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Mark Scheme (Results)

November 2023

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	Which **one** of the following is a characteristic of progressive taxation? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **C** The tax rate increases as income increases A is not correct because this does not describe a characteristic of progressive taxation B is not correct because this this does not describe a characteristic of progressive taxation/ is regressive D is not correct because progress taxation is not linked to GDP	**(1)**

Question Number	Which **one** of the following describes a fiscal surplus? **Answer**	Mark
1(b)	**AO1 1 marks** The only correct answer is: **D** Government revenue is greater than government expenditure A is not correct because this describes current account surplus B is not correct because this describes a current account deficit C is not correct because this describes a fiscal deficit	**(1)**

Question Number	What is meant by the term income inequality? **Answer**	Mark
1(c)	**AO1 2 marks** Award up to 2 marks for a correct definition Differences in income **(1)** between different groups of earners **(1)** **OR** The unequal/uneven distribution of income **(1)** throughout an economy/a society **(1)** Accept any other appropriate response	**(2)**

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Question Number	Describe **one** role of the World Trade Organization (WTO). **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the role and 1 mark for development of the role It helps to settle trade disputes between countries **(1)** by acting as a mediator to find a solution **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate, to two decimal places, the **rate of unemployment**. You are advised to show your working. **Answer**	Mark
1(e)	**AO2 2 marks** Award 1 mark for showing the calculation $\frac{(34 \text{ million} - 32 \text{ million})}{34 \text{ million}} \times 100$ **(1)** **OR** $\frac{2 \text{ million}}{34 \text{ million}} \times 100$ **(1)** Award 1 mark for the correct answer = 5.88% **(1)** Award 2 marks if the correct answer is 5.88% even if no calculations are shown Award 1 mark if the answer given is 5.88 even if no calculations are shown Do not award marks for the formula	**(2)**

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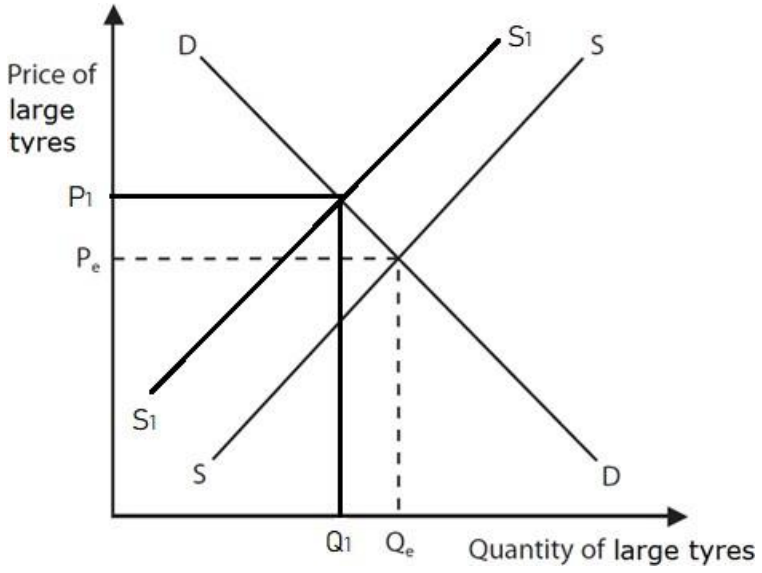
Question Number	Using the diagram below, draw the effects of the introduction of the tariff on the equilibrium price and quantity of large tyres. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	Mark
1(f)	**AO2 3 marks** Award 1 mark for a leftward shift of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

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Question Number	Explain **one** advantage of free trade for businesses in Ecuador. **Answer**	Mark
1(g)	**AO2 3 marks** Award 1 mark for identifying a relevant advantage Award 1 mark for developing the advantage Award 1 mark for the response being in context • One advantage is that businesses can access a wider market **(1).** Trade barriers will be removed for products such as bananas **(1)** which could help to increase total sales and revenue **(1)** • One advantage is that there could be lower input costs **(1).** Trade barriers will be removed for imports from China **(1)** which could help businesses to sell goods for lower prices in the domestic market **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse the impact of high rates of inflation on consumer confidence in a country such as Germany. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Consumer confidence is an economic indicator that gauges consumers' perception of the economy • High rates of inflation could reduce confidence in Germany • Inflation reduces purchasing power and a rate of 10.4% will result in many consumers experiencing a reduction in living standards • This is because they cannot afford to purchase the same amount of goods and services • Consumer confidence will fall and may make them more cautious and less willing to borrow money • Savings may increase to safeguard against the future • High rates of inflation can cause uncertainty for many consumers making it difficult to plan ahead if prices are rising so much	**(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	What is the main reason for a government to devalue its currency? **Answer**	Mark
2(a)	**AO1 1 mark** The only correct answer is: **A** To increase the demand for its exports B is not correct because devaluation aims to increase not decrease the demand for exports C is not correct because devaluation aims to make exports cheaper rather than affect the price of imports D is not correct because devaluation can make a country's assets and investments cheaper in foreign currency terms, which can attract foreign investors	**(1)**

Question Number	Which **one** of the following is the most likely reason for increased globalisation? **Answer**	Mark
2(b)	**AO2 1 mark** The only correct answer is: **C** An increase in the significance of MNCs A is not correct because this would reduce trade B is not correct because this would make trade more expensive and less likely D is not correct because this would result in less globalisation	**(1)**

Question Number	State **one** possible macroeconomic objective for a government. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** macroeconomic objective. • Economic growth • Low and stable inflation • Low unemployment • Surplus or balance on the current account of the balance of payments • Protection of the environment • Redistribution of income Accept any other appropriate response	**(1)**

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Question Number	What is meant by the term seasonal unemployment? **Answer**	Mark
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition When workers are only required for certain times of the year **(1)** and unemployed for the rest of the year **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** reason rapid economic growth may be harmful for an economy such as Vietnam. **Answer**	Mark
2(e)	**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 because it may cause damage to the environment **(1).** The increased production of goods and services can cause pollution **(1)** which may result in increased government expenditure to reduce the problem **(1)** • One reason is higher inflation **(1).** Rapid growth of 8.02% may result in the economy overheating **(1).** This could result in lower standards of living for people in Vietnam due to less purchasing power **(1)** Accept any other appropriate response	**(3)**

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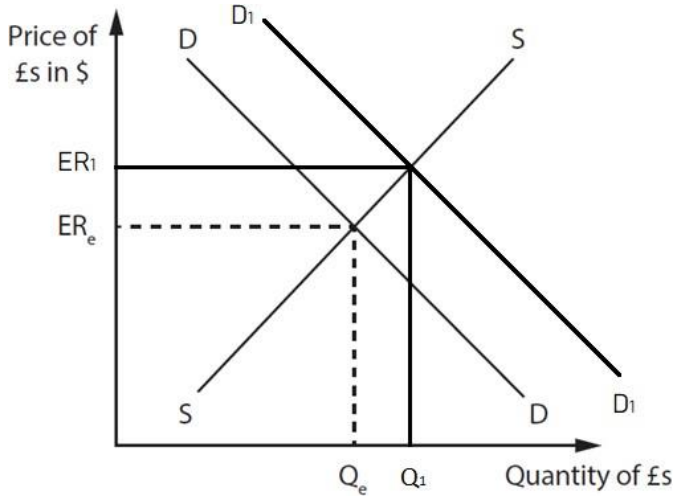
Question Number	Using the diagram below, draw the effect of an increase in UK exports to the US on the equilibrium exchange rate of the UK pound (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity. **Answer**	Mark
2(f)	**AO2 3 marks** Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium exchange rate, 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 disadvantages of higher business tax rates on investment in a country such as the UK. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Business tax is a direct tax on the profit of a firm • Business tax rates in the UK have increased from 19% to 25% in April 2023 • Increasing business tax rates by such a large percent (6%) may result in less tax revenue for the UK Government if firms do not locate in the UK or if UK firms relocate to the US • The US has a much lower tax rate of 21% in comparison to the UK which could be very attractive to MNCs • Firms such as Associated British Foods will have to pay £20m more in taxation • This could result in the firm having less to invest in the UK economy • This is likely to result in a negative impact on GDP and employment if many firms have less profit to invest and expand in the UK **AO4** • However, increases in business tax rates can help provide the UK Government with an additional £18bn in tax revenue • This could be used by the UK Government to invest into public services for the UK population which might offset any reductions in investment by the private sector • The UK's tax rate of 25% is comparable to China and France and is still significantly lower than Germany's 30% tax rate • This could mean that the impact of the higher rates of business tax is minimal • The level of investment is affected by a range of factors, such as business confidence and not just the rate of business taxes in a country	**(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	How many UK pounds (£) can be bought with $50 if the exchange rate is $1=0.75? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **B** £37.50 A is not correct because this is $75-£50 C is not correct because this is $50/£0.75 D is not correct because this is £0.75 x 100	**(1)**

Question Number	Which **one** of the following is a reason for this provision? **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **C** To reduce damage to the environment A is not correct because parks increase the number of tourists B is not correct because parks increase property values in the area D is not correct because this increases the space for leisure and recreation	**(1)**

Question Number	Explain **one** reason why an increase in the price of imports may have had a positive impact on South Korea's current account. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • One reason is demand may have decreased for imports **(1)** as consumers switch to cheaper domestically produced goods rather than imports **(1).** This means less money is flowing out of the country resulting in a positive impact on 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 how monetary policy can help to reduce inflation in a country such as the US. **Indicative content**	Mark
3(d)	**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 • Interest rates are the highest they have been for 15 years and are predicted to increase to 5.25% by the end of 2023 • Higher interest rates will increase the cost of borrowing • This will discourage investment and expenditure by firms and consumers in the US economy • There could be a greater incentive to save to take advantage of higher interest rates, therefore reducing consumer spending • This will lower overall aggregate demand and inflationary pressures in the US economy • Increased interest rates may boost the US currency's value, which may lead to lower import costs and consequently a decline in inflation	**(6)**

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

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Question Number	With reference to the data above and your knowledge of economics, assess the possible benefits of low unemployment rates on tax revenues for a country such as Australia. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Unemployment rate is a measure of the percentage of the total labour force that is currently unemployed and actively seeking employment • Figure 4 shows that the rate of unemployment has steadily fallen from a high of 4.2% in January to 3.4% in November 2022 • If Australia's employment increases by 64,000, tax revenue from newly employed workers could increase • More indirect taxes such as VAT will be collected because additional people will be spending money in the economy • This could be used by the Australian Government in the economy to improve standards of living • Higher tax revenues will make it easier for the Australian Government to finance spending on other projects such as public services • The Australian Government has more flexibility to lower taxes elsewhere if more people are employed and tax revenue from income rises **AO4** • However, low unemployment might not result in higher tax revenue for the Australian Government • If many of the workers are employed in low-wage jobs, they may not contribute as much in tax revenue • If there is a significant informal economy or tax evasion, tax revenue might be lost • If tax rates are too low or there are too many tax exemptions, tax revenue may not increase as much as expected • The Australian economy could see an increase in cost-push inflation as firms compete for the same workers by offering higher wages due to labour /lack of immigration • Inflation could reduce tax revenues by reducing consumer spending • The overall impact will depend on how long unemployment remains low	**(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** of people living in relative poverty in Kazakhstan in 2022. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation 3,063,500 x 100 **(1)** 19,700,000 Award 1 mark for the correct answer = 15.55% **(1)** Award 2 marks if the correct answer is 15.55% even if no calculations are shown Award 1 mark if the answer given is 15.55 even if no calculations are shown Do not award marks for the formula	**(2)**

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Question Number	With reference to the data above and your knowledge of economics, analyse the possible disadvantages of the Kazakhstan Government privatising the national railway company. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Privatisation involves selling state-owned assets to the private sector • Often privatisation forces the new private companies to be efficient or at least find ways of reducing costs in order to make a profit • The most popular way of cutting costs is to reduce the size of the workforce • This would result in many railway workers losing their jobs and see an increase in the number of people unemployed in Kazakhstan • KTZ is the largest employer in Kazakhstan so privatising the railway could have a huge impact on unemployment levels in the country • KTZ's operations are already profitable therefore any future profits would be given to shareholders rather than go to the government • This might result in lower levels of investment and higher prices for railway users	**(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 the advantages of an increase in foreign direct investment (FDI) for a country such as Kazakhstan. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • FDI is investment in one country that is made by a business, organisation or a government from another country • In 2022, Kazakhstan has received $22.1bn from countries such as the Netherlands, the US and Switzerland • Jobs may be created in Kazakhstan by the foreign firms requiring local workers for building new factories or employing workers in manufacturing or retail firms • Local firms may benefit from supplying the foreign firms with equipment or raw materials used in the production of goods and services • Often MNCs pay higher wages than local firms and help to train the local workforce with new skills and technology • Taxation from the foreign firms could be used to fund public services within the country • There could be an increase in GDP which could result in an increase in the overall of standard of living in Kazakhstan from increased FDI **AO4** • However, the advantages may come with some potential problems • Often foreign MNCs are only interested in accessing natural resources and to take advantage of lower wages • Kazakhstan has lots of oil and gas therefore this could result in damage to the environment by foreign MNCs during the extracting and mining processes • The cost of cleaning up the damage caused to the environment from mining could be left for the Kazakhstan Government • There is no guarantee that wages paid by foreign firms will be higher and working conditions may be poor • Foreign MNCs may bring their own workforce and management rather than training local workers with little opportunity for developing skills • Some MNCs might only spend a brief period of time in Kazakhstan before moving on to other countries • The overall advantages will depend upon how foreign MNCs behave in the economy	**(12)**

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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3). • Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).
Level 2	5–8	• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3). • Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).
Level 3	9–12	• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3). • Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).

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