



Mark Scheme (Results)

Summer 2019

Pearson Edexcel International GCSE

In Economics (4EC1)

Paper 02R 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.

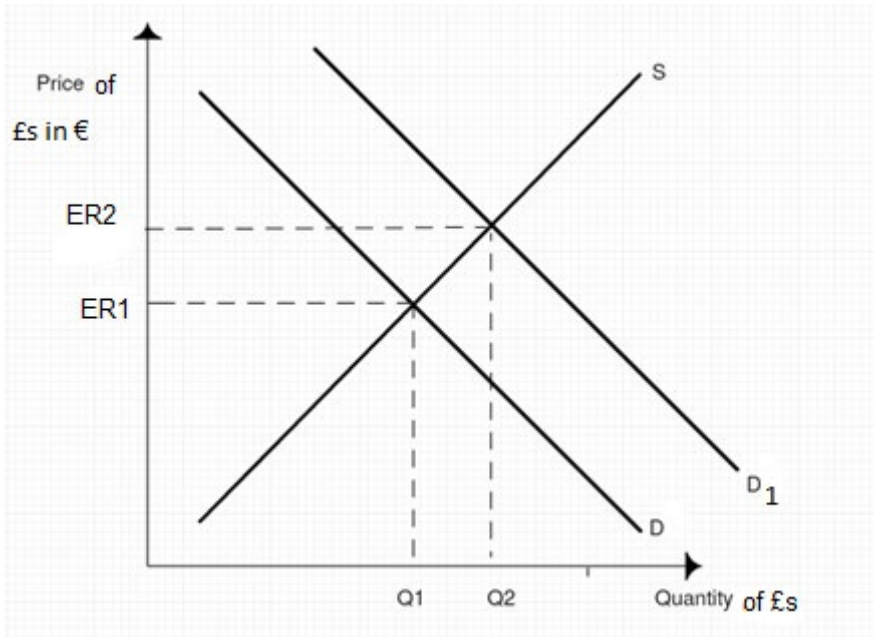
Question Number	Answer	Mark
1(a)	A01 1 marks A rises	(1)

Question Number	Answer	Mark
1(b)	A01 1 mark D a reduction in trade barriers between members	(1)

Question Number	Answer	Mark
1(c)	A01 2 marks Award 1 mark for reference to a firm and 1 mark for reference to different countries An enterprise/company/firm (1) that produces/sells/operates in more than one country/many countries (1)	(2)

Question Number	Answer	Mark
1(d)	A01 2 marks Award 1 mark for reference to the impact and 1 mark for further development. The productive potential will increase (1) due to greater investment in capital goods (1) OR The productive potential will increase (1) as firms invest more from greater profits (1)	(2)

Question Number	Answer	Mark
1(e)	A02 2 marks Award 1 mark for showing the calculation Award 1 mark for the correct answer $271.7 + (-22.4) \text{ (1)} = \text{€}249.3\text{bn (1)}$ Award 2 marks if the correct answer is shown, with euro symbol, even if no calculations are shown Do not award marks for formula	(2)

Question Number	Answer	Mark
1(f)	A02 3 marks Award 1 mark for right shift of demand curve, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question Number	Answer	Mark
1(g)	A02 3 marks Award 1 mark for identifying a reason Award 1 mark for developing the reason Award 1 mark for the reason being in context • One reason is because economic growth can improve living standards for the population (1). Growth of 0.4% leads to people having higher levels of income (1). This can lift people out of poverty in the UK (1) • One reason is because economic growth can result in higher levels of tax revenue for a government (1). This is due to higher levels of income within the economy (1) resulting in more revenue for public sector services in the UK such as education/healthcare (1) Accept any other appropriate response.	(3)

Question Number	Indicative content	Mark
1(h)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • A fiscal surplus is when government tax receipts are greater than government spending, in this case 1.3% of GDP in 2016 and expected 0.4% of GDP in 2017 • The government of Singapore has extra funds and these funds can be allocated to pay off any government debts • This reduces the interest payable on any debt and helps the economy in the future • The government of Singapore could use the fiscal surplus to reduce taxes • It could fund new education and training programmes or improve existing public services such as healthcare	(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 C \$51 100	(1)

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

Question Number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one correct impact • Leakage from the economy • Problems finding foreign reserves to fund the deficit • Can be inflationary • Unemployment • Falling output/GDP Accept any other appropriate responses	(1)

Question Number	Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to household income and 1 mark for reference to basic needs. A condition where household income is below a necessary level (1) to provide the basic needs for survival (1)	(2)

Question Number	Answer	Mark
2(e)	A02 3 marks Award 1 mark for identifying a relevant disadvantage of an appreciating currency Award 1 mark for developing the disadvantage Award 1 mark for the disadvantage being in context • A deterioration of the current account (1). A stronger value of the Thai baht leads to falling export sales (1) resulting in a larger trade deficit for Thailand's economy (1) • Reduced economic growth for the economy of Thailand (1) The price of exports should rise because of the stronger baht (1) This may result in a decrease in demand for goods/services (1) Accept any other appropriate response.	(3)

Question Number	Answer	Mark
2(f)	A02 3 marks Award 1 mark for identifying a possible negative effect Award 1 mark for developing the possible negative effect Award 1 mark for the effect being in context • Pollution from business activity (1). Many firms create air and noise pollution from making goods (1) which can negatively affect local communities near to factories in China (1) • More waste from production and consumption of goods and services (1). Waste must be disposed of in landfill sites (1). This can cause a health hazard to Chinese residents near to areas of waste disposal (1) Accept any other appropriate response	(3)

Question Number	Indicative content	Mark
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • The report indicates that parks decrease health costs, through encouraging exercise and reducing air pollution • This reduces government expenditure on health care and improves the lives and productivity of the population • Parks and open spaces not only provide benefits to people but also protect wildlife and ecosystems within an urban area • Parks can be used for recreational purposes and a place for children to play which can reduce negative externalities for a government • Depending on their size, parks can bring in tourism revenue to local restaurants, hotels, snack shops, and stores • Parks can host festivals, concerts and athletics events, bringing additional boosts to the local economy AO4 • However, there is an opportunity cost to the government in providing parks and open spaces • This area of land could be used for other purposes such as housing or for commercial development which may create jobs and increase output • There is a cost in creating and maintaining the park which must be funded by the government, as the park is free to use • The overall benefits will depend on how many people use the park and if there are alternative ways to protect the environment/reduce pollution such as pollution permits, regulation or fines	(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)	AO1 1 mark A an invisible import	(1)

Question Number	Answer	Mark
3(b)	AO1 1 mark D Value added tax	(1)

Question Number	Answer	Mark
3(c)	AO2 3 marks Award 1 mark for identifying a way Award 1 mark for developing the way Award 1 mark for the response being in context • Through progressive taxation (1), higher income earners pay a larger proportion of their income in tax (1). The government can redistribute this to lower income earners in the country reducing inequality and poverty (1) • Through government investment in education (1), human capital can be improved (1). This may result in a person being able to get a job in the future reducing inequality and poverty (1) Accept any other appropriate response	(3)

Question Number	Indicative content	Mark
3(d)	A02 (3 marks)/A03 (3 marks) A02 and A03 • The level of consumer confidence will be an important factor that determines the willingness of consumers to spend, borrow and save • Inflation reduces purchasing power for consumers • High rates of inflation such as 25% in Argentina will result in consumers experiencing a fall in living standards as they cannot afford to purchase the same amount of goods and services • High rates of inflation make it difficult for consumers to know what they can afford or how much they need for purchases such as cars • High rates of inflation may discourage consumers from saving as they expect the value to decrease • Consumers are more likely to demand higher wages to keep up with inflation	(6)

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

Question Number	Indicative content	Mark
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Unemployment occurs when people of working age who are both willing and able to work cannot find a job • High levels of unemployment such as 27.7% will result in lower GDP as a large part of the workforce will be unproductive • There will be a much greater burden on the government to provide benefits to the unemployed • At the same time tax revenues will be lower meaning less is available to spend elsewhere • The government may have to provide more education and training schemes, especially for young people as 60.3% of young people have never had a job • There may be an increase in poverty within the country as unemployed workers have no income apart from benefits from the South African government AO4 • However, high rates of unemployment may help some firms compete • Some firms within South Africa may find it easier to recruit from a larger pool of workers due to the 27.7% unemployment rate • Some firms may see a reduction in labour costs if there are high levels of unemployment due to fewer wage demands • The overall impact will depend upon the type of unemployment, the duration and the state of the economy in South Africa	(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 1 mark for calculating the tariff Award 1 mark for calculating the final selling price in ¥ for 2018 $225 \times 0.08 = 18$ (1) $225 + 18 = ¥ 243$ (1) Award 2 marks if the final selling price is accurately calculated, with ¥ symbol with no workings shown Do not award marks for the formula	(2)

Question Number	Indicative content	Mark
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • A current account surplus means an economy is exporting a greater value of goods and services than it is importing • China's current account has been in surplus with a high of over \$900bn in January 2016 • China's current account surplus benefits the country in terms of employment as higher export sales help to create jobs • This encourages economic growth and a higher GDP • This is likely to result in a higher standard of living for China • China's current account surplus will mean that it will have surplus foreign exchange it can use to invest in other countries	(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 • There will be a reduction in prices of imports for Chinese consumers now that the average tariff has been reduced from 17.3% to 7.7% • There would be an increase in competition for domestic firms which may encourage them to become more efficient • Chinese consumers will not only have a greater choice but may have access to better quality goods which cannot currently be met domestically • Chinese consumers would see an increase in living standards overall • If China reduces its tariffs other countries may do the same which would make it easier for China to export more goods AO4 • However, tariffs can be a good way to protect Chinese infant industries which may now face increased competition from cheaper imports from MNCs such as Nestle or Proctor & Gamble • This may result in an increase in unemployment in Chinese firms who make consumer products • Tariffs are also a good way to gain revenue for the Chinese government and this will be reduced as tariff rates have fallen from an average of 17.3% to 7.7% • Reducing tariffs may also reduce the surplus on the current account balance as more consumers buy imported products • However, the overall impact on the Chinese economy may be limited as it also depends on whether Chinese consumers do switch to imported goods rather than buy Chinese products • It may not have a great impact as only 200 products are involved	(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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