



Mark Scheme (Results)

November 2020

Pearson Edexcel International GCSE
In Economics (4EC1)
Paper 2R 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.

Question Number	Answer	Mark
1(a)	AO1 1 marks C Voluntary	(1)

Question Number	Answer	Mark
1(b)	AO1 1 mark D Recovery	(1)

Question Number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to monetary authority and 1 mark for reference to its functions The monetary authority that manages a country's money supply (1) and interest rates/banking system (1) Accept any other appropriate response	(2)

Question Number	Answer	Mark
1(d)	AO1 2 marks Award 1 mark for reference harming domestic businesses and 1 mark for reference to competition from foreign businesses Domestic businesses can go out of business (1) if products from foreign businesses are better/cheaper (1) Accept any other appropriate response	(2)

Question Number	Answer	Mark
1(e)	A02 2 marks Award 1 mark for showing the calculation $21\,000 - (1\,500 \times 20\%)$ (1) Award 1 mark for the correct answer $= €20\,700$ (1) Award 2 marks if the correct answer €20 700 is shown, with € sign, even if no calculations are shown Award 1 mark if correct answer 20 700 is shown, but with no € sign, even if no calculations are shown Do not award marks for the formula	(2)

Question Number	Answer	Mark
1(f)	A02 3 marks Award 1 mark for leftward shift of perfectly inelastic supply curve, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled	(3)

Question Number	Answer	Mark
1(g)	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 - The impact is that wages do not buy the same amount of goods (1) this is because prices are rising at a faster rate than wages (1). To prevent this wages need to rise such as the recent increase in Mexico (1) - The impact might be limited (1) if wages for some workers in Mexico are linked to inflation (1). This means that the standard of living remains the same if wages are keeping up with inflation (1) Accept any other appropriate response	(3)

Question Number	Indicative content	Mark
1(h)	AO2 (3 marks)/AO3 (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 in the AfCFTA because they have access to a wider market which will consist of 1.2bn people - GDP for the trade bloc is expected to be \$2.5 trillion. - Firms in the trade bloc may be able to exploit economies of scale or specialisation can occur - Prices may be cheaper due to a reduction of tariffs and quotas - Consumers may benefit with lower prices and/or greater choice of goods and services - Being a member of the AfCFTA trade bloc may attract increased FDI	(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	Answer	Mark
2(a)	AO2 1 mark A an increase in exports and a decrease in imports	(1)

Question Number	Answer	Mark
2(b)	AO1 1 mark C GDP	(1)

Question Number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one reason • To meet basic needs • To raise living standards • For ethical reasons Accept any other appropriate response	(1)

Question Number	Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to structures and 1 mark for reference to being needed for the economy The systems/structures such as the transport network (1) needed for the operation of an economy (1) Accept any other appropriate response	(2)

Question Number	Answer	Mark
2(e)	AO2 3 marks Award 1 mark for identifying a relevant impact Award 1 mark for developing the impact Award 1 mark for the response being in context - One impact is that direct tax revenues may increase (1). By having more workers in employment paying income tax (1) results in an increase in tax revenues for the German Government to spend in the economy (1) - One impact is that indirect tax revenues may increase (1). With more people in employment, demand for goods and services may increase (1). Taxes such as VAT for the German Government can then be used for government expenditure (1) Accept any other appropriate response	(3)

Question Number	Answer	Mark
2(f)	AO2 3 marks Award 1 mark for identifying a reason Award 1 mark for developing the reason Award 1 mark for the response being in context - Some foreign-made toys may fail to follow requirements for product safety in the manufacturing process (1). This could result in unsafe toys being bought by UK consumers (1). The unsafe products may cause serious illness and even possibly death of a child (1) - The country of origin may have lower safety standards (1). The UK may have higher safety standards compared to other countries (1). This may have resulted in toys which are unsafe for UK consumers (1) Accept any other appropriate response	(3)

Question Number	Indicative content	Mark
2(g)	A02 (3 marks)/A03 (3 marks)/A04 (3 marks) A02 and A03 • Deregulation is a supply-side policy of making markets more competitive by removing barriers such as regulations • Regulations such as labour laws often create additional costs for firms which makes them less competitive in comparison to firms abroad • Experts have advised the government to reduce regulation in markets such as finance and transport • Removing labour market regulations such as a reduction in the minimum wage may result in the tourism sector reducing its overall labour costs and therefore being able to employ more workers • This may result in a reduction in the 11.6% rates of 15-29 year olds • Removing competition laws in the finance sector may also result in more firms entering the market and therefore employing workers and thereby reducing unemployment in South Korea A04 • However, deregulation may just result in firms saving on labour costs but not employing anymore workers • Reducing the minimum wage may result in less people willing and able to work thereby increasing unemployment rather than reducing it • Regulations are designed to protect workers, the environment and consumers so any removal of them may result in negative consequences for South Korea and lower standards of living • There are other supply-side policies such as lower income tax to encourage working which might be more effective in reducing unemployment • The overall effectiveness will depend on a range of economic factors within the South Korea economy not just the level of regulation	(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	Answer	Mark
3(a)	A01 1 mark C wage rates	(1)

Question Number	Answer	Mark
3(b)	A01 1 mark B Interest rates	(1)

Question Number	Answer	Mark
3(c)	A02 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 that there is greater consumer choice (1). US consumers are now able to buy imported avocados throughout the year from Mexico (1) and do not have to rely on production from the US (1) - One way is that there is more access to a wider range of products (1). Some food products such as avocados may not be available in other countries (1). Globalisation has thereby enabled a more varied diet for many consumers in the US (1) Accept any other appropriate response	(3)

Question Number	Indicative content	Mark
3(d)	A02 (3 marks)/A03 (3 marks) A02 and A03 • Mondelez has been exporting its products to Bangladesh for 15 years and locating within the country may reduce transport costs • The labour costs might be lower in Bangladesh compared to other countries where Mondelez operates • Reducing costs may enable Mondelez to reduce prices for its food and beverage products • This could result in Mondelez gaining a competitive advantage over other MNCs in the same market • By locating within Bangladesh, Mondelez could reduce exchange rate fluctuations • Mondelez could also avoid trade restrictions by locating in Bangladesh	(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	Indicative content	Mark
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • A current account deficit occurs when the value of imports are greater than its exports • This could result in a leakage from the Indonesian economy as demand for imported goods replaced demand for domestically produced goods • This could result in an increase in unemployment and a fall in GDP in the long term • A current account deficit could indicate that there is less demand for exports which again could result in an increase in unemployment in Indonesia • There could be problems finding foreign reserves to fund the deficit as spending on imports is not being fully financed from export revenue AO4 • However, this could result in higher standards of living as people have access to a wider range of good quality (cheaper) imports • The deficit could result in a fall in prices therefore reducing inflationary pressures in Indonesia • Over time there could be a fall in the exchange rate which could improve competitiveness for Indonesia's exports • Depends on the size and duration of the deficit as to the overall impact on the Indonesian economy	(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	Answer	Mark
4(a)	AO2 2 marks Award 2 marks for calculating the percentage change in spending on education $\frac{59-68}{68} \times 100 \quad (1)$ $= -13.24\% \quad (1)$ Award 2 marks if the percentage change is accurately calculated, even if no calculations are shown Award 1 mark if % is missing i.e. -13.24, even if no calculations are shown	(2)

Question Number	Indicative content	Mark
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • WTO helps with trade negotiations between the many different countries that are members • There are often trade disputes between the member countries such as the US who has been involved in 422 trade disputes • The WTO can help to resolve these to encourage greater free trade • WTO sets the rules of trade for the member countries that account for 98% of world trade • It encourages the reduction of tariffs and quotas as well as ensuring that the 164 members uphold these rules of trade • Without the WTO, there would be more protectionism and trade negotiations would take much longer • A reduction of protectionism should result in more free trade and therefore lower prices and increased choice for consumers	(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	Indicative content	Mark
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • A trade-off arises where having more of one thing potentially results in having less of another • Having more economic growth results in greater use of scarce and unsustainable resources in order to create goods and services • The US has seen a booming economy but at the same time this has resulted in more CO₂ emissions in 2018 • This demonstrates that despite more electric cars and less coal-fired power stations that there is a trade-off between economic growth and protection of the environment • If the US government imposed more protection of the environment in terms of taxation, regulation, fines or pollution permits then this could restrict economic growth due to increased costs for firms AO4 • However, it can be argued that there is a limited trade-off as economic growth can create wealth to help tackle CO₂ emissions through the use of cleaner technologies • More economies are switching to low-carbon technologies which help to reduce pollution • Economic growth is therefore needed if people are able to afford to buy electric cars rather than cheaper petrol cars • Not all industries and firms pollute the environment and many countries are using policies such as recycling and reusing to help reduce pollution and waste • The trade-off will depend upon the priorities of the US and whether economic growth can be used to reduce environmental damage	(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).

