Mark Scheme (Results)

Summer 2024

Pearson Edexcel International GCSE
In Econcomics (4EC1)
Paper 2: 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.

Mark Scheme: June 2024
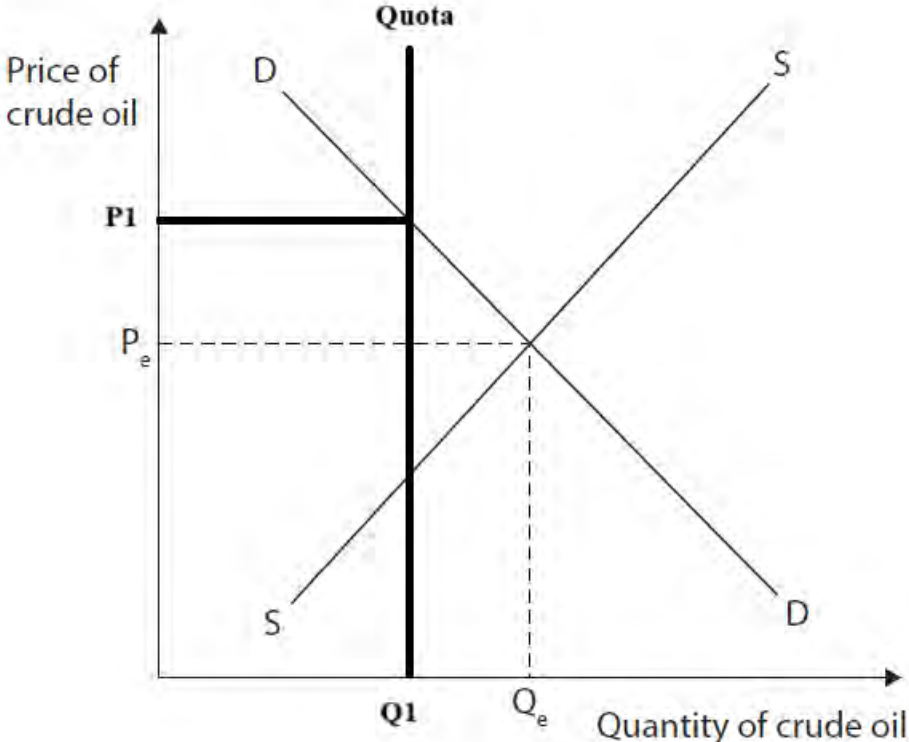Paper 2: Macroeconomics and the Global Economy (4EC1/02)

Question Number	Which one of the following is an advantage of multinational corporations (MNCs) operating in a country? Answer	Mark
1(a)	AO1 1 mark The only correct answer is: C Developing skills A is not correct because this is a disadvantage of MNCs B is not correct because MNCs often cause pollution in other countries D is not correct because MNCs often move profits back to their own countries	(1)

Question Number	Which one of the following is a measurement of gross domestic product (GDP)? Answer	Mark
1(b)	AO1 1 mark The only correct answer is: B Total value of goods and services produced within an economy A is not correct because of GDP focuses on the production aspect of goods and services rather than the value traded C is not correct because exports are only a part of the total production within an economy D is not correct because it the value of imports is not used in the calculation of GDP	(1)

Question Number	What is meant by the term the current account on the balance of payments? Answer	Mark
1(c)	AO1 2 marks Award 2 marks for a correct definition A record of all transactions (1) relating to international trade (1) OR It is where the total value of exports and imports (1) are recorded (1) Accept any other appropriate response	(2)

Question Number	Describe one way business activity can damage the environment. Answer	Mark
1(d)	AO1 2 marks Award 1 mark for reference to a way and 1 mark for the development of the way One way is by air pollution (1) due to factories releasing large amounts of greenhouse gases into the air (1) Accept any other appropriate response	(2)

Question Number	Calculate the total amount of revenue in £bn raised by direct taxes in February 2023. You are advised to show your working. Answer	Mark
1(e)	AO2 2 marks Award 1 mark for selecting direct taxes from the table £20bn + £7.6bn (1) Award 1 mark for the correct answer = £27.6bn (1) Award 2 marks if the correct answer is £27.6bn even if no calculations are shown Award 1 mark if £bn is missing i.e. 27.6 with or without calculations shown Do not award marks for the formula.	(2)

Question Number	Using the diagram below, draw the effects of the introduction of the quota on the equilibrium price and quantity of crude oil in China. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
1(f)	AO2 3 marks Award 1 mark for a perfectly inelastic supply curve, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for lower equilibrium quantity, labelled 	(3)

Question Number	Explain one reason why there may be a link between economic growth and inflation for an economy.	Mark
	Answer	
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 • One reason is that economic growth can lead to a rise in demand for goods and services (1). Due to supply not keeping up with demand (1) prices rise/inflation occurs as demand is greater than supply (1) Accept any other appropriate response	(3)

Question Number	With reference to the data above and your knowledge of economics, analyse the disadvantages to firms in South Africa of being a member of the AfCFTA.	Mark
	Indicative content	
1(h)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Trading blocs are usually groups of countries in specific regions that negotiate preferential trading agreements between themselves with reduced trade barriers • As more firms from different countries in the AfCFTA enter the South African market, domestic firms may face increased competition • Foreign firms may have advantages such as lower costs of production, better technology or greater access to resources which can give them an advantage over domestic firms • This could lead to lower prices and profit margins, making it harder for domestic firms to survive in the market • If South African firms are unable to compete with other firms in the trade bloc they may be forced to close or to reduce their workforce	(6)

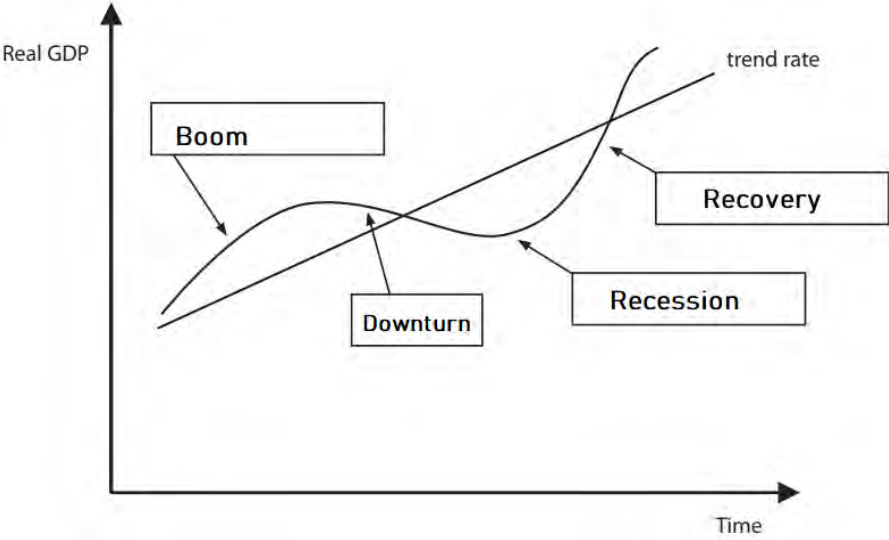| Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation 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	What is the likely impact of lower transport and communication costs on an economy? Answer	Mark
2(a)	AO1 1 mark The only correct answer is: C Increased economic growth A is not correct because it is likely to create more job opportunities B is not correct because it will make it easier and cheaper for firms to trade internationally D is not correct because it can make it easier and cheaper for consumers to purchase goods and services	(1)

Question Number	Which one of the following types of unemployment is caused by changes in the business cycle? Answer	Mark
2(b)	AO1 1 marks The only correct answer is: D Cyclical A is not correct because this occurs due to a mismatch between the skills and qualifications of workers and the requirements of available jobs B is not correct because this occurs due to seasonal changes in the demand for labour C is not correct because this occurs when workers are in between jobs or transitioning to a new career	(1)

Question Number	State one possible impact of a current account deficit. Answer	Mark
2(c)	AO1 1 mark Award 1 mark for one possible impact • Leakage from the economy • Problems finding foreign currency reserves to fund the deficit • Can be inflationary • Increasing unemployment • Falling output/GDP Accept any other appropriate response	(1)

Question Number	What is meant by the term fines? Answer	Mark
2(d)	AO1 2 marks Award up to 2 marks for a correct definition Financial penalties imposed on individuals or businesses (1) who break the law/disobey regulations (1) Accept any other appropriate response	(2)

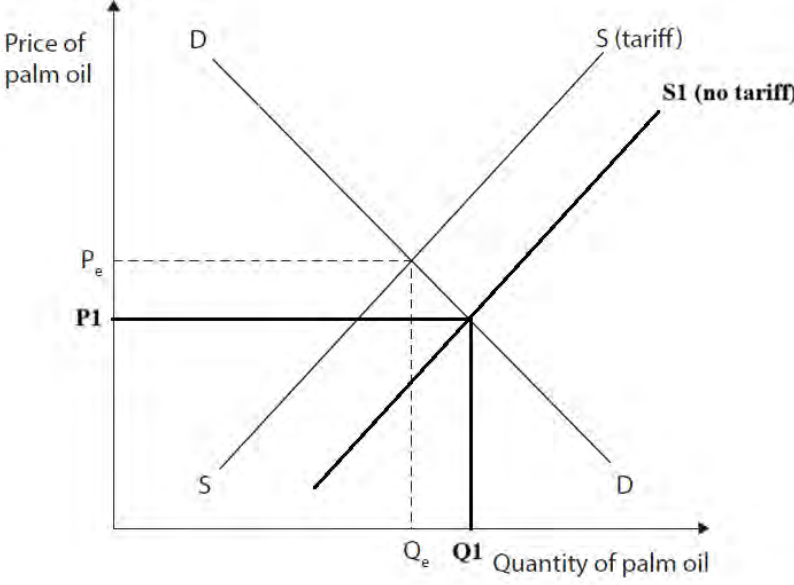| Question Number	Explain one way progressive taxation can help to reduce poverty for a country such as the US. Answer	Mark
2(e)	AO2 3 marks Award 1 mark for identifying a relevant way Award 1 mark for developing the way Award 1 mark for the response being in context • Those that earn more pay a higher percentage in tax (1) which can pay for unemployment benefits, healthcare services and education subsidies (1) that can provide help for those who are struggling financially (1) • It reduces the income gap between the wealthy and people with lower incomes (1). Taking more taxation as a proportion from higher income earners (1) reduces the burden on workers with lower incomes (1) Accept any other appropriate response	(3)

Question Number	Using the diagram below label the remaining three stages of the economic cycle in the boxes on the diagram.	Mark
	Answer	
2(f)	AO2 3 marks Award 1 mark for Boom, labelled Award 1 mark for Downturn, labelled Award 1 mark for Recovery, labelled 	(3)

Question Number	With reference to the data above and your knowledge of economics, assess the possible benefits for the US of giving subsidies for green technology. Indicative content	Mark
2(g)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • Subsidies are payments by the government to suppliers that reduce their costs • Subsidies can be used to promote domestic green technology industries that are deemed important for economic and social objectives • The $369bn can be used to encourage the production of renewable energy in the US producing batteries, solar panels and wind turbines • Subsidies can be used to encourage exports, by making domestic goods such as solar panels, more competitive on the global market thereby reducing trade deficits • Subsidies can be used to protect domestic employment by supporting US industries that might otherwise struggle to compete with foreign rivals in China • It may help to create new factories and millions of jobs as well as in related industries, such as manufacturing and construction, if green technology firms are attracted to the US to take advantage of the subsidies AO4 • However, subsidies may create a dependence on the US Government which can make it difficult for these projects to be self-sustaining in the long-term • Subsidies can be expensive for the US Government and may divert funds away from other important priorities • Subsidies may be allocated inefficiently and may not be targeted towards the most effective or innovative green technologies • There could be retaliation from the EU and the UK that are unhappy with these subsidies and they could offer their own subsidies to attract green technology firms away from the US • Therefore, this may make the use of subsidies an inefficient use of resources by the US Government	(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	Which one of the following is an example of Foreign Direct Investment (FDI)? Answer	Mark
3(a)	AO2 1 mark The only correct answer is: A A Japanese car company buying an Indonesian car company B is not correct because this is an example of importing goods C is not correct because this is an example of domestic trade D is not correct because this an example of exporting goods	(1)

Question Number	How many US dollars ($) would it take to purchase £150? Answer	Mark
3(b)	AO2 1 mark The only correct answer is: C $187.50 A is not correct because this 0.80 x 150 B is not correct because this is 150 + 0.80 D is not correct because this is 150 + 80	(1)

Question Number	Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of palm oil imported into the UK from Malaysia. Label the new curve, the new equilibrium price and the new equilibrium quantity. Answer	Mark
3(c)	AO2 3 marks Award 1 mark for a right shift of supply, labelled Award 1 mark for lower equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled 	(3)

Question Number	With reference to the data above and your knowledge of economics, analyse the possible benefits for consumers of globalisation. Indicative content	Mark
3(d)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 • Consumers can access a wider range of goods and services from different countries including luxury items, exotic foods and digital products that were previously unavailable or expensive • Increased competition and economies of scale have led to lower production costs which in turn have reduced prices for many consumer goods, such as clothing, electronics and household items • As consumers have access to more and cheaper goods, their purchasing power has increased • This can lead to higher living standards, better health and improved quality of life • Globalisation has facilitated the transfer of knowledge and technology across borders • This has led to new innovations, such as smartphones, online entertainment and e-commerce	(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	With reference to the data above and your knowledge of economics, assess how a recession may affect inflation in a country such as Germany. Indicative content	Mark
3(e)	AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks) AO2 and AO3 • A recession is two consecutive quarters of negative growth • During a recession households and firms tend to reduce their spending which results in lower demand for goods and services • This decrease in (aggregate) demand can lead to lower prices for goods and services • **This could help to reduce Germany's** 10.4% rate of inflation • Firms in Germany may experience lower production costs due to lower input prices such as lower wages or lower prices for raw materials • This can result in lower prices for goods and services and again help to lower inflation AO4 • However, the effects of a recession on inflation may depend on the type of inflation Germany is suffering • Inflation can be caused by cost-push factors rather than demand-pull factors • Germany has been suffering from an energy crisis due to high gas and oil prices • This could feed through to higher production costs for firms resulting in higher prices and therefore high rates of inflation • The central bank may pursue an expansionary monetary policy during a recession by keeping interest rates low • This can lead to higher inflation even if economic growth is weak	(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	Calculate the fiscal deficit or surplus in CAD$bn for Canada in 2021–2022. You are advised to show your working Answer	Mark
4(a)	AO2 2 marks Award 2 marks for calculating the fiscal surplus 38.815 CAD$bn – 35.897 CAD$bn (1) = 2.918 CAD$bn (1) Award 2 marks if the fiscal surplus is accurately calculated as 2.918 CAD$bn even if no calculations are shown Award 1 mark if CAD$bn is missing i.e. 2.918 with or without calculations shown No marks for formula	(2)

Question Number	With reference to the data above and your knowledge of economics, analyse the relationship between inflation and interest rates for a country such as Canada. Indicative content	Mark
4(b)	AO2 (3 marks)/AO3 (3 marks) AO2 and AO3 - Inflation is the rate at which prices are rising in an economy - Interest rates refer to the cost of borrowing or the return on savings - Higher inflation can lead to a decrease in the purchasing power of a currency - To combat inflation central banks such as the Bank of Canada may increase interest rates to encourage saving and reduce borrowing - This can slow down spending in the economy and decrease demand-pull inflation - An increase in interest rates may also increase the exchange rate in Canada making imports cheaper for both consumers and firms - This may also help to reduce cost-push inflation in Canada towards its 2% target rate from 5.2%	(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	With reference to the data above and your knowledge of economics, evaluate the possible advantages of using education and training to reduce structural unemployment for a country such as Canada. Indicative content	Mark
4(c)	AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks) AO2 and AO3 • Education and training are examples of supply-side policies designed to improve the productive potential of an economy • Education and training can help individuals acquire the skills they need to fill the one million job vacancies • This could reduce the skills gap and mismatch between the skills that workers possess and the skills/human capital that employers require • As a result, this can lead to a reduction in structural unemployment as individuals become better equipped to fill the job vacancies • A quarter of job vacancies are for low skilled jobs, so these schemes could help to provide digital skills or basic skills to be able to gain employment • It can increase employability and earning potential for unemployed workers or for workers wanting to gain new skills or career advancement • Education and training boosts productivity and economic growth by enhancing the overall skill level of the workforce AO4 • It can be costly for the Canadian Government with the financial support for adult scheme costing $815m alone • It may take time to complete education and training courses which could be a disadvantage for those who need to start earning income immediately • The cost of training may be high for individuals even with financial support from the government • The skills being taught may not match the needs of employers or reach those who need them the most • Employers may not be willing to hire individuals without experience even if they have completed more training • Some of **Canada's** unemployment may not be structural and could be due to cyclical unemployment • Individuals may not have the necessary resources such as transportation or childcare to participate in training programmes • The overall advantages will depend on how effective education and training is and the reasons for the one million job vacancies	(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).