

Mark Scheme

Sample assessment materials
for first teaching September
2017

International GCSE in Economics
(4EC1/02)

Paper 2: Macroeconomics and
the Global Economy

Question number	Answer	Mark
1(a)	AO1 1 mark	
	A Cyclical	(1)

Question number	Answer	Mark
1(b)	AO2 1 mark	
	B Richer people pay a higher proportion of their income in tax	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks	
	Award 1 mark for reference to rise in general price level and 1 mark for reference to time period.	
	A sustained increase in the general price level of goods and services in an economy (1) over a period of time (1).	(2)

Question number	Answer	Mark
1(d)	AO1 2 marks	
	Award 1 mark for reference to the impact and 1 mark for development of the impact.	
	Increase in cost of supplies (1) reduces profitability (1).	(2)

Question number	Answer	Mark
1(e)	AO2 2 marks	
	Award 1 mark for showing the calculation and 1 mark for the correct answer.	
	$12 \times \text{€}1.30 (1) = \text{€}15.60 (1)$	
	Award 2 marks if the correct answer is shown, with euro symbol, even if no calculations are shown.	
	Award 1 mark if correct answer is shown, but with no euro symbol, even if no calculations are shown.	(2)

Question number	Answer	Mark
1(f)	<p style="text-align: center;">A02 3 marks</p> <p>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.</p>	(3)

Question number	Answer	Mark
1(g)	<p style="text-align: center;">A02 3 marks</p> <p>Award 1 mark for identifying a relevant disadvantage and 2 marks for developing the explanation.</p> <ul style="list-style-type: none"> • One problem is that of environmental damage (1). As GDP increases, so does the demand for cars and transport (1). Increased car use causes air and noise pollution, with external costs (1). • One problem is that of unsustainable growth (1). Economic growth means increased output of goods and services (1). This may mean using non-renewable resources such as oil and metals, which is unsustainable (1). <p>Accept any other appropriate responses.</p>	(3)

Question number	Indicative content	
1(h)	AO2 (3 marks)/AO3 (3 marks)	
	AO2 and AO3	
	<ul style="list-style-type: none"> • Fiscal policy is the use of government spending and taxation to affect the economy. • Increased government spending and/or reduced taxation should cause the economy to expand. • Increased government spending may create jobs and income, e.g. more road building means more people needed to build the roads and supply the materials. • Reduced taxes mean more income left over to spend. • Both will increase demand in the economy. • More demand will mean that more needs to be produced to meet that demand. • Increased production means more goods and services being produced therefore GDP increases. 	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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)	AO1 1 mark	
	C Consumer price index	(1)

Question number	Answer	Mark
2(b)	AO2 1 mark	
	B	(1)

Question number	Answer	Mark
2(c)	AO1 1 mark	
	Award 1 mark for one correct cause.	
	<ul style="list-style-type: none"> • Improved communications. • Improved transport. • The internet. 	
	Accept any other appropriate responses.	(1)

Question number	Answer	Mark
2(d)	AO1 2 marks	
	Award 1 mark for reference to nature of policy and 1 mark for reference to aim of policy.	
	Using interest rates (1) to influence the level of overall demand in the economy (1).	(2)

Question number	Answer	Mark
2(e)	AO2 3 marks	
	Award 1 mark for identifying a role of the WTO and 2 marks for developing the explanation.	
	<ul style="list-style-type: none"> • To settle trade disputes (1). When a problem arises between two countries such as Brazil and Thailand over sugar subsidies, the WTO organises meetings (1) by bringing the two sides together and acting as mediator to help find a solution (1). • To encourage free trade (1). It holds 'rounds' of negotiation to bring countries together to increase free trade (1). It persuades countries to reduce/abolish tariffs and other barriers to trade (1). 	(3)

Question number	Answer	Mark
2(f)	<p style="text-align: center;">A02 3 marks</p> <p>Award 1 mark for identifying a difference between the patterns of trade and 2 marks for developing the explanation.</p> <p>One difference is the size of the primary sector and reliance on primary products (1). Developed countries have exhausted many raw materials and moved away from agriculture so need to import these commodities (1). However, the secondary and tertiary sectors are more developed and they export goods and services to developing countries (1).</p> <p>Accept any other appropriate responses.</p>	(3)

Question number	Indicative content
2(g)	<p style="text-align: center;">A02 (3 marks)/A03 (3 marks)/A04 (3 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none"> • The government could invest more in education and training. • If people are better educated they are more likely to find employment or a better paid job. • This will improve their level of disposable income. • This should move them out of relative poverty. • More training will help people to acquire new skills and make them more employable. • These measures should lift some people out of relative poverty. <p>A04</p> <ul style="list-style-type: none"> • Investing in a better educational system and more training schemes will be expensive. • This may not be possible in times of austerity. • Such schemes are long-term in nature and may take some time before they work. • Figure 2 would suggest that existing education and training reforms appear to be having little impact. • Not all of those living in relative poverty may want to undertake further training/employment. • Much will depend upon the amount the government invests and the effectiveness of further changes to education and training. <p>Accept any relevant government policy, e.g. government expenditure on financial benefits, increasing the minimum wage rate, decreasing taxation for poorer families or improving educational opportunities.</p>

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	0	No rewardable material.
Level 1	1–3	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	
	C Government expenditure is greater than government revenue	(1)

Question number	Answer	Mark
3(b)	AO1 1 mark	
	D Boom	(1)

Question number	Answer	Mark
3(c)	AO2 3 marks	
	<p>Award 1 mark for explaining revaluation, award a further mark for explaining devaluation and 1 mark for developing the different impact.</p> <p>Revaluation is when a government increases the value of its currency against a range of other currencies (1). Devaluation is when a government decreases the value of its currency against a range of other currencies (1). With revaluation exports become less competitive, with devaluation they become more competitive (1).</p>	(3)

Question number	Indicative content
3(d)	AO2 (3 marks)/AO3 (3 marks)
	<p>AO2 and AO3</p> <ul style="list-style-type: none"> • Appreciation of the pound means that more euros can be obtained for the same number of pounds. • UK exports will become more expensive as foreign buyers in France or Germany have to give up more euros to buy the same number of pounds. • Fewer UK exports will be demanded as price increases. • UK imports will become cheaper as the pound now buys more euros. • More imports, such as BMW cars and French perfumes, will be demanded as price falls. • The current account shows the value of all imports and exports over a period of time. • The result will be a worsening of the current account on the balance of payments as exports decline and imports rise.

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Level 1	1–2	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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)	<p style="text-align: center;">A02 (3 marks)/A03 (3 marks)/A04 (3 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none"> • Supply-side policy is any policy aimed at improving the ability of an economy to produce goods and services. • Supply-side policies try to reduce unemployment by improving the skills and ability of the workforce. • Improving training and education will help unemployed workers find new jobs. • This might be particularly effective in reducing the number of 15–24 year olds who are unemployed. • Supply-side policies try to bring work to areas of high unemployment. • This might include tax concessions, government grants to assist with training and location costs, low interest finance and free advice. • Spain has high variations in regional unemployment rates – between less than 18% and over 30%. • This might suggest that regional unemployment is structural in nature. • Supply-side policies like these can be very effective in tackling structural unemployment. • Policies targeted at the areas of highest unemployment may well succeed in reducing those rates. <p>A04</p> <ul style="list-style-type: none"> • Supply side policies tend to be long-term in nature and may not improve unemployment rates for some time. • Spain’s unemployment may not be structural. • Even the least affected area still has high unemployment (13.8%). • This suggests that unemployment may be cyclical, in which case supply-side policies are unlikely to be effective. • It will be more effective to use fiscal and monetary policy to increase demand. • However, it may be that the unemployment is caused by both cyclical and structural factors. • In which case a combination of policies may be more effective.

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Level 1	1–3	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • The 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)	<p style="text-align: center;">A02 2 marks</p> <p>Award 1 mark for calculating the difference in GDP per capita between 2014 and 2015. Award 1 mark for calculating the percentage change between 2014 and 2015.</p> <p>2135 - 2004 = 131 (1) 131 ÷ 2004 × 100 = 6.5% (1)</p> <p>Award 2 marks if percentage change is accurately calculated.</p>	(2)

Question number	Indicative content
4(b)	<p style="text-align: center;">A02 (3 marks)/A03 (3 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none"> • Tariffs are taxes placed on imports. • They increase the price of the imports. • Sri Lanka may have placed high tariffs of 30% on agricultural imports for several reasons: <ul style="list-style-type: none"> ○ to protect its own farmers from cheaper competition ○ if imports are more expensive, Sri Lankan consumers will buy local produce and preserve the livelihood of Sri Lankan farmers ○ this keeps people employed and prevents the problem of rising unemployment in the primary sector ○ it may also be to raise revenue. • Sri Lanka is a developing economy and may lack sufficient government revenue to fund areas such as education and healthcare. • High tariffs mean increased tax revenue, which enables the government to spend more in these areas and aid Sri Lanka's economic development.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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)	<p style="text-align: center;">AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • FDI – investment in one country that is made by a business, organisation or a government from another country. • FDI flows have both direct and indirect benefits: <ul style="list-style-type: none"> ○ the initial investment creates employment. Buildings and equipment may be needed. Once operations commence, a workforce will be needed ○ local businesses may be involved in supplying or servicing the multinational corporation (MNC), seeing an increase in business and therefore taking on more workers ○ those with new employment will spend some of their income with local businesses. This increases demand and, in turn, creates more jobs. There is a positive local multiplier effect ○ GDP is likely to increase and Sri Lanka will develop economically ○ MNCs may train up the local workforce who may acquire useful skills. MNCs often bring new technologies, techniques and methods. New work practices and technology help the host country to become more competitive and grow ○ increased employment and wages should lead to an increased tax base and government revenue. Exports may increase improving the balance of payments ○ Corporate Social Responsibility (CSR) policies can greatly benefit the local communities and environment. <p>AO4</p> <ul style="list-style-type: none"> • However, wages can be low and working conditions may be poor. • MNCs may not train local workers to a high level. Research and development facilities may be kept in the home country, with little opportunity for skills or technology. • Local businesses suffer at the hands of the MNCs who take away their market share/customers. • MNCs can cause great damage to the environment by their processes and the transportation of their products. This damage can be short or long term and is usually unsustainable. • Profits may be sent home and taxation can be reduced or avoided. • MNCs may move from one country to the next, taking whatever incentives are on offer, before moving on to the next and newest low-cost location, leaving behind unemployed workers and a weakened economy.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> • Demonstrates isolated elements of relevant knowledge and understanding and 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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).