



Mark Scheme (Results)

October 2020

Pearson Edexcel GCE

In Economics B (9EB0/02)

Paper 2: Competing in 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.

Section A

Question Number	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge/understanding 1, Application 3</p> <p>Knowledge/understanding: 1 mark for correct formula for calculating index:</p> <p>(Average price of butter in July 2018/Average price of butter in July 2013) x 100 (1) OR (price in current year/price in base year) x 100</p> <p>Application: up to 3 marks for calculating the index for July 2018</p> <p>£1.80/£1.51 (1)</p> <p>1.19 X 100 (1)</p> <p>and 1 mark for the correct answer:</p> <p>119 (1)</p> <p>NB if no working is shown award marks as below: If the answer given is 119 award 4 marks.</p>	(4)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for identifying a likely impact e.g. reduced market share for competitor firms (1)</p> <p>Application: up to 2 marks are available for contextualised answers, e.g. would create a giant firm with around £51bn in sales (1) and the combined firm could account for around 30% of UK grocery sales (1)</p> <p>Analysis: 1 mark available for developing explanation: e.g. this increased market share could make it more difficult for competitors to compete, causing some to exit the market (1)</p>	(4)

Question Number	Answer	Mark
1(c)	<p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for a reason, e.g. rising food prices (1)</p> <p>Application: up to 2 marks are available for a contextualised answer from Extract B, e.g. <i>Aldi</i> and <i>Lidl</i> controlled more than 13% of the UK grocery market in 2018 (1) and the market share of <i>Aldi</i> and <i>Lidl</i> has increased by 4% since 2014 (1)</p> <p>Analysis: 1 mark for developing the analysis, e.g. Rising food prices mean consumers become more willing to shop around for lower prices, therefore sales for the discount supermarkets increase (1)</p>	(4)

Question Number		
1(d)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks Cost-push inflation means costs for firms are rising (1) In response, firms raise their prices causing inflation (1)</p> <p>Application: up to 2 marks Sustained increase in input cost inflation between October 2016 and April 2017 (1) reaching 4% in April 2017 (1)</p> <p>Analysis: up to 2 marks Rising cost-push inflation means firms raise their prices and consumers are able to buy fewer goods and services (1) This will reduce AD and decrease economic growth (1)</p>	(6)

Question Number	Indicative content	Mark
1(e)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Real wages take into account inflation whereas nominal wages do not • Real wages give a better indication of purchasing power than nominal wages • If real wages are falling then consumers can buy fewer goods and services than they previously did • Falling real wages will decrease demand for normal goods • The demand for normal luxuries will fall more than demand for normal necessities • Demand for inferior goods may increase as real wages fall • Supermarkets such as <i>Aldi</i>, <i>Lidl</i> and <i>B&M</i>, selling inferior goods, have seen increasing sales revenue and market share • A response by <i>TESCO</i> to this increase may be to increase its budget products • <i>Jack's</i> is a response to this increase in demand for inferior goods • However, the extent of the effect on supermarkets depends on how sustained the fall in real wages turns out to be • The effect also depends on the extent to which inflation continues to increase in other sectors such as energy and housing costs • The impact also depends on customer loyalty and the level to which shopping is a habitual activity 	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

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Question Number	Indicative content	Mark
1(f)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Oligopolies such as the 'big four' (which would become the "big three") may behave like one, large firm and exploit their market power to charge high prices for consumers and demand low prices from suppliers • Increased market power over consumers may mean firms become price makers, rather than price takers • Allows firms to charge higher prices than would otherwise be the case • May also allow firms to reduce expenditure on customer service and advertising • May mean that consumers have to pay higher prices or switch to cheaper goods and services • The merger between <i>Asda</i> and <i>Sainsbury's</i> is likely to have this effect on consumers • This is one reason why the merger is being investigated by the CMA – to protect consumers • The "squeezing" of suppliers may lead to these suppliers exiting the market as they become less profitable or loss making • Increased market power over suppliers may mean firms are able to benefit from purchasing economies of scale • This means firms may be able to increase profitability • However, this may also mean that firms can pass on the cost savings in the form of lower prices • Consumers may benefit from lower prices • The "squeezing" of suppliers might lead to these firms increasing efficiency • The increase in market share of the discount supermarkets has reduced the market power of the 'big four' • This increased competition may benefit consumers and suppliers 	(10)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–4	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	5–7	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	8–10	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

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Question Number	Indicative content	Mark
1(g)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Food price inflation shows the average price level for food in the UK economy • All households spend on food, therefore it is an important component of the CPI • The ability to buy food is a basic need and an important indicator of living standards • The UK has rising obesity levels and type 2 diabetes, this can be an outcome of cheap, unhealthy food being substituted for more expensive, healthy food • Falling real incomes mean that the opportunity cost of maintaining food purchases might be energy/heating/lighting/clothing • 4% food price inflation in each month Oct 17 to Jan 18 • This reduces disposable income on other goods and services • Those on fixed and low incomes will be more affected than those on rising or high incomes • High income groups spend less as a percentage of their income on food • Much UK food is imported, thus new tariffs and other barriers to imports might increase food price inflation • Rising food bank use indicates that more households are finding it very difficult to buy basic food on a regular basis • However, the long-term impact on living standards depends on how long food price inflation is sustained and the size of this inflation • Food price inflation depends on many factors, including weather and transport costs. As these factors change, food price inflation may reduce (food price inflation was negative in Jan 17) and living standards may be less affected • As consumers become more price aware, this may provide an incentive for firms to become more price competitive to maintain market share, reducing the impact on living standards • The rising food prices might reduce food waste, as consumers buy less food and use more of what they buy, reducing environmental costs and having less impact on living standards 	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

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Question Number		Mark
1(h)	<p data-bbox="406 275 1204 353" style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul data-bbox="422 398 1236 1825" style="list-style-type: none"> • Problems might include: diseconomies of scale; internal communication problems; clashes of corporate culture • The merger is an example of horizontal integration • This merger of two established brands may diminish the brand identity of each • The new large firm may experience diseconomies of scale, as the output of the firm may increase and average total costs rise due to inefficiency (too big to manage efficiently) • Risk of unsuccessful merger and loss of brand identity for both firms and loss of reputation • There must be some reason <i>Sainsbury's</i> and <i>Asda</i> have for seeking to merge, e.g. falling revenues and market share • The cost of the merger may be very high – the impact on the new firm will depend on how this has been financed • Chains of command may be extended, as may lead times, in the larger firm. This may make the new firm relatively slow to respond to changes in the market • However, both firms are already established brands, so do not have to invest in the development of new products • Both firms may be acquiring new supply chains, which could be used across the new, larger firm • Synergy between <i>Sainsbury's</i> and <i>Asda</i> may result in the sharing of technology and increased dynamic efficiency, reducing the impact of diseconomies of scale • The merged firms may benefit from increased economies of scale such as purchasing and marketing economies of scale • The larger size and revenues of the large firm may increase dynamic efficiency • The larger size of the new firm might enable it to expand into new, overseas markets and invest in increased vertical integration 	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well developed arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

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Section B

Question Number	Indicative content	Mark
2	<p style="text-align: center;">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Trade liberalisation involves the removal or reduction of trade restrictions including tariffs, quotas and non-tariff barriers, such as regulations. • Trade liberalisation may increase access to large developed markets, such as Canada accessing the USA market • This may result in a rise in sales revenue for MNCs in many economies, including the USA, Canada and Mexico • Trade liberalisation allows for the development of comparative advantage and for increased efficiency as countries specialise and trade, boosting net exports and growth • Specialisation and trade means more goods and services are produced from the same quantity of inputs, increasing growth • Trade liberalisation allows firms to access resources, commodities and components from other countries, promoting efficiency, adding value and increasing growth • Trade liberalisation produces trade creation, where increasing net exports boosts economics growth • Trade liberalisation can attract FDI as MNCs look to produce and sell in free markets, increasing consumption and investment to increase growth • However, the creation of free trade areas and trade blocs can lead to trade diversion, where low cost producers outside of a bloc are excluded or subject to trade barriers. This can reduce growth • Trade liberalisation can produce imbalanced growth, as MNCs look to produce at the lowest cost, e.g. USA firms locating in Mexico reducing growth in the USA but increasing growth in Mexico • Trade liberalisation can create trade surpluses in some economies and equivalent deficits in others. This can increase political tensions, uncertainty and reduce growth in the long term 	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well-developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

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Section C

Question Number	Indicative content	Mark
3	<p style="text-align: center;">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Fiscal policy is the use of taxation and government spending to achieve macroeconomic goals • Inequality relates to issues of equity in terms of the allocation of income and wealth • Reduction in inequality and/or redistribution of income may be a macroeconomic goal • Taxation can be progressive and direct, e.g. income tax or regressive and indirect, e.g. VAT • Income inequality can be reduced by increasing progressive taxation and decreasing regressive taxation • This is because the rate of progressive taxation increases as income rises whereas the rate of regressive taxation is the same regardless of income • Income inequality can also be reduced through government spending on benefits such as pensions, unemployment and other benefits • If income inequality is to be reduced, then such benefits need to be increased in line with inflation so as to maintain their real value • Income inequality in the UK is above EU average but lower than in the USA • However, in the end, decisions about the distribution of income and wealth, as well as the use of taxation and government spending, are political decisions • Government taxation and spending can have unintended consequences, e.g. high rates of direct taxation can increase tax avoidance and decrease tax revenue • Modern Money Theory (MMT) suggests that job guarantee schemes can be created to reduce unemployment and income inequality without increasing taxation • Income guarantee schemes have been piloted in some cities, e.g. Ontario, but have been characterised by many of the same problems as the minimum wage when the income has been set too low to avoid absolute poverty 	(20)

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