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Mark Scheme (Results)

Summer 2023

International GCSE in Economics (4EC1/02R)

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 (4EC1/02R)

Question Number	Menu costs could be described as the costs of Answer	Mark
1(a)	**AO1 1 mark** The only correct answer is: **D** reprinting brochures when prices change A is not correct because these are shoe leather costs B is not correct because these are labour costs C is not correct because these are fixed costs	**(1)**

Question Number	Which one of the following is likely to cause demand pull inflation? Answer	Mark
1(b)	**AO1 1 mark** The only correct answer is: **C** An increase in the consumption of goods A is not correct because this is likely to result in cost push inflation B is not correct because this is likely to result in lower inflationary pressures D is not correct because this is likely to result in less consumer spending in the economy	**(1)**

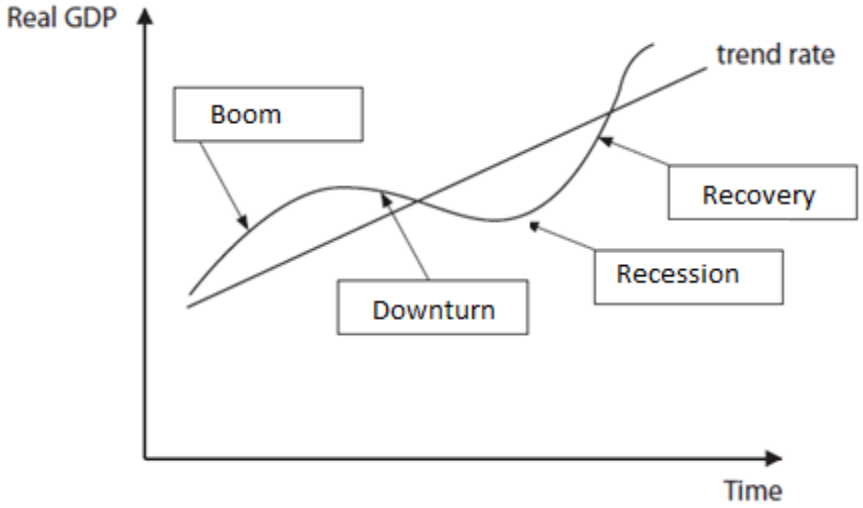
Question Number	What is meant by the term imports? Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to purchase of goods and 1 mark for reference to being from another country The purchase of goods or services **(1)** from another country **(1)** Accept any other appropriate response	**(2)**

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Question Number	Describe the impact on the demand for a currency after an increase in interest rates. Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference an increase in demand and 1 mark for reference to investing savings/ rise in exchange rate There is likely to be an increase in demand for the currency **(1)** because foreign savers choose to put their savings in the bank with the higher rate of interest **(1)** Accept any other appropriate response	**(2)**

Question Number	Using the data in Figure 1, calculate in CAD$bn, the current account for Canada for the year ending 2020. Answer	Mark
1(e)	**AO2 2 marks** Award 1 mark for showing the calculation CAD$524bn - CAD$561bn **(1)** Award 1 mark for the correct answer = -CAD$37bn **(1)** Award 2 marks if the correct answer of -CAD$37bn is shown even if no calculations are shown Award 1 mark if -37bn is shown, but with no CAD$ sign, with or without calculations shown Do not award marks for formula	**(2)**

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Question Number	Label the boxes in the diagram below with the three remaining stages of the economic cycle. Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for downturn, labelled correctly Award 1 mark for recession, labelled correctly Award 1 mark for recovery, labelled correctly  	**(3)**

Question Number	Explain **one** reason why the Scottish Government gives benefit payments. Answer	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is to reduce inequality and poverty **(1).** Benefit payments help to assist with meeting basic needs such as heating a home **(1)**. Therefore, more people will be able to have a better standard of living **(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 limitations of using GDP as a measure of economic growth for a country such as Singapore. Indicative content	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • GDP is the market value of all final goods and services produced in a year • Increases in inflation could distort the true rate of economic growth in Singapore 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 as they are not included in GDP figures • GDP does not take into account population changes in Singapore • GDP does not take into account external costs such as environmental costs • As a result GDP does not measure how environmental costs might impact on the wellbeing of society • GDP figures such as 7.2% do not reflect how additional income is distributed between the population of Singapore • The growth may not be evenly distributed amongst the population of Singapore who still may remain in relative poverty	**(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	When a central bank buys government bonds from commercial banks it is known as Answer	Mark
2(a)	**AO1 1 marks** The only correct answer is: **A** asset purchasing B is not correct because this is when a government sells assets to private investors C is not correct because this is the payment for borrowing funds D is not correct because this is the removal of government controls	**(1)**

Question Number	If the exchange rate changes from £1 = €1.20 to £1 = €1.10 then Answer	Mark
2(b)	**AO2 1 mark** The only correct answer is: **D** UK exports to Italy will be cheaper A is not correct because the £ has depreciated against the € B is not correct because holidays in Italy will be more expensive for UK tourists C is not correct because Italian imports will be more expensive	**(1)**

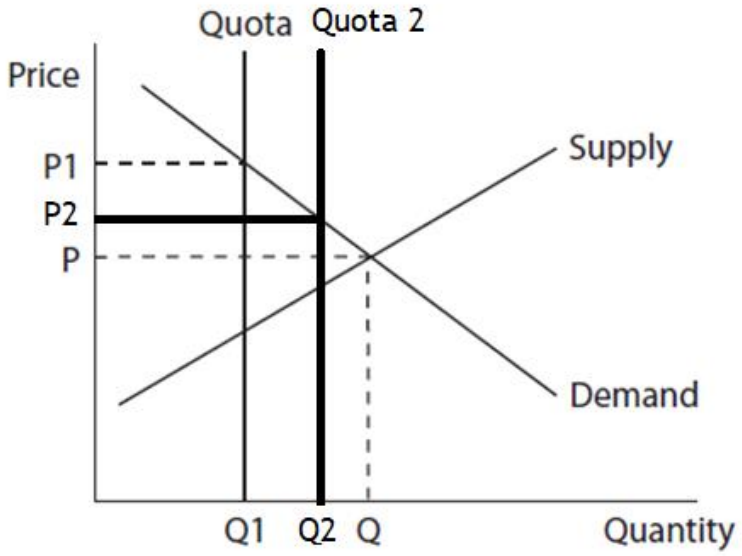
Question Number	State **one** possible trade-off with economic growth. Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** trade-off. • Inflation • Environmental protection • Damage to the environment Accept any other appropriate response	**(1)**

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Question Number	What is meant by the term devaluation? Answer	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to decrease in exchange rate and 1 mark for reference to being caused by the government A decrease in the exchange rate **(1)** caused by government intervention **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** way government spending on infrastructure can benefit an economy such as the US. 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 to create jobs **(1).** The building of roads and bridges will require construction workers **(1).** This can help to reduce unemployment for the US **(1)** • One way is to improve the productive potential of an economy **(1).** Building roads and bridges can help to improve the transport of goods and services around the country **(1).** This can result in an increase in aggregate supply for the US **(1)** Accept any other appropriate response	**(3)**

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Question Number	Using the diagram below, draw the effects of the new quota on the equilibrium price and quantity of fish. 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 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 benefits of having a fiscal surplus for a city such as San Francisco. Indicative content	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • A fiscal surplus is when tax receipts are greater than spending • In this case, San Francisco is expecting a surplus of $108m • The fiscal surplus can be used in a number of ways, such as, further spending on homelessness and mental health which could benefit the residents who live in San Francisco • It could use the surplus to reduce taxes for the residents of the city • Alternatively, it could fund new education and training programmes or improve existing public services such as policing and public safety • If the city has any debts, it has extra funds to repay them with the $108m surplus • This reduces the interest payable on any debt and helps the local economy in the future **AO4** • However, there can be disadvantages to having a fiscal surplus • Often it means that tax rates may be too high in the first place and this could have a negative impact on the taxpayers of the city • The fiscal surplus could have been caused by cuts to spending on public services in the city • This could have a detrimental impact on low-income families who may rely more on these for basic needs • This could result in an increase in inequality in San Francisco in the long term • The impact will depend on how long the fiscal surplus can be maintained and how it is spent within the economy	**(9)**

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

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Question Number	What is the rate of inflation if the Consumer Price Index (CPI) in an economy increased from 1000 to 1050 in one year? Answer	Mark
3(a)	**AO2 1 mark** The only correct answer is: **D** 5% A is not correct because this answer is calculated by 1 - 5% B is not correct because this answer is calculated by 1 + 5% C is not correct because this answer is calculated by (50/$1050) x 100	**(1)**

Question Number	Which **one** of the following terms means someone not having enough resources to meet all of their basic needs? Answer	Mark
3(b)	**AO1 1 mark** The only correct answer is: **C** Absolute poverty A is not correct because this describes the range of incomes in an economy B is not correct because this describes someone having a lower standard of living in comparison to the average person in society D is not correct because this refers to the gap between the rich and the poor	**(1)**

Question Number	Explain one possible reason why the US Government introduced this subsidy. 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 to protect domestic firms **(1).** Subsidies allow firms to lower prices **(1)** encouraging consumers to switch to US-manufactured cars with US-made batteries **(1).** • One reason is to increase exports **(1)**. Subsiding cars by $500 can make exports of cars with US-made batteries more competitive **(1)**. This can result in greater export earnings and improve the current account **(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 benefits of free trade for domestic firms located within the RCEP. 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 RCEP accounts for nearly 30% of global GDP and has 15 member countries • Firms located within the RCEP would be able to easily access a much wider market for their goods and services in the other member countries thereby increasing sales • Expansion into new countries without any trade barriers could help to reduce risk if demand falls within their own country • Tariffs will be removed for trade between all 15 member countries • Therefore any firms operating within the free trade area will be able to export to the other countries without these additional costs • Trade within the RCEP countries could allow firms to obtain essential inputs at a much lower cost than can be found domestically	**(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, assess the impact of rising unemployment rates in the North East of England. Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Unemployment occurs when people of working age who are both willing and able to work cannot find a job • Rising levels of unemployment such as 5.3% will result in lower economic growth as a large part of the workforce will be unproductive in the North East of England • There will be a much greater burden on the UK Government to provide benefits to the unemployed in the region • At the same time tax revenues in the North East will be lower meaning less is available to spend elsewhere • The UK Government may have to provide more education and training schemes to help people enter employment • There may be an increase in relative poverty within the region as unemployed workers have no income apart from benefits from the UK Government **AO4** • However, high rates of unemployment may help some firms compete • Some firms within the North East may find it easier to recruit from a larger pool of workers due to the 5.3% unemployment rate • Some firms may see a reduction in labour costs if there are high levels of unemployment due to fewer wage demands • The number of people claiming benefits did in fact fall indicating that perhaps the rise in the unemployment rate was due to voluntary unemployment • Therefore the impact might not as be as severe if this was the case • The overall impact will depend upon the type of unemployment, the duration and the state of the economy in the North East of England	**(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 rate of unemployment in the Netherlands in December 2021. You are advised to show your working. Answer	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation. 251,000 x 100 **(1)** 9,210,000 Award 1 mark for the correct answer. = 2.73% **(1)** Award 2 marks if the percentage change of 2.73% is accurately calculated with or without workings shown Award 1 mark if % is missing i.e. 2.73 with or without calculations shown Do not award marks for formula	**(2)**

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Question Number	With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on exports for a country such as the Netherlands. Indicative content	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Inflation is a sustained increase in the general price level in an economy • Figure 5 shows that inflation has steadily increased since January 2021 when it was 1.6% to 5.2% in November 2021 • This is a significant increase in the rate of inflation over a short period of time • Higher rates of inflation in the Netherlands could result in the rising price of its exports • This could result in lower demand for exports resulting in a negative impact on the current account • This could be the case if inflation rates are much lower in other countries compared to the Netherlands • Firms that export may struggle to survive with higher rates of inflation	**(6)**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).
Level 2	3–4	• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).
Level 3	5–6	• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).

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Question Number	With reference to the data above and your knowledge of economics, evaluate the effectiveness of using pollution permits to protect the environment of a country such as the Netherlands. Indicative content	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • Business activity can damage the environment as it has done in Ijmuiden in the Netherlands causing poor air quality in the area from dust • Pollution permits can be used as a market based scheme aimed at reducing pollution and trying to encourage firms to reduce the quantity of pollution they create • Pollution permits involve giving firms such as Tata Steel a legal right to pollute up to a certain amount • If a steelworks produces less pollution/waste than it is permitted to do so it can sell its pollution permits to other steel manufacturers • Permits therefore create a financial incentive to pollute less because firms such as Tata Steel can then sell their excess permits to other firms • It can be a good way to reduce pollution, using the incentives of the market **AO4** • However, in practice, pollution permits can be difficult to implement • It is difficult to know how many permits to give out to firms in the Netherlands • If the government is too generous in the level of pollution permits it issues to firms such as Tata Steel, there will be little pollution reduction • If the government is too strict in the amount of pollution permits it issues to firms such as Tata Steel it may complain it adversely affects output because they cannot comply and because Tata Steel is a major employer and provides many jobs, unemployment may rise • There are alternatives to pollution permits which may be more effective such as fining the steelworks on the amount of waste produced or using taxation which could then be used to tackle air pollution caused by the steelworks • A combination of measures may be the most effective way to protect the environment	**(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).