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Pearson Edexcel

Mark Scheme (Results)

October 2022

Pearson Edexcel International Advanced Level
In Economics (WEC14) Paper 01
Unit 4: Developments in 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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Section A

Question Number	Quantitative skills assessed	Answer	Mark
1	-	**The only correct answer is B** ***A*** *is not correct because this is a market-orientated strategy* ***C*** *is not correct because this is a market-orientated strategy* ***D*** *is not correct because this is a market-orientated strategy*	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar* ***B*** *is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar* ***D*** *is not correct because this could have caused an appreciation in the exchange rate of the euro against the US dollar*	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** ***B*** *is not correct because the Marshall-Lerner condition is associated with changes in the exchange rate* ***C*** *is not correct because this would cause the Lorenz curve to shift away from the line of perfect equality* ***D*** *is not correct because this would cause the Lorenz curve to shift away from the line of perfect equality*	**(1)**
4	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is D** ***A*** *is not correct because the trade balance relates to the current account* ***B*** *is not correct because the trade balance relates to the current account* ***C*** *is not correct because the value of imports is less than the value of exports*	**(1)**

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5	**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is C** ***A*** *is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling* ***B*** *is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling* ***D*** *is not correct because the central bank would sell the Canadian dollar and buy the UK pound sterling*	**(1)**
6	**QS5:** Calculate and interpret index numbers **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is B** ***A*** *is not correct because this would have increased Pakistan's terms of trade* ***C*** *is not correct because this would have increased Pakistan's terms of trade* ***D*** *is not correct because this would have increased Pakistan's terms of trade*	**(1)**

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Section B

Question	With reference to the second and third paragraphs of Extract C, calculate the amount saved from the total cash payments made by the Japanese Government. You are advised to show your working. **Answer**	Mark
7(a)	**Application 2** Quantitative skills assessed: **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for calculations: • $350 billion x 0.7 **(1)** • $245 billion **(1)** **NB Award full marks for the correct answer ($245 billion)** **NB Award only 1 mark if billion not included**	**(2)**

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Question	With reference to Figure 1 and Extract A, explain what is meant by an 'inflation target' (Extract A, line 5). **Answer**	Mark
7(b)	**Knowledge 2, Application 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for understanding of an 'inflation target', e.g.: • Central bank objective of meeting a desired inflation rate / an inflation rate that the central bank wants to achieve **(1)** • Meeting the objective of low stable inflation **(1)** • Adjusting monetary policy to achieve that rate **(1)** **Application** 1 mark for application to Figure 1: • Japan's rate of inflation rose to 0.8% in December 2021 / • Bank of Japan has not met its inflation target in any month **(1)** 1 mark for application to Extract A: • Japan's rate of inflation started to increase in October 2021 / • Japan's inflation rate was below the BoJ's inflation target of 2% / • It was also lower than the rates of inflation experienced in several other advanced economies **(1)** Or 2 marks for reference to both Figure 1 and Extract A e.g.: • In December 2021, Japan's rate of inflation was 1.2 percentage points **(1)** below the BoJ's inflation target of 2% **(1)**	**(4)**

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Question	With reference to Figure 1 and Extract A, analyse **two** ways a deflationary monetary policy can 'control the rising rate of inflation'. **Answer**	Mark
7(c)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS2:** Calculate, use and understand percentages, percentage changes and percentage point changes. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for identification of two points, e.g.: • Raising the base rate of interest to control inflation **(1K)** • Ending quantitative easing/increase in liquidity requirements/ stricter lending criteria to control inflation **(1K)** **Analysis** 1 mark for each linked explanation, e.g. • will increase the cost of borrowing / increase the reward for saving / decrease in the money supply **(1AN)** • causing a decrease in C/I/AD and reducing inflationary pressures (this may also be shown diagrammatically) **(1AN)** **Application** 1 mark for application to rising inflation from Figure 1: • Between October and December 2021, inflation rate increased by 0.7 percentage points / the inflation rate increased from 0.1% in October 2021 to 0.8% in December 2021 **(1)** 1 mark for application to Extract A: • increasing the base interest rate from —0.1% to 0% / BoJ decided not to pursue a deflationary monetary policy / unlike the central banks of some other advanced economies **(1)**	**(6)**

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Question	With reference to Figure 2 and Extract B, examine **two** reasons why the demographic changes in Japan may constrain its rate of economic growth. **Answer**
7(d)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** Up to 2 marks for identifying two reasons and 1 mark for each linked explanation linked to the rate of economic growth, e.g.: • Increased government expenditure on social welfare / proportion of older workers would require the government to increase spending on pensions, **(1K)** creating an opportunity cost of lower spending on capital **(1AN)** • Labour shortages **(1K)**: fewer people in the workforce which could increase wages, leading to wage inflation and therefore reducing economic growth/ lower levels of real output **(1AN)** • Aging population (rise in the proportion of older people in the population) / high dependency ratio **(1K)**: workers experience an increase in income tax to support older population creating disincentive to work: lower economic growth **(1AN)** • The decrease in population **(1K)** could potentially lead to a decrease in consumption/AD and therefore real GDP **(1AN)** • Fall in the size of the working population in the future **(1K)** could lead to lower productivity and therefore potential output **(1AN)** **Application** 1 mark for application to Figure 2, e.g.: • Proportion of over 65s has increased to just above 28% in 2020 / • Between 2010 and 2020, the proportion of over 65s has risen by around six percentage points **(1)** 1 mark for application to Extract B, e.g.: • Number of people under the age of 20 was at its lowest level since 1968 / • The number of people over the age of 65 had increased to a record level / • Between 2022 and 2040 it is estimated that its population will decrease by a further 16 million / • Population decreased by 630 000 people in 2021 **(1)**

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	Evaluation Up to 2 marks for evaluative comments (2+0 or 1+1): • Most significant reason is labour shortages **(1)** as there are "significant concerns regarding how Japan's economy can continue to function with a smaller workforce" **(1)** • If older workers are still part of the labour force, they may have valuable skills and experience to pass on to the next generation **(1)** helping with long-term productivity and hence economic growth **(1)** • Older people are available to support younger families with childcare if they retire early **(1)**, allowing younger workers to attend/focus on work; contributing to higher productivity and hence economic growth **(1)** • Size of the population decreased (630 000) **(1)** therefore the overall impact on economic growth will be quite substantial **(1)** • Size of the population decreased (630 000/125.8 million) by 0.5% **(1)** thus the overall impact on economic growth may be less significant **(1)** • Long-term issue **(1)** as the population is estimated to decrease significantly (by 16 million/approximately 12.5%) in the future **(1)**

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Question	With reference to Extract C, discuss policies that the Japanese Government could implement to increase the country's long-term rate of economic growth. **Indicative content**
7(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (8 marks) – indicative content** • Understanding of potential economic growth • "Investment in the labour force" – greater levels of, or more targeted, spending on education and training will increase skills/reduce skills gap and raise human capital; hence increased productivity levels, which will increase long-term economic growth • "Investment in healthcare" – more spending on healthcare will create a healthier and more productive workforce. This will lead to an increase in potential GDP and allow for significant improvements in quality of output • "Investment in infrastructure" – developments to infrastructure through improved transport links and communications will encourage more trade and lead to increased efficiency; increases long-term economic growth **NB Award maximum of Level 2 for policies not mentioned in the extract**

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples that are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (6 marks) – indicative content • Impact on economic growth will depend on the size of direct cash payments and/or the magnitude of investment in Japan's labour force, healthcare and infrastructure • Significant time lags and implementation lags involved with these policies • Interventionist policies could increase public expenditure that may have an opportunity cost/have an adverse effect on public finances – "there remain concerns over additional spending due to Japan's large national debt" • Government spending can also increase resource/financial crowding out • Effectiveness of policies in achieving long-term economic growth o investment in labour force: depends on the quality of the education and training programmes; workers may not take up jobs that they have been educated and trained in o investment in healthcare: depends which areas of healthcare the state has increased its funding, e.g. geriatric care o investment in infrastructure: depends on the quality of infrastructure projects undertaken by the government • Discussion of the conflicts between the macroeconomic objectives/policies, e.g. economic growth and protection of the environment

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

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Question	Evaluate the likely benefits to a developing country of joint ventures between local businesses and transnational companies as a means of promoting economic development. **Indicative content**
8	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Understanding of joint ventures • Understanding of economic development Benefits may include: • Allows sharing of costs with TNCs – could gain internal economies of scale thus reducing cost of production and export prices, leading to growth: this raises government revenue for investment in infrastructure/human capital • Local businesses could gain access to resources including technology human capital and finance – investment in R&D/innovation allows for economic development by improving access to the internet • Risks are shared as the firms contribute a portion of the resources needed, lowering financial burden of R&D. The risk of the product and the project failing and having negative impact on profits is lower - firms will undertake more investment in technology and infrastructure, leading to development • Access to newer/wider geographic markets, customer bases and larger distribution networks: increasing output and exports, hence increased employment, incomes and standard of living • Increase in allocative efficiency – new range of products, lower price and higher quality, making goods attractive in export markets: raised demand for exports, hence increased employment, incomes and standard of living • An increase in government tax revenues which could be spent on health and education, so improving HDI and therefore economic development • Positive externalities – other local businesses benefit from skill transfer as workers move to their businesses, capital transfer, multiplier effects as

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	workers of the joint venture spend money in the wider economy leading to higher living standards **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer** **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to economic development in their answer**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Depends on the number and size of the joint ventures taking place • Impact on economic development is likely to be large as there has been a "significant increase in the number of joint ventures between local businesses and transnational companies" • Impact depends on the industries which experience a rise in joint ventures and their contribution to the country's GDP • If joint ventures use large quantities of capital rather than labour, then the improvements in skills/incomes will not be achieved • It takes much time and effort to build business relationship with TNCs; if there are conflicting business objectives it may not enable growth and development: leading to firms reducing their investment • Diseconomies of scale – communication and coordination issues may arise; costs increase, and export prices may rise, leading to low exports • A joint venture is only temporary arrangement with TNCs: once this ends investment may decrease and hence economic development may not be sustained for a longer time period due to reduced infrastructure/technology spending • Success of joint ventures with TNCs depends on business objectives – may not allow firms to invest in R&D, thus restricting economic development • Any extra tax revenues generated from joint ventures may not be used to promote economic development e.g. they may be used on defence • If tax incentives are offered to the joint venture/TNC this is likely to reduce the tax revenues earned and the ability to improve health and education

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

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Question	Evaluate whether the benefits of globalisation outweigh the costs. Refer to a country of your choice in your answer. **Indicative content**
9	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Understanding of globalisation Benefits of globalisation include: • Application of the law of comparative advantage: an explanation leading to specialisation, trade, increased world output and higher living standards • Consumers: Lower prices (increased consumer surplus); more choice and variety – increase consumer surplus and more allocative efficiency • Firms: Larger markets; benefits arising from different economies of scale leading to higher revenues/profits • Greater technology transfer and sharing of new managerial techniques • Increase in tax revenues which could be utilised by the government for expenditure on public services • Reduction in absolute poverty in LEDCs who have experienced an increase in their real GDP • Labour migration reduces geographical inequality - e.g. in the EU, Eastern European workers migrating to Western Europe for work • Increased competition: firms have incentives to increase their productive efficiency (such as reducing production costs) • Higher earnings at the top of the income distribution will finally lead to more income and wealth for everyone (trickle-down theory) **N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a country of their choice in their answer** **N.B. Candidates may include benefits of globalisation as KAA and costs of globalisation as Evaluation (and vice versa)**

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Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
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	Evaluation (8 marks) – indicative content Costs of globalisation include: • Over-dependence on imports leading to a deterioration of the country's current account position of the balance of payments • Exploitation of labour; e.g. children and women, lower wages and longer working hours, poor health and safety conditions • Negative externalities/external costs arising from increased trade e.g. from increased production or from air freight/shopping – causing pollution • Increase in consumption of non-renewable resources: will makes it harder for future generations to achieve sustainable economic growth • Increased inequality between developed economies and LEDCs; and also within developed/developing countries • Free movement of labour can result in excess pressure on social services and housing; could also lead to brain drain • Displaced workers due to closing down of traditional domestic industries • TNCs might engage in tax avoidance policies or transfer pricing causing a reduction in tax revenues for governments • Increased risk of economic contagion, more susceptible to global economic crisis e.g. global economic crisis 2008 and global health crisis, affecting countries that were especially reliant on trade • Constraints in the supply chain and shortages of goods as a result of the global health crisis 2020, affecting countries who were reliant on imports • There is very little evidence that trickle-down theory works in practice

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Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
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Question	Evaluate the disadvantages of agricultural subsidies paid to farmers in developed countries on developing countries. **Indicative content**

10	**Indicative content guidance**
	Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.
	
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.
	
	Knowledge, Application and Analysis (12 marks) – indicative content
	• Impact on domestic prices and/or domestic production in developing countries, and on imports (could count as 2 points):
	  ○ Concepts might include consumers' and producers' surpluses N.B. This analysis should be related to impact on developing countries
	• Impact of subsidies as a form of protectionism on developing countries
	• Impact on trade patterns: trade diversion away from low-cost producers to high-cost producers
	• Developing countries are unable to benefit from their comparative advantage in agricultural products, so limiting their economic growth and development
	• Impact of dumping of surpluses of agricultural produce by developed countries in developing countries
	• Impact of resource allocation in developing economies
	• Impact of agricultural subsidies on economies of developing countries (each point may be analysed separately), for e.g. on
	  ○ inflation
	  ○ inequality
	  ○ environment
	  ○ employment
	  ○ economic growth
	  ○ balance of payments
	
	N.B. Award maximum of Level 3 (9 marks) if a candidate does not refer to a developing country in their answer

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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

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	Evaluation (8 marks) – indicative content • Different impact on different developing countries around the world • Impact on developing economies and on the global economy depends on amount of subsidy given – reference to $238 billion • Time period – subsidies paid may be in response to the global health crisis, so may only be short-term • Such subsidies might encourage the developing countries to diversify into secondary and tertiary industries • Disadvantages associated with subsidies might be offset by benefits, e.g. reduced dependence on imports; increased food security; less subject to food price fluctuations • WTO is likely to intervene and reduce subsidies if used as a protectionist policy to protect domestic industries

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