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Mark Scheme (Results)

Summer 2019

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	Answer	Mark
1(a)	**AO1 1 marks** **D** globalisation	**(1)**

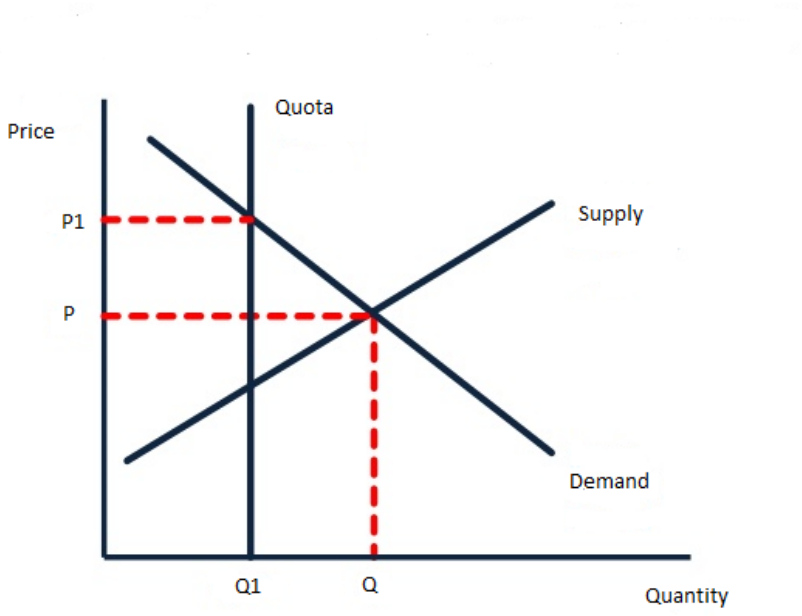
Question Number	Answer	Mark
1(b)	**AO1 1 mark** **C** People changing jobs	**(1)**

Question Number	Answer	Mark
1(c)	**AO1 2 marks** Award 1 mark for reference to cost of borrowing and 1 mark for reference to reward for lending. The cost of borrowing **(1)** and the reward for lending/saving **(1)** **OR** The cost of borrowing/the reward for lending/saving money **(1)** An interest rate is normally expressed as a % of the total borrowed/lent/saved **(1)**	**(2)**

Question Number	Answer	Mark
1(d)	**AO1 2 marks** Award 1 mark for reference to the impact and 1 mark for development of the impact. The cost of borrowing has become cheaper **(1)** therefore more consumers take out loans to buy products **(1)**	**(2)**

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Question Number	Answer	Mark
1(e)	**A02 2 marks** Award 1 mark for showing the calculation. Award 1 mark for the correct answer. 1000/137.73 **(1)** = £7.26 **(1)** Award 2 marks if the correct answer is shown, with sterling symbol, even if no calculations are shown. Do not award marks for the formula	**(2)**

Question Number	Answer	Mark
1(f)	**AO2 3 marks** Award 1 mark for perfectly inelastic supply curve, labelled. Award 1 mark for higher equilibrium price, labelled. Award 1 mark for lower equilibrium quantity, labelled.  	**(3)**

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Question Number	Answer	Mark
1(g)	**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 by the WTO hosting discussions/trade negotiations **(1)** in which countries such as the US and Canada agree to reductions in tariffs/quotas **(1)** which should result in greater free trade between countries **(1)** • One way is by the WTO having a set of rules **(1)** These aim to ensure that countries do not introduce tariffs/quotas such as the 300% tariff on aircraft **(1)** which would restrict free trade between countries **(1)** Accept any other appropriate response.	**(3)**

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Question Number	Indicative content	Mark
1(h)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Fiscal policy (expansionary) is when the government increases government expenditure and/or reduces taxation • Increased government expenditure could be in the form of new infrastructure projects such as transport links or employing more public sector workers such as teachers • This should increase overall demand within the Australian economy • This results in firms raising output and having to employ more workers • Incomes will also rise resulting in further output and employment growth within the Australian economy • Unemployment should therefore be reduced in the Australian economy	**(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	Answer	Mark
2(a)	**AO1 1 mark** **C** 4%	**(1)**

Question Number	Answer	Mark
2(b)	**AO2 1 mark** **A** Direct taxation	**(1)**

Question Number	Answer	Mark
2(c)	**AO1 1 mark** Award 1 mark for **one** correct way. • Visual pollution • Noise pollution • Air pollution • Water pollution Accept any other appropriate responses.	**(1)**

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Question Number	**Answer**	Mark
2(d)	**AO1 2 marks** Award 1 mark for reference to increasing productive capacity and 1 mark for reference to aggregate supply. Policies designed to increase the productive capacity of the economy **(1)** by influencing aggregate supply **(1)** OR Government measures **(1)** designed to increase aggregate supply in the economy **(1)**	**(2)**

Question Number	**Answer**	**Mark**
2(e)	**AO2 3 marks** Award 1 mark for identifying a relevant advantage of having a depreciating currency. Award 1 mark for developing the advantage. Award 1 mark for the response being in context. • An improvement on the current account **(1)** A weaker value of the peso leads to rising export sales **(1)** resulting in a larger trade surplus for the economy of the Philippines **(1)** • Economic growth for the economy of the Philippines **(1)** The price of exports should fall because of the weaker peso **(1)** This may result in an increase in demand for goods/services **(1)** Accept any other appropriate response.	**(3)**

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Question Number	Answer	Mark
2(f)	**AO2 3 marks** Award 1 mark for identifying a possible reason. Award 1 mark for developing the possible reason. Award 1 mark for the response being in context. • To access customers in different regions **(1)** Demand may have become saturated in the domestic market of the MNC **(1)** A growing economy such as India provides a much bigger market in which to sell their goods/services **(1)** • Cheaper resources such as labour **(1)** Countries such as India have cheaper skilled labour compared to the domestic market of the MNC **(1)** This allows the MNC to produce products at a much lower cost **(1)** Accept any other appropriate response.	**(3)**

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Question Number	Indicative content	Mark
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Trade blocs are usually groups of countries in specific regions that manage and promote trade activities • This can result in more free trade between member countries • This can benefit member countries such as Thailand because they have access to a wider market in ASEAN countries, such as Vietnam, in which to sell their goods and services • Firms in countries such as Thailand may be able to exploit economies of scale or specialisation can occur • Consumers may benefit with lower prices and/or greater choice of goods and services • Being a member of the ASEAN trade block may attract increased FDI • Membership of the trade bloc has contributed to an increase in GDP per capita from $122 to $4 021 **AO4** • Thailand may face increased competition as imports from other member countries increase • This may have a damaging effect on Thailand's domestic firms • Countries such as Thailand may rely too heavily on trade within the bloc rather than trading with non-member countries such as India • The overall benefits will depend on the ability of a country to compete within the region and the level of trade with non-member countries	**(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	Answer	Mark
3(a)	**AO1 1 mark** **A** Trade in goods	 **(1)**

Question Number	Answer	Mark
3(b)	**AO1 1 mark** **B** Dumping	 **(1)**

Question Number	Answer	Mark
3(c)	**AO2 3 marks** Award 1 mark for identifying a method of government intervention. Award 1 mark for developing the method. Award 1 mark for the response being in context. • Use of taxation **(1)** A tax on polluting goods such as cars increases the cost to the consumer **(1)** There should be a reduction in car use and less pollution created **(1)** • Use of subsidies **(1)** The government could subsidise the manufacture of solar panels **(1)** This encourages consumers to switch to renewable energy reducing pollution from fossil fuels **(1)** Accept any other appropriate response.	 **(3)**

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Question Number	Indicative content	Mark
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Unemployment represents a loss of output and therefore less GDP for a country • This could reduce standards of living for the population and increase poverty in the long run • The government will receive less tax revenue as there will be fewer workers in employment paying direct and indirect taxes • The government will have to pay out more in unemployment benefits to support the unemployed person whilst they are looking for a job • There is great pressure on the unemployed person as unemployment can cause social problems such as stress and health-related problems	**(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	Indicative content	Mark
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Inflation is the rate at which the general level of prices for goods and services is rising within an economy • This may make goods and services too expensive for many people and they cannot afford as much as they used to • The data shows the price of transportation and food has increased by 16.79% and 12.74%, which reduces the purchasing power of consumers if wages do not keep up with inflation • Shoe leather costs may increase as consumers must shop around to find the best deals on food and other products due to the high rates of inflation • Investment is likely to fall as firms lose confidence **AO4** • Inflation may not be a problem if wage increases keep up with inflation • Demand pull inflation may lead to a fall in unemployment as firms try to cope with rising demand • Although high rates of inflation are bad for an economy, low rates of inflation can also have disadvantages to an economy • Figure 3 shows the inflation rate fluctuates over the period of time and much will depend on future fluctuations	**(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	Answer	Mark
4(a)	**AO2 2 marks** Award 1 mark for showing the calculation Award 1 mark for the correct answer 202 600 million / 92.7 million **(1)** = $2 185.54 **(1)** Award 2 marks if the GDP per capita is accurately calculated with no workings shown Do not award marks for formula	**(2)**

Question Number	Indicative content	Mark
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • A fall in unemployment may result in workers gaining an income from their employment. This may increase consumer spending within the Vietnamese economy • An increase in total demand may therefore result in more demand than the economy can supply • This might result in demand pull inflation as costs and prices rise • A fall in unemployment may also result in there being fewer workers available in the Vietnamese economy • This could result in higher costs of production for firms as they must increase wages to attract workers • Higher costs of production may cause cost push inflation for the Vietnamese economy	**(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	Indicative content	Mark
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • There can be a reduction in inequality by taking lower average levels of tax from low wage earners and taking more from higher earners • Increasing progressive taxes will take more income from those on high-income levels • If the Vietnamese government taxed the 210 super-rich at a higher rate of taxation, the government would have more revenue • This could be spent on public services such as education which could help to reduce inequality and poverty • If low income work has a lower rate of tax, it encourages people to enter the labour force thereby reducing poverty **AO4** • Increasing the levels of progressive taxation can be difficult and unpopular • Higher rates of progressive taxation may create a disincentive effect on higher earners • Similarly, higher corporation tax may discourage investment in Vietnam which may have a negative impact on the economy • However, it also depends at what level income tax is set as to its effectiveness • There are alternatives to increasing progressive taxation which may be more effective such as redistribution through benefits payments or investment in education and healthcare • A combination of measures may be best in reducing levels of poverty and inequality in Vietnam	**(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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