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Mark Scheme (RESULTS)

January 2023

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

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Question Number	What does the International Labour Organisation (ILO) measure? **Answer**	Mark
1(a)	**AO1 1 marks** The only correct answer is: **B** Unemployment A is not correct because this is measured by a % change in GDP C is not correct because this is decided by the government D is not correct because this is measured by the CPI	**(1)**

Question Number	Which **one** of the following is considered to be a progressive tax in the UK? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **A** Income tax B is not correct because this is an indirect tax/regressive tax C is not correct because these are taxes on individual items D is not correct because a set percentage is paid	**(1)**

Question Number	What is meant by the term deregulation? **Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to removal and 1 mark for reference to government controls The removal **(1)** of government controls **(1)** Accept any other appropriate response	**(2)**

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Question Number	Describe **one** negative impact of economic growth. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to environmental damage and 1 mark for reference to economic activity Environmental damage **(1)** caused by factories making more goods/services **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate the **price in euros (€)** of a UK manufactured car priced at £15 000 when the exchange rate is £1 = €1.10. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation £15 000 x €1.10 **(1)** Award 1 mark for the correct answer = €16 500 **(1)** Award 2 marks if the correct answer €16 500 is shown, with € sign, even if no calculations are shown Award 1 mark if correct answer 16 500 is shown, but with no € sign, with or without calculations Do not award marks for the formula	**(2)**

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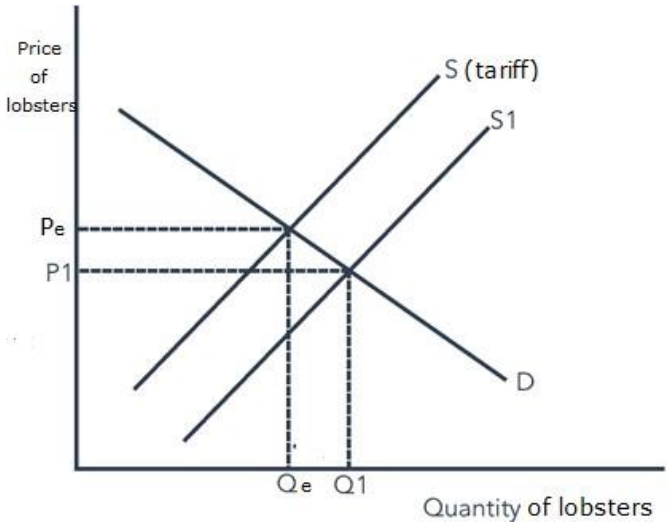
Question Number	Using the diagram below, draw the effects of the decrease in the tariff on the equilibrium price and quantity of US lobster imports into the EU. Label the new curve, the new equilibrium price and new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for rightward shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled  	**(3)**

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Question Number	Explain the impact of wages rising faster than inflation on a country such as Mexico. **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 • The impact is that wages can buy more goods/services **(1)**. This is because wages are rising at a faster rate than prices in Mexico **(1).** This could result in increased pressure on the rate of inflation **(1)** • The impact is that firms could see fewer wage demands **(1)**. This is because wages are rising at a faster rate than prices in Mexico **(1)**. Employees would be less likely to require higher wages to maintain standards of living **(1)** Accept any other appropriate response	**(3)**

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Question Number	Analyse the impact of education and training on the productive potential of a country such as Vietnam. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Education and training are examples of supply-side policies designed to improve the productive potential of an economy • Investment in education and training in IT can help unemployed workers to acquire new skills so they can gain employment • Many unemployed workers lack the necessary skills needed to get a job, especially older workers who may need retraining to gain digital skills • Offering training courses in IT could help to reduce structural unemployment within Vietnam • A better educated and trained workforce could enable Vietnam to produce more goods and services using IT skills thus increasing the productive potential of the country	**(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	Which type of unemployment would result from the permanent closure of a coal mine? **Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **C** Structural A is not correct because this occurs due to seasonal factors B is not correct because this is when people choose not to work D is not correct because this is caused by fluctuations in the economic cycle	**(1)**

Question Number	What would be the annual amount of interest earned on £7 000 of savings if the interest rate was 3% per annum? **Answer**	Mark
2(b)	**AO2 1 mark** The only correct answer is: **B** £210 A is not correct because this is calculated by £7000 x 0.003 C is not correct because this is calculated by £7000 - £210 D is not correct because this is calculated by £7000 + £210	**(1)**

Question Number	State **one** advantage of free trade. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** advantage • Lower prices • Increased choice for consumers • Wider markets for business Accept any other appropriate response	**(1)**

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Question Number	What is meant by the term pollution permits? **Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to legal right and 1 mark for reference to limiting the amount of pollution They give firms the legal right **(1)** to discharge a certain amount of polluting material **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** way an airport can cause damage to the environment. **Answer**	Mark
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in context • One way is noise pollution **(1).** Aircraft constantly landing and taking off **(1)** results in additional noise for the local residents who live close to the airport **(1)** • One way is air pollution **(1).** Fumes from aircraft landing and taking off **(1)** can cause poor air quality in the area around the airport **(1)** Accept any other appropriate response	**(3)**

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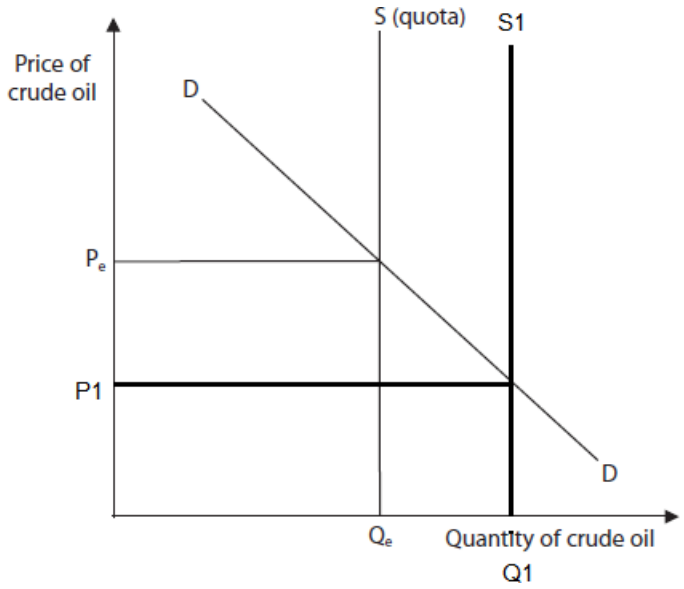
Question Number	Using the diagram below, draw the effect of the introduction of the new quota. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for rightward shift of perfectly inelastic supply curve, labelled Award 1 mark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

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Question Number	With reference to the data above and your knowledge of economics, assess the effectiveness of using fines to protect the environment in a country such as the UK. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Fines are a financial penalty when a firm breaks environmental laws • Thames Water has been fined £2.3m for polluting a stream in the UK • This will therefore have a negative effect on Thames Water's profits and provide an incentive to not pollute the environment in the future • It may also harm the public image of Thames Water and therefore result in lower investment in the firm • Fines act as a polluter pays principal and the money from the fine can be used to clear up environmental damage • Fines should therefore act as a financial incentive for firms to comply with environmental laws **AO4** • However, many firms continue to pollute despite fines being levied against them including Thames Water • Thames Water has already been fined £24.4m for nine other cases of water pollution demonstrating that this has had very little impact on the firm and its actions • In order for the fine to be effective, it must be large enough to ensure firms do not pollute • Thames Water made £513.4m operating profit in 2020 so the fine is quite small in comparison to its profits • This has led to a situation where the benefits from non-compliance far outweighs the potential fines for polluting • It can take many years for firms to be fined – it has taken over 5 years to bring Thames Water to court making fines a very ineffective way of protecting the environment	**(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	Which **one** of the following is an example of Foreign Direct Investment (FDI)? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **C** The construction of a factory in India by a Chinese firm A is not correct because this is an example of exporting goods B is not correct because this an example of domestic investment D is not correct because this an example of domestic growth/expansion	**(1)**

Question Number	If the exchange rate changes from £1 = $1.40 to £1 = $1.30 then **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **D** UK exports to the US will be cheaper A is not correct because the UK pound has depreciated not appreciated B is not correct because US holidays will become more expensive C is not correct because US exports will become more expensive	**(1)**

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Question Number	Explain **one** reason why an improvement in the quality of domestic goods may have resulted in a positive impact on Pakistan's current account. **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 that there may be increased demand for Pakistani exports **(1)** if consumers overseas prefer to buy better quality goods made in Pakistan **(1)**. This may have a positive impact on the current account of Pakistan if there is an overall increase in net exports **(1)** • One reason is that this may reduce the quantity of imports into Pakistan **(1)** as it is more advantageous to purchase better quality domestically produced goods rather than import from other countries **(1)**. This could result in a decrease in net imports **(1)** Accept any other appropriate response	**(3)**

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Question Number	Analyse the benefits of investing in healthcare for a country such as China. **Indicative content**	Mark
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 in healthcare means that illnesses can be treated quickly therefore improving life expectancy across all age groups in China • Low income households would not be able afford healthcare if the government did not pay for most (90%) of the cost - hence some may lose income from not being able to work • 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 China • Healthcare also provides many jobs for healthcare workers including nurses and doctors	**(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 drawbacks for the UK of having MNCs located within the country. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • MNCs are companies that operate in many different countries • By their very nature MNCs are therefore able to easily move profits made in one country to another country that may have lower business taxes than the UK • This helps the MNC to avoid paying taxes to the UK Government • This has been estimated to be £34.8bn in 2019-2020 in the UK and has been increasing over time • This £34.8bn could have been spent by the UK Government on public services such as education and healthcare • MNCs often cause environmental damage from their operations **AO4** • However, MNCs do bring many advantages as well as disadvantages to the host country • Not all MNCs move profits abroad and do contribute to taxes from their operations within the UK • MNCs create much needed jobs when building factories and production facilities in the UK • Local businesses may benefit from supplying the MNC with raw materials or labour • It does depend on the individual MNC as to whether the advantages outweigh the disadvantages from poor corporate behaviour within the UK	**(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	Calculate, to two decimal places, the **percentage change in GDP per capita** in Egypt between 2019 and 2020. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage change in GDP per capita $\frac{(3\,561 - 3\,043)}{3\,043} \times 100$ **(1)** = 17.02% **(1)** Award 2 marks if the percentage change is accurately calculated, even if no calculations are shown Award 1 mark if correct answer 17.02 is shown but with no % sign, with or without calculations Do not award any marks for the formula	**(2)**

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Question Number	Analyse the possible impact on Egypt of having a continuous current account deficit. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A current account deficit is when the value of imports exceeds the value of exports • A continuous current account deficit indicates that Egypt is becoming increasingly dependent on imports over time, shown in Figure 4 • A current account deficit results in a leakage from the Egyptian economy and can threaten output and employment levels • This can reduce tax revenues for the Egyptian Government • Egypt might be struggling to sell goods and services and could reflect that domestic firms are not competitive in certain sectors of the economy • A continuous current account deficit could result in a depreciation in the exchange rate • If Egypt continues to have a current account deficit it may see its foreign currency reserves run low and it might be necessary to borrow	**(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 extent to which fiscal policy can be used to control inflation in a country such as Egypt. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Fiscal policy is the use of government spending and taxation to affect macroeconomic objectives • Egypt could see demand-pull inflation due to increased economic growth and a reduction in unemployment rates • An increase in taxation through either direct or indirect taxation may result in reduced spending for consumers and businesses in Egypt as there is less disposable income available • This reduced spending puts less pressure on prices and therefore can help to control inflationary pressures within the Egyptian economy which increased to 6.3% in 2020 • In addition, lower government spending within the Egyptian economy may also have a downward effect on prices as government spending contributes to demand • Both measures may result in less demand-pull inflation within the Egyptian economy **AO4** • However, increasing indirect taxation rates may raise prices and may lead to further inflation • The extent to which it can control inflation will depend upon the type of inflation Egypt is experiencing • If inflation is cost-push due to the depreciation of the exchange rate caused by a continuous current account deficit, fiscal policy may not be effective • Demand is not totally dependent on levels of taxation and government spending and there are other factors that have an impact on inflation • Fiscal policy can therefore conflict with economic growth and employment macroeconomic objectives • There are other ways in which the Egyptian Government could try and control inflation including supply-side policies • These could help to reduce inflationary pressures by helping the Egyptian economy to produce more goods and services at all price levels	**(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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