

Mark Scheme (Results)

November 2024

Pearson Edexcel International GCSE
In Economics (4EC1) Paper 02

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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.

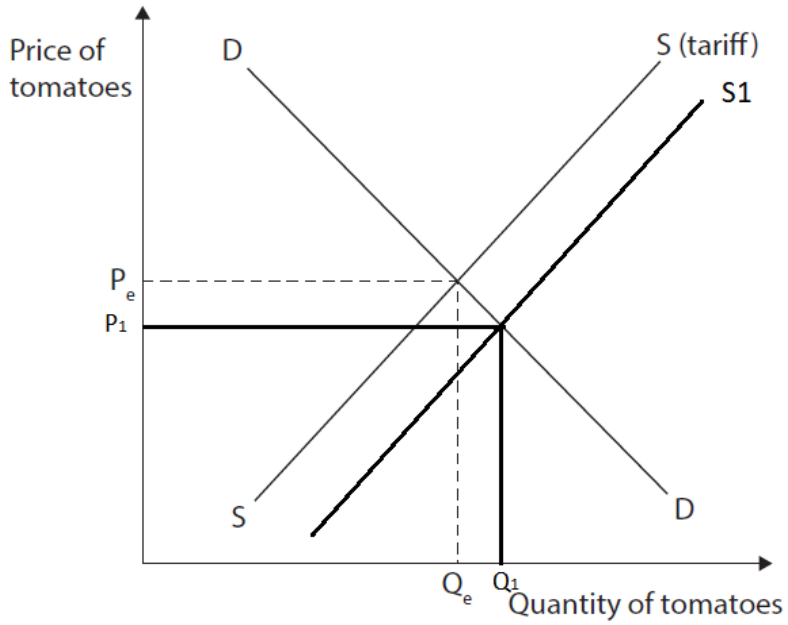
Question Number	Which **one** of the following is a reason why a government wants to reduce poverty and inequality? **Answer**	Mark
1(a)	**AO1 1 mark** The only correct answer is: **C** For basic needs to be met A is not correct because it is not a legal requirement for a government to do this B is not correct because this will increase inequality D is not correct because this will increase poverty	**(1)**

Question Number	Which **one** of the following is a benefit of using gross domestic product (GDP) as a measure of growth? **Answer**	Mark
1(b)	**AO1 1 mark** The only correct answer is: **D** It is easy to compare economic growth between countries A is not correct because it does not measure how economic growth is distributed amongst the population B is not correct because it does not take into account all economic activity C is not correct because it does not take into account inflation	**(1)**

Question Number	What is meant by the term deflation? **Answer**	Mark
1(c)	**AO1 2 marks** Award 2 marks for a correct definition A reduction **(1)** in the general level of prices for goods and services **(1)** Accept any other appropriate response	**(2)**

Question Number	Describe the impact of a reduction in the cost of communication on globalisation. **Answer**	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the impact and 1 mark for the development of the impact One impact is an increase in globalisation **(1)** because firms can communicate/trade with each other more easily **(1)** Accept any other appropriate response	**(2)**

Question Number	Calculate the **invisible trade balance** in $bn for the country. You are advised to show your working. **Answer**	Mark
1(e)	**A02 2 marks** Award 1 mark for export of services – import of services $26bn - $16bn **(1)** Award 1 mark for the correct answer = $10bn **(1)** Award 2 marks if the correct answer is $10bn even if no calculations are shown Award 1 mark if the answer given is 10 even if no calculations are shown Do not award marks for the formula.	**(2)**

Question Number	Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of tomatoes in India. 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 rightward shift of the supply curve, labelled Award 1 mark for a lower equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled  **Figure 2**	**(3)**

Question Number	Explain **one** reason why governments use fines. **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 that it can deter individuals/firms from breaking the law **(1).** Very high fines of $1m will negatively affect the individuals/firms **(1)** this is likely to encourage individuals/firms to make sure they follow the law so people do not get injured **(1)** • One reason is that it can raise revenue for the government **(1).** Fines imposed on firms that break laws can be very high **(1)** and can give the government money to spend on compensating people affected by laws being broken **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse how high levels of cost-push inflation affect business confidence in a country such as Türkiye. **Indicative content**	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Higher energy costs of 157.2% can raise production and transportation costs resulting in an increase in raw material prices and overall costs of production • Higher production costs can lead to lower profits for firms in Türkiye • This is because firms may not be able to pass on the full cost of inflation to consumers in the form of higher prices reducing business confidence • When costs rise faster than firms can adjust their prices, profit margins get squeezed reducing business confidence • Firms may struggle to plan for the future. This is because they are not sure what energy prices will be like in the future causing uncertainty • This uncertainty can erode business confidence as firms are unsure about the future success of their operations	**(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).

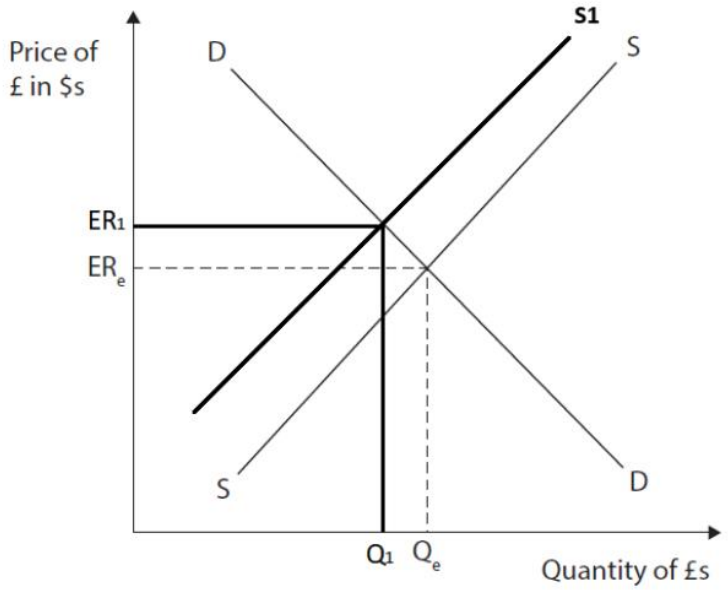
Question Number	Which **one** of the following is a rise in the value of an exchange rate in a floating exchange rate system? **Answer**	Mark
2(a)	**AO1 1 marks** The only correct answer is: **A** Appreciation B is not correct because this is when there is a fall in the value of the exchange rate C is not correct because this is when a government fixes a new higher exchange rate D is not correct because this is when a government fixes a new lower exchange rate	**(1)**

Question Number	Which **one** of the following is a reason for why there is protection for international trade? **Answer**	Mark
2(b)	**AO1 1 mark** The only correct answer is: **C** To protect domestic jobs A is not correct because trade protection aims to stop dumping B is not correct because trade protection reduces free trade D is not correct because trade protection should help to reduce the current account deficit	**(1)**

Question Number	State **one** possible impact of globalisation on consumers. **Answer**	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** possible impact • Rising living standards • Greater choice • Lower prices • Dangerous products Accept any other appropriate response	**(1)**

Question Number	What is meant by the term asset purchasing? **Answer**	Mark
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition When a central bank buys government bonds/financial assets **(1)** from commercial banks **(1)** Accept any other appropriate response	**(2)**

Question Number	Explain **one** reason why there might be a trade-off between economic growth and environmental protection for an economy such as China. **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 that environmental protection can increase the cost of doing business **(1).** Firms may need to invest in new equipment/technologies to reduce emissions **(1)** which may result in slower economic growth **(1)** • One reason is that more environmental protection such as restrictions may limit business activity **(1)** to reduce emissions/pollution from factories **(1)**, which could lead to lower economic growth **(1)** Accept any other appropriate response	**(3)**

Question Number	Using the diagram below, draw the likely effect of a decrease in imports from the US on the equilibrium exchange rate of the UK pound (£) against the US dollar ($). 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 a leftward shift of the supply curve, labelled Award 1 mark for a higher equilibrium exchange rate, labelled Award 1 mark for a lower equilibrium quantity, labelled  **Figure 3**	**(3)**

Question Number	With reference to the data above and your knowledge of economics, assess the possible impact of the introduction of AI on the levels of structural unemployment. **Indicative content**	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Structural unemployment is caused by a mismatch between the skills that workers in the economy can offer and the skills demanded of workers by employers • In the case of the introduction of AI, this could be caused by the introduction of new technology • AI can perform repetitive and routine tasks more efficiently and accurately than humans • As a result, jobs that involve tasks like data entry, basic coding or even certain aspects of journalism may be automated, leading to the replacement of workers in these industries • This can contribute to higher levels of structural unemployment rates among workers in these types of job roles which can be seen in the planned job cuts at IBM and BT • Some workers may not have the necessary skills for the new jobs being created in the AI and technology sector resulting in an increase in structural unemployment **AO4** • However, while AI can eliminate certain jobs, it can also create new job opportunities • For example, the development, maintenance and running of AI systems require skilled IT professionals • New industries and job roles related to AI and technology may emerge potentially absorbing some of the unemployed workers • AI can boost productivity and efficiency in various sectors potentially leading to economic growth • A growing economy can create more job opportunities in non-routine and creative roles that are less susceptible to AI • AI and new technology have enabled an increase in remote work/working from home which can expand job opportunities for individuals	**(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).

Question Number	Which **one** of the following is an advantage of a government giving subsidies to domestic producers? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **C** Increases the production of goods and services A is not correct because subsidies will increase government spending B is not correct because subsidies support domestic production rather than increasing imports from other countries D is not correct because subsidies are likely to increase trade disputes rather than reduce them	**(1)**

Question Number	The price of a basket of goods and services was £1 200. The consumer price index (CPI) increased from 120 to 130. Calculate the new price of the basket of goods and services. **Answer**	Mark
3(b)	**AO2 1 mark** The only correct answer is: **B** £1 300 A is not correct because this is £1 200 + 10 C is not correct because this is £1 200 + 130 D is not correct because this is £1 200 + 120 + 130	**(1)**

Question Number	Explain the likely impact on productivity of this change in business taxes for a country such as Italy. **Answer**	Mark
3(c)	**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 an increase in productivity **(1).** Firms can keep more of the profit earned allowing them to invest in new technology/training **(1).** This will enable the firm to be more efficient/increase output per worker **(1)** Accept any other appropriate response	**(3)**

Question Number	With reference to the data above and your knowledge of economics, analyse how regulations can help to protect the environment in a country such as the US. **Indicative content**	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Regulations are rules made by a government or other authority in order to control the way something is done or the way people behave • Regulations can help to prevent pollution by setting standards for firms and individuals to follow • For example, the CAA has set standards for environmental quality such as air quality standards in the US • These standards can limit the amount of pollutants that can be released into the environment by cars, trucks and buses therefore protecting the environment • Governments can enforce these regulations to ensure that firms and individuals comply with them • There are negative consequences for firms if they do not follow regulations so many firms do comply with them	**(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).

Question Number	With reference to the data above and your knowledge of economics, assess whether income tax is a reliable source of government revenue for a country such as Australia. **Indicative content**	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Income tax is levied on personal income • Income tax represents 47% of total revenue and is the largest source of revenue for the Australian Government • This can help to provide a stable and reliable source of revenue for the Australian Government allowing for effective budget planning and public service provision • Income tax revenue plays a critical role in funding essential public services such as healthcare, education, and social welfare programmes ensuring a high standard of living for Australian citizens • Australia's income tax system is progressive, meaning higher-income individuals pay a larger portion of their income in taxes • This helps reduce income inequality and promotes social equity **AO4** • However, income tax revenue can be dependent on how many workers are actively participating in the Australian economy and paying income tax • Income tax revenue could fall in times of recession or when there are high levels of unemployment restricting the amount available to the Australian Government for public services • Higher income tax rates can discourage work, investment, and entrepreneurship, potentially reducing economic growth and job creation • There are many other sources of revenue which are also reliable for the Australian Government • Sales tax contribute 14% towards the revenue received and relies on consumption rather than employment	**(9)**

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).

Question Number	Calculate, to two decimal places, the percentage change in GDP for India between 2021 and 2022. You are advised to show your working. **Answer**	Mark
4(a)	**AO2 2 marks** Award 2 marks for calculating the percentage change in GDP $\frac{3\,385.09\text{bn} - 3\,150.31\text{bn}}{3\,150.31\text{bn}} \times 100$ **OR** $\frac{234.78\text{bn}}{3\,150.31\text{bn}} \times 100$ **(1)** = 7.45% **(1)** Award 2 marks if the percentage change in GDP is accurately calculated as 7.45% even if no calculations are shown Award 1 mark if the percentage change in GDP is calculated as 7.45 even if no calculations are shown No marks for formula	**(2)**

Question Number	With reference to the data above and your knowledge of economics, analyse how benefits offered by the government can help to reduce poverty for a country such as India. **Indicative content**	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Benefit payments are direct payments from the government to those on very low incomes • Low-income households can use the cash transfer payments to buy essential goods and services such as food, housing and healthcare which they otherwise would not be able to afford • These payments and food rations can help to ensure that low-income families have access to food which can improve their health and well-being • Training courses can help to increase opportunity for low-income unemployed individuals to retrain to gain employment thereby helping to reduce poverty in India • Benefit payments can help to reduce financial stress for working families and significantly improve their standard of living by lifting them out of 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).

Question Number	With reference to the data above and your knowledge of economics, evaluate the possible benefits for India of joining the RCEP trading bloc. **Indicative content**	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • A trading bloc is a group of countries that have agreed to reduce or eliminate trade barriers between each other • Joining the RCEP bloc may create a larger and more diverse consumer market for Indian goods and services • This can create new export opportunities and boost economic growth especially if there is strong demand for Indian goods and services in these new markets • RCEP eliminates tariffs on most goods traded between member countries. This would make Indian exports more competitive in foreign markets • Joining RCEP would give Indian firms access to a larger market in places such as Japan and South Korea and encourage foreign investment in India • RCEP would make it easier for Indian firms to integrate into regional and global supply chains. This would help Indian firms reduce costs and improve efficiency • RCEP is expected to create many jobs. India could benefit from this job creation, especially for its young and growing population • The bloc may give India more bargaining power in international trade negotiations helping to secure better deals for its exports and imports **AO4** • However, joining a trading bloc could also lead to increased competition for Indian firms in both domestic and foreign markets • Indian firms will need to be prepared to compete with firms from the 15 member countries and this may result in Indian firms having to innovate or lower prices • The increased competition from firms in other member countries could lead to job losses in India particularly in labour-intensive industries such as agriculture and manufacturing • This is because firms may be tempted to shift their production to member countries with lower labour costs or more favourable tax regimes • Overall, there are both potential benefits and challenges associated with membership of the RCEP	**(12)**

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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