 25% B is not the correct answer because this is 150-120 C is not the correct answer because this is 150-100 D is not the correct answer because this is not the increase in the rate of inflation	**(1)**

Question Number	Which **one** of the following is an impact of globalisation? **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **B** Closing of traditional industries A is not the correct answer because increased competition reduces prices C is not the correct answer because there should be greater choice D is not the correct answer because there should be reduced cost of communication	**(1)**

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Question Number	Explain **one** likely impact on UK tax revenue from rising unemployment rates. **Answer**	Mark
3(c)	**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 direct tax revenues may decrease **(1)**. Unemployed workers will have to rely on benefits **(1)** this means they do not pay income tax resulting in less tax revenue **(1)** • One impact is that indirect tax revenues may decrease **(1)**. With fewer people in employment, spending on goods/services may decrease **(1)** resulting in less tax for the UK Government **(1)** Accept any other appropriate response	**(3)**

Question Number	Analyse how business activity can damage the environment in a country such as Chile. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Mining for lithium can cause many different types of pollution • These may include visual, noise, air and water pollution from the operation of the mines • Mining requires large amounts of water to process the lithium • This could result in a reduction of water in lakes so there is less water available for humans, wildlife and agriculture • This can cause damage to the local area from using so much water • Mining can result in large holes being dug which creates a visual impact for people in Chile • Roads might have to be built to transport the lithium from the mines to market, creating additional noise and air pollution for the people of Chile	**(6)**

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	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, assess the likely benefits of lowering taxes to reduce unemployment for a country such as Spain. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Taxes can be either direct or indirect • Lowering direct taxes such as income tax results in workers keeping more of their income from paid employment • Workers can then spend more on goods and services increasing consumption in the Spanish economy particularly in sectors such as tourism and commerce • Lowering indirect taxes such as VAT results in the price of goods and services falling which can lead to an increase in demand • These measures result in firms raising output and having to employ more workers to meet the increase in consumption • These new workers in turn have more to spend creating the incentive for firms to hire more workers • Unemployment should therefore be reduced in the Spanish economy **AO4** • However, taxes are the main source of income for the Spanish Government so reducing taxes could result in a fiscal deficit if this policy is unsuccessful • If consumer confidence is low, cutting taxes may not increase consumer spending as people prefer to save instead • There is no guarantee that people will spend the tax cuts on Spanish produced goods and could purchase imported goods resulting in a negative impact on the current account • The tax cuts could be inflationary if demand outstrips supply • It will all depend on the type of unemployment Spain is suffering from. Tax cuts are likely to be ineffective if Spain has structural and seasonal unemployment • There are currently 4 million unemployed so the effectiveness of reducing taxes may depend upon a range of factors within the Spanish economy	**(9)**

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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 rate of unemployment** for Mexico in the third quarter of 2020. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation 2,769,491 x 100 **(1)** 51,011,033 = 5.43% **(1)** Award 2 marks if the unemployment rate is accurately calculated as 5.43% even if no calculations are shown Award 1 mark if correct answer 5.43 is shown, but with no % sign, with or without calculations Do not award marks for the formula	**(2)**

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Question Number	Analyse the impact of increasing wages on inflation in Mexico. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • An increase in wages of 15% will add to the cost of production for many firms in Mexico that currently pay the minimum wage to their workers • This could result in higher prices for goods/services made within Mexico if the 15% increase in wages is passed onto consumers in the form of higher prices • This could result in cost push inflation for Mexico from the 15% increase in the minimum wage • Increasing wages could also increase domestic consumption for goods/services • Increasing the minimum wage for nearly 11 million workers will result in these workers having 15% more income • This could be spent within the Mexican economy resulting in demand pull inflation if supply cannot keep up with demand	**(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	With reference to the data above and your knowledge of economics, evaluate the effectiveness of monetary policy in increasing total output in a country such as Mexico. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and money supply to affect the level of economic activity • Expansionary monetary policy aims to boost economic growth by lowering interest rates • Mexico's central bank has lowered interest rates from a high of 8.25% in July 2019 to 4.25% in September 2020 • This makes borrowing more attractive to firms and households as a lower rate of interest is charged on loans • Firms and consumers with existing or new loans and mortgages will also see a drop in interest payments and therefore will have more disposable income to spend • This may increase the demand for goods and services within the Mexican economy, thus helping to increase economic growth which has fallen by 9.3% **AO4** • However, not all economic growth is dependent upon interest rates • Other factors such as business and consumer confidence play a large role in the demand for goods and services • Often there is a time lag for a reduction in interest rates to feed through into the economy in terms of increased demand • Lower interest rates may increase demand for goods and services but can result in inflationary pressures • Mexico has seen inflation rates of 3.3% which could have been caused by the lowering of interest rates since July 2019 • The effectiveness may depend upon a range of factors within the Mexican economy • There are other ways to stimulate economic growth including fiscal and supply-side policies • Mexico should use a combination of policies rather than just focus on monetary policy to increase total output.	**(12)**

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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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