



Mark Scheme (Results)

January 2020

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.

Question Number	Answer	Mark
1(a)	AO1 1 marks C free trade	(1)

Question Number	Answer	Mark
1(b)	AO1 1 mark B Invisible trade	(1)

Question Number	Answer	Mark
1(c)	AO1 2 marks Award 1 mark for reference to being willing and able and 1 mark for reference to unable to find employment People are willing and able to work/actively seeking work (1) but cannot find employment (1) . Accept any other appropriate responses.	(2)

Question Number	Answer	Mark
1(d)	AO1 2 marks Award 1 mark for reference to decision and 1 mark for reference to not being both achievable The choice between two objectives (1) , where for one objective to increase the other must decrease (1) . Accept any other appropriate responses.	(2)

Question Number	Answer	Mark
1(e)	A02 2 marks Award 1 mark for showing the calculation. $\frac{8 \text{ million}}{72 \text{ million}} \times 100 \text{ (1)}$ Award 1 mark for the correct answer. = 11.11% (1) Award 2 marks if the rate of unemployment is correctly calculated as 11.11%, with percentage sign, even if no calculations are shown. Award 1 mark if correct answer is shown, but with no percentage sign, even with or without calculations. Do not award marks for the formula.	(2)

Question Number	Answer	Mark
1(f)	A02 3 marks Award 1 mark for leftward shift of supply, 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 reason Award 1 mark for developing the reason Award 1 mark for the response being in context • If the quality of domestically produced goods is poor compared to imported foreign goods (1) then fewer consumers will buy these goods (1). Imports are likely to increase which contributes to the current account deficit of \$5.082bn (1). • If domestically produced goods are of poor quality (1) then there is less chance of exporting these goods to other countries (1). Exports are likely to fall which contributes to the current account deficit of \$5.082bn (1). Accept any other appropriate response.	(3)

Question Number	Indicative content	
1(h)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Subsidies are financial support from a government to lower the production costs of domestic firms • In this case, the Indian Government is providing a production subsidy of \$725m to the farmers of sugar cane • Subsidies will lower the price of Indian produced sugar cane and increase sales • Financial support in the form of subsidies can help to protect local jobs • Subsidies can also help to encourage agricultural output of sugar cane by encouraging an increase in supply • Subsidies can help to improve competitiveness against firms in other countries such as Australia that may not receive government assistance	
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 B Progressive	(1)

Question Number	Answer	Mark
2(b)	AO1 1 mark D Indirect taxes	(1)

Question Number	Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one correct method. • taxation • subsidy • regulation • fines • pollution permits • government provision of parks Accept any other appropriate responses.	(1)

Question Number	Answer	Mark
2(d)	AO1 2 marks Award 1 mark for reference to standard of living and 1 mark for reference to typical standards in society The standard of living is below (1) the typical living standards in that society (1). OR In the EU it is 60% (1) of the median income (1) Accept any other appropriate responses.	(2)

Question Number	Answer	Mark
2(e)	AO2 3 marks Award 1 mark for identifying a relevant advantage using a fine Award 1 mark for developing the advantage Award 1 mark for the response being in context - One advantage is that this can raise a large amount of revenue (1). The parking fines have raised £10.4m which could be used to improve public services (1) This can lead to increased economic growth in the Manchester area (1). - One advantage is that it stops motorists parking illegally (1). Having to pay a fine of £30 reduces the income of motorists (1). This means that there might be an increase in the number of people using public transport rather than cars (1). Accept any other appropriate response.	(3)

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 • One reason is that not all income from earnings is declared/the hidden economy (1). Some people under declare their earning from jobs such as taxi driving (1). This reduces the amount of Greece's GDP which is accurately recorded (1). • One reason is some countries record GDP differently (1). Some activities such as subsistence farming in Greece may not be included in GDP figures (1). Therefore, Greece's GDP figures may not be an accurate record of the total economic activity in an economy (1). Accept any other appropriate response.	(3)

Question Number	Indicative content
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Seasonal workers are employed at particular times of the year when demand for labour is higher than usual • Seasonal employment is often associated with industries such as agriculture, tourism and construction • The New Zealand Government could use supply-side policies to try and encourage the recruitment of more seasonal workers into the kiwifruit industry • This can be done by offering financial incentives to firms for training and hiring the long term unemployed in the area to work on the kiwifruit farms • The New Zealand Government could ensure that there are lower income tax rates to encourage working rather than relying on welfare benefits • The New Zealand Government may offer financial incentives for the kiwifruit growers to invest in more capital intensive farming methods which remove the need for labour AO4 • However, supply-side policies can take a very long time to be effective • Training and the hiring of new workers may take a long time and the industry needs 1,200 workers immediately to pick the remaining 70% of the crop • Many workers may prefer to remain unemployed due to the seasonal nature of the industry, preferring more stable employment • There is a financial cost to the government of offering any incentives to the kiwifruit industry which could be spent on other areas of the economy • It could be argued that the shortage of workers should be resolved by the kiwifruit industry rather than the government and the shortage could be due to poor wages or working conditions

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 B government revenue is greater than government expenditure	(1)

Question Number	Answer	Mark
3(b)	AO1 1 mark A appreciation	(1)

Question Number	Answer	Mark
3(c)	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 • One reason is for business/consumer confidence (1). If prices of goods and services are stable at 3% (1) this can help consumers/firms plan for their future spending (1). • One reason is to keep Cyprus internationally competitive (1). This may lead to higher export sales if competitors have higher than 3% inflation (1), thus reducing unemployment (1). Accept any other appropriate response.	(3)

Question Number	Indicative content	
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Changes in the interest rates in South Africa will affect whether people will want to deposit money in South Africa • If South Africa has higher interest rates relative to other countries it will become more attractive to deposit money in South Africa • This is often referred to as hot money • Savers will get a better rate of return from saving in South African banks – now 6.75% • Therefore demand for the South African Rand will rise causing an appreciation of the currency	
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
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Business tax is a direct tax on the profit of a firm • Cuts in business taxes can help provide a firm with additional funds to expand its factors of production • Lower business taxes can also provide an incentive to firms to increase investment thereby increasing output • This is likely to result in increasing GDP and employment • The US has already lowered business taxes from 35% to 21% and has plans to reduce this further to 15% • This could result in firms setting up in the US rather than other countries such as Mexico who have a business tax of 30% thereby increasing productive capacity and total output from the increased investment AO4 • However, MNCs might be attracted to countries in Figure 3 such as Canada and Ireland which have lower business taxes compared to the US • Lowering business taxes by such a large percent may result in less tax revenue for the US government rather than any increase in investment if firms do not locate in the US • Less government revenue may result in less government investment • There is no guarantee that firms will reinvest the additional capital into expansion and could just give the saving in taxes to shareholders in the form of dividends

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 showing the calculation. $\frac{9 - 10}{10} \times 100 \text{ (1)}$ Award 1 mark for the correct answer. = -10% (1) Award 2 marks if the percentage change of -10% is accurately calculated with no workings shown Award 1 mark if % is missing i.e. -10 Do not award marks for the formula	(2)

Question Number	Indicative content	
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Monetary policy is the use of interest rates and the money supply to achieve price stability • An increase in interest rates may help to reduce the amount that consumers and firms borrow as the cost increases to take out loans, mortgages and to spend on credit cards • Higher interest rates may also encourage some consumers to save more thus reducing spending within the Kenyan economy • This may result in less demand-pull inflation within the Kenyan economy • A rise in interest rates may also increase the exchange rate in Kenya making imports cheaper for both consumers and firms • This may also help to reduce cost-push inflation in Kenya	
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
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • Globalisation is the increased integration and interdependence of economies • The flower industry is an important contributor to Kenya's GDP and provides employment opportunities for many with over 100,000 people employed in this industry • Higher levels of employment could result in an increase in living standards for the flower farmers and other employees who are indirectly employed at places like the airport • Due to exports from the flower industry, there should be greater tax revenue for the Kenyan Government, an increase in AD and lower unemployment • Globalisation could result in Kenyan workers in the flower industry having a greater choice of goods and services from the wages they earn on the flower farms AO4 • However, the flower industry may cause damage to the environment from the use of water to grow the flowers which could result in lower standards of living for the workers and the local environment near Lake Naivasha • The cost of this would have to be paid for by the Kenyan Government • There could be environmental damage from the aircraft when the flowers are flown abroad which has to be paid for by society • There could be greater dependence on the flower industry and if global demand falls for flowers then many of the benefits from globalisation will not be achieved • The revenue from the flower industry may not filter down to the workers if the farms are owned by foreign investors • Often there are poor working conditions, including low pay and long hours, especially in the agricultural sector • The overall impact will depend upon how sustainable the flower industry is and if the benefits are shared by all members of the Kenyan economy

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).