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Mark Scheme (Results)

Summer 2023

Pearson Edexcel International GCSE in Economics

(4EC1/02)

Paper 2: 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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Mark Scheme: June 2023
Paper 2: Macroeconomics and the Global Economy (4EC1/02)

Question Number	Which **one** of the following describes the recovery phase of the economic cycle? Answer	Mark
1(a)	**AO1 1 marks** The only correct answer is: **B** GDP starts to rise and economic activity is on the increase A is not correct because this describes a boom C is not correct because this describes a downturn D is not correct because this describes a recession	**(1)**

Question Number	Which **one** of the following is an example of frictional unemployment? Answer	Mark
1(b)	**AO1 1 mark** The only correct answer is: **B** Workers are unemployed whilst waiting to start a new job A is not correct because this is an example of cyclical unemployment C is not correct because this is an example of seasonal unemployment D is not correct because this is an example of structural unemployment	**(1)**

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

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Question Number	What is meant by the term globalisation? Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to interconnection and 1 mark for reference to world's economies Growing interconnection **(1)** of the world's economies **(1)** Accept any other appropriate response.	**(2)**

Question Number	Calculate how much the **average price level** increased between 2018 and 2021. You are advised to show your working. Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation 105.4 - 100 **(1)** Award 1 mark for the correct answer = 5.4% **(1)** Award 2 marks if the correct answer 5.4% is shown, with percentage sign, even if no calculations are shown Award 1 mark if the answer given is 5.4, but with no percentage sign, with or without calculations shown Do not award marks for the formula.	**(2)**

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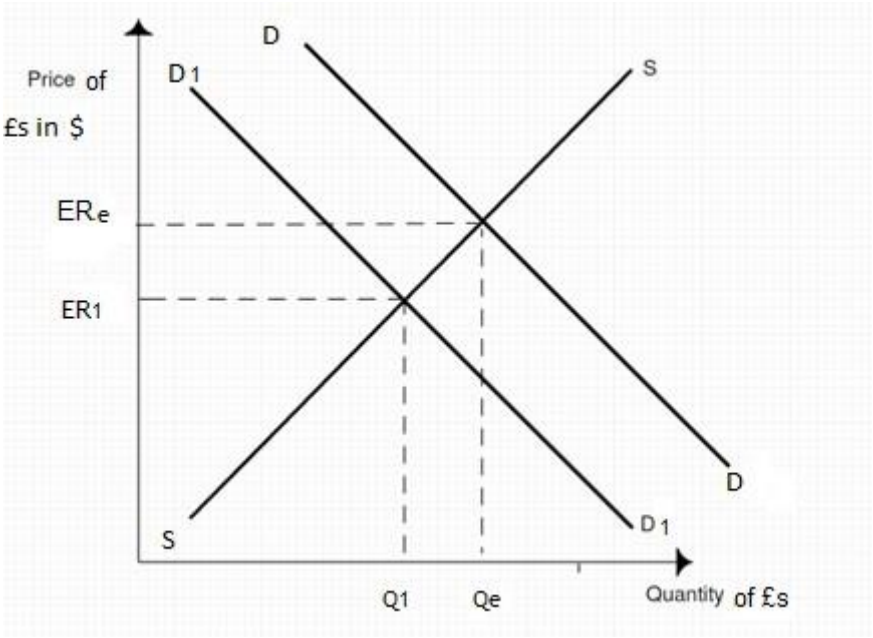
Question Number	Using the diagram below, draw the effects of a decrease in UK exports to the US on the equilibrium exchange rate of UK pounds (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for leftward shift of demand curve, labelled Award 1 mark for lower equilibrium exchange rate, labelled Award 1 mark for lower equilibrium quantity, labelled  	**(3)**

Question Number	Explain one effect of rising inflation on menu costs in the UK. Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant effect Award 1 mark for developing the effect Award 1 mark for the response being in context • One effect is that menu costs may increase **(1).** When inflation is high, prices need changing frequently **(1).** Firms have to spend money to print new brochures/update websites with the higher prices **(1)** Accept any other appropriate response.	**(3)**

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Question Number	Analyse the possible benefits for Columbia of having import quotas. Indicative content	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Quotas are physical limits on the quantity of imports allowed into a country • Quotas on rice might help to protect domestic rice farmers • By restricting the amount of rice imported into Columbia domestic rice farmers may gain more market share • This could result in higher revenues for domestic rice farmers • Rice is a staple food in Columbia therefore is of national importance • Therefore, domestic rice farmers might be able to increase the supply of rice to meet any shortages if imports are restricted by quotas	**(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	Fiscal policy would involve a change in which **one** of the following? Answer	Mark
2(a)	**AO1 1 mark** The only correct answer is: **D** Tax rates A is not correct because this is affected by changes in the supply and demand for currencies B is not correct because this is part of monetary policy C is not correct because this is dependent on the output of firms	**(1)**

Question Number	A savings account has €5 000 in it at the start of the year. If the interest rate is 2%, what is the total amount in the account at the end of the year? Answer	Mark
2(b)	**AO2 1 mark** The only correct answer is: **D** €5 100 A is not correct because this is the interest only B is not correct because this is calculated by €5 000/2 C is not correct because this is calculated by €5 000 - €100	**(1)**

Question Number	State **one** role of a central bank. Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** function. • setting interest rates • controlling inflation • stabilising a nation's currency • lender of last resort • implementing the government's monetary policy • regulating the banking system Accept any other appropriate responses.	**(1)**

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Question Number	What is meant by the term current account surplus? Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to value of exports and 1 mark for reference to exceeding value of imports When the value of exports **(1)** exceeds the value of imports **(1)** Accept any other appropriate response.	**(2)**

Question Number	Explain **one** impact education and training may have on inequality and poverty. 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 it can reduce inequality and poverty **(1).** Training and education can provide new skills for young people **(1)**. Therefore, they are more likely to be able to gain employment/income **(1)** Accept any other appropriate response.	**(3)**

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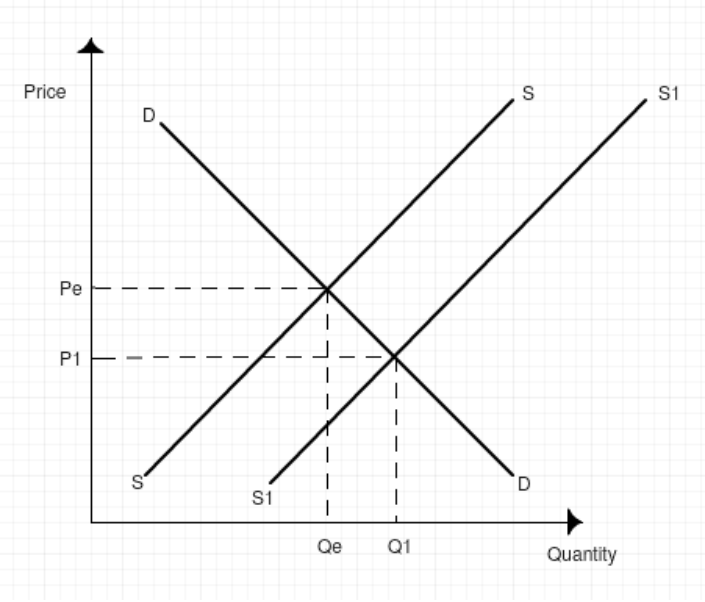
Question Number	Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of electric vehicles. Label the new curve, the new equilibrium price and new equilibrium quantity. Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for rightward shift of supply,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

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Question Number	With reference to the data above and your knowledge of economics, assess the impact of infrastructure spending on the productive potential of a country such as the UK. Indicative content	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Infrastructure spending is an example of a supply-side policy • The productive potential of the UK economy may increase if the quality of its infrastructure is improved • The UK Government is investing in a wide range of projects including urban transport and the provision of broadband to hard-to-reach areas • This may help to increase geographical mobility as well as improve the distribution of goods/services • In the short term, building or upgrading transport can boost (aggregate) demand through increased construction activity and employment • In the long term, infrastructure investment can boost economic growth by attracting investment and increasing the potential supply capacity of an economy **AO4** • However, it can be argued that spending £130bn on its economic infrastructure may not be that effective in increasing the total output in the UK economy • It is unclear how the UK Government will fund this investment and it may have to borrow the additional finance and could result in a fiscal deficit • There is an opportunity cost of these investments with no guarantee that total output will increase in the long term • By nature, supply-side policies tend to take a very long time to work and infrastructure investments can be highly complex to manage • The overall impact on output will depend upon whether the planned spending can add to (aggregate) demand and (aggregate) supply	**(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	A decrease in unemployment is likely to result in Answer	Mark
3(a)	**AO1 1 mark** The only correct answer is: **C** an increase in inflation A is not correct because tax revenues are likely to rise as more people have jobs/ firms are making more profit B is not correct because economic growth is likely to increase as more people are in employment D is not correct because relative poverty should decrease as more people have income from a job	**(1)**

Question Number	Which **one** of the following is a possible disadvantage of Foreign Direct Investment (FDI)? Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **B** Greater environmental damage A is not correct because this is an advantage of FDI C is not correct because this is an advantage of FDI D is not correct because this is an advantage of FDI	**(1)**

Question Number	Explain **one** reason why an increase in the quality of foreign goods may have resulted in a negative impact on the US 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 demand may have increased for imports **(1)** as consumers switch to imports rather than domestically produced goods as their quality has improved **(1).** This results in more money flowing out the country resulting in a negative impact on the current account deficit **(1)** Accept any other appropriate response.	**(3)**

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Question Number	With reference to the data above and your knowledge of economics, analyse the disadvantages of free trade for UK firms. Indicative content	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Free trade is a situation in which goods and services coming into or going out of a country/trade area are not controlled or taxed • The UK has agreed to end 99% of tariffs on goods from Australia • Free trade means that UK firms are no longer protected from imports from Australia that once had tariffs applied to them • Free trade means that UK firms may face greater competition from firms in Australia • UK firms may have increased competition from cheaper, lower cost firms in Australia that may have lower wage costs compared to UK firms • This could result in falling sales for UK firms that might have higher labour costs compared to Australia	**(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, assess the possible benefits of privatising the college. Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Privatisation is the act of selling a company or activity controlled by the government to private investors • The Scottish Government has recently privatised Shetland College • Shetland College will have more control over its operations now that it is in the private sector • Shetland College cannot rely on public money and must make a profit to survive • Therefore, Shetland College will now have to compete against the other rival colleges for students in order to gain revenue • Competitive pressures should help to improve quality and reduce prices for the students using the college • Shetland College may try to compete by offering a wider range of courses to attract more people to the college • It could seek to lower the prices for its courses without the interference of the government thereby benefitting students of the college **AO4** • However, in practice, state monopolies often become private monopolies • This might be the case with the firm operating in the education market • Competitive pressures are often not forthcoming and Shetland College has simply been moved from state to private ownership without facing any new competition • Critics are concerned that the privatisation might result in fewer courses available for students • As a result consumers/students might be exploited due to poor quality and price increases as the private firm seeks to reduce costs in order to maximise profits • Workers might be negatively affected as large numbers of people are often made redundant to reduce costs • The overall impact will depend on how the college is managed and operated by the management	**(9)**

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).
Level 2	4–6	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).
Level 3	7–9	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).

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Question Number	Calculate, to two decimal places, the **percentage change** in the fiscal deficit for Spain 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 the fiscal deficit for Spain $\frac{-€87.43bn}{-€35.64bn} \times 100$ **(1)** = 245.31% **(1)** Award 2 marks if the percentage is accurately calculated as 245.31% even if no calculations are shown Award 1 mark if % is missing i.e. 245.31 with or without calculations shown No marks for formula	**(2)**

Question Number	With reference to the data in Figure 3 and your knowledge of economics, analyse the impact of a fiscal deficit for a country such as Spain. Indicative content	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A fiscal deficit is when government tax receipts are lower than government spending • In this case, Spain had a deficit of -€123.07bn in 2020 • A fiscal deficit requires the Spanish Government to spend more of its tax revenue on either paying the interest on the debt or using tax revenue to pay off the debt completely • This has an opportunity cost for the Spanish Government • The money spent on interest payments could be spent on public services such as education, healthcare and social provision • Persistent fiscal deficits result in future generations burdened with current debt • Fiscal deficits could result in an increase in taxation levels to help repay the debt or a reduction in spending on public services	**(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	With reference to the data above and your knowledge of economics, evaluate how effective subsidies are in protecting the environment in a country such as Spain. Indicative content	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Subsidies are grants given by a government to a producer to reduce the costs of production or to a consumer to reduce the price of consumption • The Spanish Government is giving over €6.9bn in subsidies to renewable energy sources which currently accounts for 47% of energy produced in Spain • Renewable energy sources such as wind and solar help to reduce negative externalities caused by fossil fuels • Therefore, using subsidies is an effective way to protect the environment in Spain due to the amount of wind and sun the country receives • It is sensible to harness this for energy use rather than generating energy by fossil fuels • The subsidies will help create over 280,000 jobs in the manufacturer of wind and solar technology positively contributing to the Spanish economy • This should encourage the production of energy from renewable energy sources reducing the environmental impact **AO4** • However, the Spanish Government will have to fund the renewable energy subsidies creating an opportunity cost • The money used to subsidise renewable energy could have been used elsewhere within the Spanish economy • Spanish Government is already running a large budget deficit • Subsidies may cause inefficiency in the firms that produce energy equipment • It depends on the amount of the subsidies as over 50% of the country's energy needs are still from non-renewable sources • There are other ways in which the government can protect the environment which may have less opportunity cost to the Spanish Government • Regulation through the use of laws and fines could be used to protect the environment and the revenue used to tackle the environmental damage • The overall effectiveness will depend upon how much energy production from fossil fuels contributes to environmental damage in Spain	**(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).