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Mark Scheme (Results)

November 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	**Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **D** Quota A is not correct because this refers to currency and not a product B is not correct because this relates to price rather than quantity C is not correct because this defines a good not provided by the market	**(1)**

Question Number	**Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **C** Supply-side A is not correct because this refers to exchange of goods and services B is not correct because this concerns government revenue and expenditure D is not correct because this is the price of one currency in terms of another	**(1)**

Question Number	**Answer**	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to GDP/economic cycle and 1 mark for reference to speed A period where GDP is still growing **(1)** but more slowly **(1)** Accept any other appropriate response	**(2)**

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Question Number	**Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to new industry and 1 mark for reference to not well known in the market New/fledgling industries **(1)** that have yet to establish themselves **(1)** Accept any other appropriate response	**(2)**

Question Number	**Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation £73m x €1.08 **(1)** Award 1 mark for the correct answer. = €78 840 000 or €78.84m **(1)** Award 2 marks for the correct answer of €78 840 000 or €78.84m even if no calculations are shown Award 1 mark if the answer given is 78 840 000 or 78.84m with or without calculations shown Do not award marks for the formula	**(2)**

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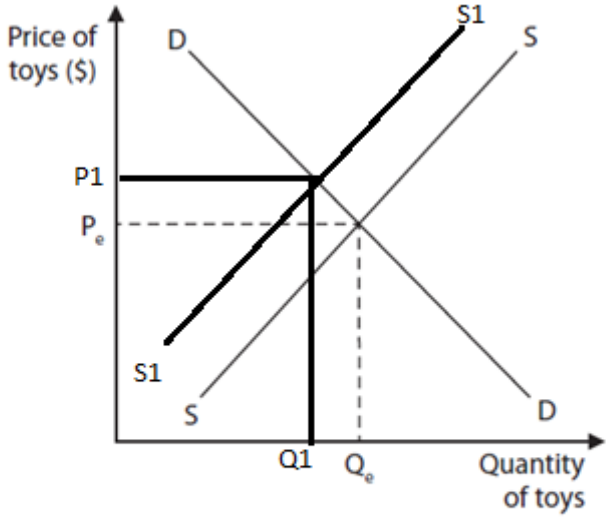
Question Number	Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for leftward shift of supply curve, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled  **Figure 1**	**(3)**

Question Number	Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant disadvantage Award 1 mark for developing the disadvantage Award 1 mark for the response being in context • One disadvantage is an increase in inflation **(1)**. Growth of 4.9% in Malaysia means that firms will require more resources to make more goods and services **(1)**. If there is a shortage of resources then this might result in cost push inflation **(1)** • One disadvantage is the damage caused to the environment **(1)**. Growth of 4.9% means more resources will be required to make goods and services **(1)**. This could result in an increase in pollution levels within Malaysia **(1)** Accept any other appropriate response	**(3)**

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Question Number	**Indicative content**
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Monetary policy is the use of interest rates and money supply to control (aggregate) demand in the economy • Monetary policy can be used to reduce inflationary pressures in Kenya by the central bank increasing interest rates • An increase in interest rates above the current 9% base rate might help 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 (aggregate) demand and therefore inflation in the economy • A rise in interest rates may increase the value of the currency which could result in cheaper imports and therefore reducing 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	**Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **B** Higher exports A is not correct because this is likely to increase inflation C is not correct because this is likely to create employment D is not correct because this is decided by the government	**(1)**

Question Number	**Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **C** Relative poverty A is not correct because this is not having the means to survive B is not correct because this describes the range of incomes in an economy D is not correct because this refers to the disincentive effect of benefit payments	**(1)**

Question Number	**Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct effect • Lower demand for imports • Improved balance of payments • Higher demand for exports • Reduced deficit • Improved surplus Accept any other appropriate responses	**(1)**

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Question Number	**Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to the components of fiscal policy and 1 mark for reference to (aggregate) demand Decisions about government spending, taxation and borrowing **(1)** that affect (aggregate) demand in the economy **(1)** Accept any other appropriate response	**(2)**

Question Number	**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 business confidence is likely to fall **(1)**. High rates of unemployment of 44% may make businesses more cautious **(1)**. This is because there will be fewer people able to purchase goods/services from firms **(1)** Accept any other appropriate response	**(3)**

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Question Number	**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 that more goods are able to be transported at the same time **(1)**. This reduces the cost of trading between countries **(1)**. This means increased trade which leads to globalisation **(1)** • One reason is that goods can be cheaply transported long distances **(1)** resulting in more firms being able to source products from low-cost countries **(1)**. This increased trade between countries leads to more globalisation **(1)** Accept any other appropriate response	**(3)**

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Question Number	**Indicative content**
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Healthcare provides medicines and medical treatments to increase the overall health of the nation • The external benefit of providing healthcare to an individual often exceeds the private benefit • Free access to healthcare means that illnesses can be treated quickly therefore improving life expectancy across all age groups in England • 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 reduce poverty and inequality in England • Healthcare also provides many jobs for healthcare workers including nurses, doctors and by building new hospitals **AO4** • However, providing free healthcare cost the tax payer £134bn in 2020 • There is an opportunity cost of spending so much money on healthcare which could be spent on other poverty reduction methods • Having a healthcare system which is free means that there is often an excess demand for healthcare, leading to the NHS being constantly overstretched • This results in shortages of hospital beds and may not reduce poverty and inequality • There are other methods that might be more effective in reducing poverty and inequality, such as education or progressive taxation • There should be a combination of methods used to reduce poverty and inequality in England

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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	**Answer**	Mark
3(a)	**AO2 1 mark** The only correct answer is: **B** £321.7bn A is not correct because it includes indirect tax C is not correct because it does not include business tax D is not correct because it does not include income tax	**(1)**

Question Number	**Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **D** selling its own currency A is not correct because this will increase demand for its currency B is not correct because this will increase demand for your own currency C is not correct because this will cause it to appreciate	**(1)**

Question Number	**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 an increase in exports **(1)**. Subsiding clothing by 4% can make exports more competitive **(1)**. This can result in greater export earnings and improve the current account **(1)** • One advantage is more domestic firms may enter the market **(1)**. Subsiding home appliances by up to 10% makes them more price competitive **(1)**. This can result in an increase in employment **(1)** Accept any other appropriate response	**(3)**

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Question Number	**Indicative content**
3(d)	**AO2 (3 marks)/AO3 (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 on petrol and diesel fuel would substantially increase the price of fuel for road users which could reduce the amount of journeys taken by cars and other road vehicles • Increased taxation could also raise additional revenue for the UK Government • This could be used to finance pollution reduction schemes and improve air quality in the UK • Taxation provides a market incentive for firms and consumers to switch to alternative forms of transport that may not cause as much environmental damage

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	**Indicative content**
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • GDP is the market value of all final goods and services produced in a year • GDP is used to measure economic growth all over the world • This means that comparisons can be easily made between the growth rates of Ghana and different countries over time • Ghana has double the GDP growth rate compared to other emerging economies • GDP is also used as an indicator of a nation's overall standard of living because, generally, a nation's standard of living increases as GDP increases • Ghana was predicted to have a 8.8% GDP growth rate in 2019 and this could indicate an increase in living standards for the population **AO4** • However, using GDP to measure growth does have some limitations • Increases in inflation could distort the true rate of economic growth in Ghana and only real GDP figures reflect the true rate of economic growth in an economy • GDP does not include figures for the hidden or informal economy which are not included in GDP figures • GDP does not take into account external costs such as environmental costs and as a result GDP does not measure how these impact on the wellbeing of society • Ghana is becoming heavily reliant on oil which can have many associated external environmental costs • GDP figures do not reflect how additional income is distributed between the population of Ghana and much of the growth may not be evenly distributed amongst the population of Ghana who still may remain in poverty

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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	Answer	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the annual average value of FDI $\frac{(45.14 + 55.55 + 60.98 + 64.37)}{4}$ **(1)** = $56.51bn **(1)** Award 2 marks for the correct answer of $56.51bn is accurately calculated with no workings shown Award 1 mark if the answer given is 56.51bn with or without calculations shown Do not award marks for the formula	**(2)**

Question Number	**Indicative content**
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Trading blocs are usually groups of countries in specific regions that negotiate preferential trading agreements between themselves with reduced trade barriers • This can benefit member countries such as India because they have access to a wider market in the AFTA, such as Bangladesh, in which to sell their goods and services • Firms in countries such as India may be able to exploit economies of scale or specialisation can occur • Indian consumers may benefit from lower prices and/or greater choice of goods and services • Being a member of the AFTA trading blocs may attract increased FDI into India

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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	**Indicative content**
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 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 India as MNCs will need buildings, equipment and infrastructure to operate within the country • Jobs are created by MNCs such as firms operating in the chemical and automobile industries which reduces unemployment and increases disposable income • There may be increased demand for the products or services of local Indian firms that supply MNCs • MNCs may train up the local workforce who may acquire useful skills in car production factories. MNCs often bring new technologies, techniques and methods • Increased employment and wages should lead to increased tax and government revenue • Exports may increase therefore improving the balance of payments **AO4** • However, wages offered by foreign MNCs can often be low and working conditions may be poor • Some MNCs may not train local workers to a high level and instead bring in their own management rather than employ local workers • MNCs may take market share away from local firms causing domestic industries to go into decline • Some MNCs can cause great damage to the environment, particularly chemical or construction industries by their processes causing negative externalities due to a lack of regulation • Profits are often sent home and taxation can be reduced or avoided therefore reducing revenue for the Indian Government • Some MNCs may stay a short time in India and often move from one country to the next, taking whatever incentives are on offer • The overall benefits will depend upon how foreign MNCs behave in the economy

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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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