

# Mark Scheme (Results)

Summer 2018

Pearson Edexcel GCE A Level
In Economics A (9EC0)
Paper 02 The National and Global Economy

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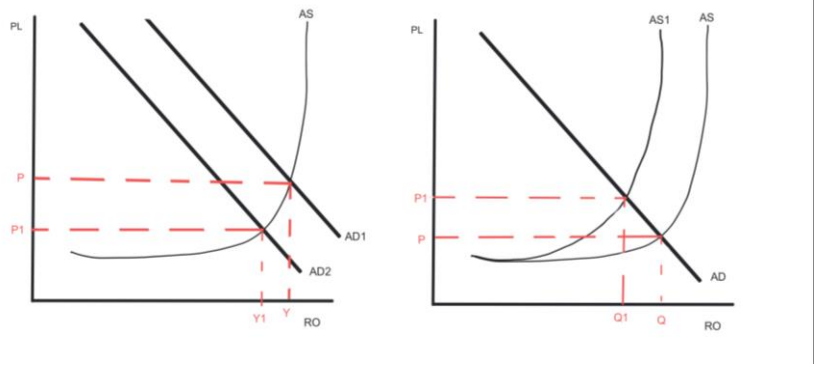
## General Marking Guidance

- 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)** | **The only correct answer is D**<br><br>***A*** *is not correct because this is likely to increase*<br><br>***B*** *is not correct because this is likely to increase*<br><br>***C*** *is not correct because this is likely to increase* | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **1(b)** | **Knowledge 2, Application 1, Analysis 1**<br><br>**Knowledge/understanding:** 2 marks for e.g.<br>• Countries specialise in the goods in which they have a comparative advantage (1) lower opportunity cost (1)<br>• Through trade each country can now consume more in total as they focus on what they can produce more efficiently (1)<br>• Identification of concept with numerical or diagrammatic example (1)<br>• Movement to freer trade thanks to CETA agreement (1)<br><br>**Application:** 1 mark for e.g.<br>• Related to Europe/Canada, e.g. Canadian timber exports, EU car exports, or other relevant examples (1)<br>• Use of numerical or diagrammatic example (1)<br>• Reference to data, e.g. increase trade by 20% (1)<br><br>**Analysis:**<br>Linked development 1 mark for e.g.<br>• Countries are now producing/consuming more so this means an increase in GDP (1)<br>• Explanation of numerical or diagrammatic example (1) | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| **2(a)** | **The only correct answer is D**<br><br>***B*** *is not correct because this would cause AD to decrease*<br><br>***C*** *is not correct because this would cause AD to decrease*<br><br>***D*** *is not correct because this would cause AD to decrease* | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **2(b)** | **Knowledge 2, Application 2**<br><br>**Knowledge/understanding:**<br>Correct labels on axes (1) and lines (1)<br><br>**Application:**<br>Correct shift of line(s) (1) showing change in price level and/or real output (1)<br>For example:<br><br><br>N.B. Other AS curves are acceptable | **(4)** |

| Question Number | Answer | Mark |
|---|---|---|
| **3(a)** | **Application 2**<br><br>**Application:** 1 mark for correct appropriate calculation e.g.<br><br>% change = change/original X 100<br>= 600/200 X 100 (1)<br><br>Answer = **300%** or **300**<br><br>Award 2 marks for correct answer | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **3(b)** | **Knowledge 2**<br><br>**Knowledge/understanding:**<br><br>1 mark for partially correct explanation e.g.<br>• Referring to exports – imports<br>• Exports of goods and services minus imports of goods and services<br><br>2 marks for correct explanation e.g.<br>• Measures total value of exports – total value of imports<br>• Inflows minus outflows in money terms<br>• Reference to four parts of the current account<br>  ○ Trade in goods<br>  ○ Trade in services<br>  ○ Primary income<br>  ○ Secondary income | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **3(c)** | **The only correct answer is C**<br><br>***A*** *is not correct because the deficit increased*<br><br>***B*** *is not correct because there hasn't been a surplus*<br><br>***D*** *is not correct because there hasn't been a surplus* | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **4(a)** | **Knowledge 1, Analysis 1**<br><br>**Knowledge** 1 mark e.g.<br>• Fall in UK economic growth (1)<br>• Reduction in UK business confidence (1)<br><br>**Analysis** 1 mark for linked development e.g.<br>• Fall in growth means economy may need more government support for longer to ensure stable growth (1)<br>• Less business confidence likely to lead to less private sector investment and so government may need to counteract this (1) | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **4(b)** | **Knowledge 1, Analysis 1**<br><br>**Knowledge** 1 mark e.g.<br>• National debt will continue to increase (1)<br><br>**Analysis** 1 mark for linked development e.g.<br>• Running a budget deficit means expenditure is greater than tax revenue (1)<br>• Government will have to finance a budget deficit by borrowing money (1) | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **4 (c)** | **The only correct answer is B**<br><br>***A*** *is not correct because this is monetary policy not fiscal policy*<br><br>***C*** *is not correct because this would involve a budget deficit*<br><br>***D*** *is not correct because this is monetary policy not fiscal policy* | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **5(a)** | **Knowledge 1, Analysis 1**<br><br>**Knowledge/understanding:**<br>Identification of one reason (1), e.g.<br>• Lower interest rates (1)<br>• Increase in consumer confidence (1)<br><br>**Analysis:**<br>Linked development (1), e.g.<br>• Lower interest rates makes loans more affordable (1)<br>• Higher consumer confidence encourages consumers to borrow believing they can repay in the future (1) | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **5(b)** | **The only correct answer is B**<br><br>***A*** *is not correct because this would either not be related or would increase the trade deficit*<br><br>***C*** *is not correct because this would be likely to reduce unemployment*<br><br>***D*** *is not correct because this would be likely to cause inflation* | **(1)** |

| Question Number | Answer | Mark |
|---|---|---|
| **5 (c)** | **Application 2**<br><br>**Application:** 1 mark for correct appropriate calculation/formula e.g.<br><br>Base year 2015 = 100 (1)<br><br>**OR**<br><br>4% (1)<br><br>Answer = **104**<br><br>Award 2 marks for correct answer | **(2)** |

| Question Number | Answer | Mark |
|---|---|---|
| **6(a)** | **Knowledge 2, Application 2, Analysis 1**<br><br>**Knowledge/Understanding:** Up to 2 marks for e.g.<br>• Absolute poverty: Lacking basic necessities to survive (1)<br>• Relative poverty: Relatively poor compared to rest of your country (1)<br><br>**Application:** Up to 2 marks for e.g. (1+1 OR 2)<br>• Absolute poverty: World Bank definition: $1.90 a day (1) PPP values (1)<br>• Relative poverty: 60%/50% (1) below median household income in your country (1)<br>• Reference to Figure 1 or Extract A/B (1+1)<br><br>**Analysis:** Up to 1 mark for e.g.<br>• Absolute poverty can decline at the same time as relative poverty is increasing (1)<br>• There may be relative poverty in a country but not necessarily absolute poverty (1) | **(5)** |

| Question Number | Answer | Mark |
|---|---|---|
| **6(b)** | **Knowledge 2, Application 2, Analysis 2, Evaluation 2**<br><br>**Knowledge/Understanding:**<br>Relevant factors identified (1+1), e.g.<br>• Level of education<br>• Level of healthcare<br>• Level of infrastructure<br>• Level of trade<br>• Capital flows<br>• Civil war<br>• Drought<br>• Poor governance<br>• Liberalisation of trade/tariff cuts<br><br>**Analysis:**<br>Linked development of each factor (1+1), e.g. in Sub-Saharan Africa<br>• Relative lack of education means a less skilled and therefore less productive workforce (1)<br>• Relative lack of healthcare means people spend more time absent from work with illnesses and therefore reduces productivity (1)<br>• Relative lack of infrastructure makes it more difficult and therefore expensive to move goods around the country to markets (1)<br><br>**Application:**<br>2 marks (1+1) for reference to the data/candidates' own knowledge, e.g.<br>• Extract B: two thirds of 780 million illiterate adults are women<br>• Extract B: poor people- more malnutrition, lower odds of receiving health care<br>• Absolute poverty has declined far more rapidly in East Asia than Sub-Saharan Africa<br><br>**Evaluation:** 2 marks for two evaluative comments OR 2 marks for identification and linked development of one comment<br>Evaluative comments (1+1), e.g.<br>• Significance of different factors<br>• Improvements will only occur in the long term | **(8)** |

| Question Number | Indicative Content | Mark |
|---|---|---|
| **6(c)** | **Knowledge 2, Application 2, Analysis 4**<br><br>Possible policies might include e.g.:<br>• Fiscal policy: increase people's disposable incomes, increase employment and so reduce downsides of low wages and unemployment due to foreign competition. A more redistributive tax/welfare system to reduce inequality/poverty caused by globalisation.<br>• Expansionary monetary policy: cut in interest rates, rise in availability of credit, allows businesses to borrow for investment to help combat increased foreign competition.<br>• Supply side policies, e.g. improved education, healthcare, infrastructure, etc.: Improvements in these will boost productivity and this boost GDP as well as meaning firms would be more likely to be able to pay higher wages. Higher productivity would enable firms to better compete with foreign competition in the form of lower prices.<br><br>Candidates may discuss in the context of developed or developing countries<br><br>**NB To access Level 3 there must be reference to two valid macroeconomic policies, apart from protectionism** | **(8)** |

| Level | Mark | Descriptor |
|---|---|---|
| | 0 | A completely inaccurate response. |
| Level 1 | 1–2 | Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models.<br>Use of generic or irrelevant information or examples.<br>Descriptive approach which has no chains of reasoning or links between causes and consequences. |
| Level 2 | 3–5 | Displays elements of knowledge and understanding of economic principles, concepts and theories.<br>Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question.<br>A narrow response; chains of reasoning are developed but the answer may lack balance. |
| Level 3 | 6–8 | Demonstrates accurate knowledge and understanding of the concepts, principles and models.<br>Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated.<br>Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning. |

| Question Number | Indicative Content | Mark |
|---|---|---|
| **6(c)** continued | **Evaluation 4**<br>• Impact of expansionary fiscal policy on budget deficit<br>• If business confidence is low, expansionary monetary policy may not lead to increased borrowing for investment<br>• Supply side policies may not be effective in the short run or have public sector cost implications<br>• Effectiveness of policies, e.g. lack of consumer confidence | **(4)** |

| Level | Mark | Descriptor |
|---|---|---|
| | 0 | No evaluative comments. |
| Level 1 | 1–2 | Identification of generic evaluative comments without supporting evidence/ reference to context.<br>No evidence of a logical chain of reasoning. |
| Level 2 | 3–4 | Evaluative comments supported by relevant reasoning and appropriate reference to context.<br>Evaluation recognises different viewpoints and/or is critical of the evidence. |

| Question Number | Indicative Content | Mark |
|---|---|---|
| **6(d)** | **Knowledge 2, Application 2, Analysis 2,**<br><br>• Incentive to work hard in order to receive higher reward will help increase economic growth which can result in reduced absolute poverty<br>• More innovation due to the profit motive for firms and inventors leads to more competitive industry and faster economic growth<br>• Lower taxes or less redistribution may encourage entrepreneurs to relocate to the country<br>• Reference to rising living standards in a largely market based economy, e.g. UK, US<br><br>**NB Arguments for or against the benefits of inequality can be taken as KAA or evaluation** | **(6)** |

| Level | Mark | Descriptor |
|---|---|---|
| | 0 | A completely inaccurate response. |
| Level 1 | 1–2 | Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models.<br>Use of generic or irrelevant information or examples.<br>Descriptive approach which has no link between causes and consequences. |
| Level 2 | 3–4 | Displays elements of knowledge and understanding of economic principles, concepts and theories.<br>Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question.<br>A narrow response or the answer may lack balance. |
| Level 3 | 5–6 | Demonstrates accurate knowledge and understanding of the concepts, principles and models.<br>Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated.<br>Economic ideas are applied appropriately to the broad elements of the question. |

| Question Number | Indicative Content | Mark |
|---|---|---|
| **6(d)** continued | **Evaluation 4**<br><br>• Inequality reduces consumer confidence so less consumption, increase in saving. Aggregate demand may fall as a result.<br>• Excessive inequality can lead to more crime, poorer healthcare, etc.<br>• Low pay can act as a disincentive to seek employment and economic growth suffers as a result.<br><br>**NB Arguments for or against the benefits of inequality can be taken as KAA or evaluation** | **(4)** |

| Level | Mark | Descriptor |
|---|---|---|
| | 0 | No evaluative comments. |
| Level 1 | 1–2 | Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning. |
| Level 2 | 3–4 | Evaluative comments supported by relevant reasoning and appropriate reference to context.<br>Evaluation recognises different viewpoints and/or is critical of the evidence. |

| Question Number | Indicative content | Mark |
|---|---|---|
| **6(e)** | **Knowledge 3, Application 3, Analysis 3**<br><br>The role of the financial sector in the growth and development in developing countries includes:<br><br>• facilitating saving so banks have more funds for lending, facilitating investment and therefore growth<br>• promoting lending to enable more investment in the economy<br>• exchanging currencies- enabling firms to imports parts and materials- often more cheaply- and also enabling them to export - helping to increase size of their market<br>• providing a market for equities<br>• Harrod-Domar model<br>• Microfinance<br>• Central banks/international organisations<br><br>**NB For a Level 3 response candidates must refer specifically to growth/development in a developing country/countries/regions** | **(9)** |

| Level | Mark | Descriptor |
|---|---|---|
| | 0 | A completely inaccurate response. |
| Level 1 | 1–3 | Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models.<br>Use of generic or irrelevant information or examples.<br>Descriptive approach which has no chains of reasoning or links between causes and consequences. |
| Level 2 | 4–6 | Displays elements of knowledge and understanding of economic principles, concepts and theories.<br>Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question.<br>A narrow response; chains of reasoning are developed but the answer may lack balance. |
| Level 3 | 7–9 | Demonstrates accurate knowledge and understanding of the concepts, principles and models.<br>Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated.<br>Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning. |

| Question Number | Indicative content | Mark |
|---|---|---|
| **6(e)** continued | **Evaluation 6**<br><br>• Clear rule of law required for financial sector to develop<br>• Risk of corruption<br>• Risk of market failure in financial marketss<br>• Lack of financial literacy in developing countries may limit potential<br>• Other factors may play a larger role, e.g. healthcare, infrastructure, education | **(6)** |

| Level | Mark | Descriptor |
|---|---|---|
| | 0 | No evaluative comments. |
| Level 1 | 1–2 | Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning. |
| Level 2 | 3–4 | Evidence of evaluation of alternative approaches which is unbalanced.<br>Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning. |
| Level 3 | 5–6 | Evaluative comments supported by relevant chain of reasoning and appropriate reference to context.<br>Evaluation recognises different viewpoints and/or is critical of the evidence. |

| Question Number | Indicative content | Mark |
|---|---|---|
| **7** | **Knowledge 4, Application 4, Analysis 8, Evaluation 9**<br><br>Likely effects might include:<br>• Government spending is part of aggregate demand and increased spending will increase aggregate demand<br>• Increase in injections into the circular flow of income and subsequent multiplier effects<br>• Improvement in UK productivity- developing new, more efficient ways of working can boost growth/raise living standards<br>• Improved innovation means UK may have more new goods and services that can be exported to other countries, improving current account and aggregate demand<br>• Improved infrastructure will boost productivity- e.g. better transport means less time spent in traffic jams, fewer delayed trains, etc<br>• Diagrammatic analysis may be used (e.g. AD/AS)<br><br>Evaluation might include e.g.:<br>• This is not really a very large amount of money, especially over five years and for the whole of the UK economy<br>• Many significant issues with poor quality infrastructure that will need a lot more money to solve- e.g. average speeds falling on roads in London, ageing rail infrastructure causing lots of delays<br>• UK productivity has lagged behind other countries for some time so will need a significant boost just to catch up with the rest of the world<br>• No guarantee that innovation will boost growth<br>• Depends on effectiveness of government at allocating resources | **(25)** |

| **Knowledge, application and analysis** | | |
|---|---|---|
| Level | Mark | Descriptor |
| | 0 | A completely inaccurate response. |
| Level 1 | 1–4 | Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models.<br>Use of generic or irrelevant information or examples.<br>Descriptive approach which has no chains of reasoning or links between causes and consequences. |
| Level 2 | 5–8 | Displays elements of knowledge and understanding of economic principles, concepts and theories.<br>Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question.<br>A narrow response or superficial, two stage chains of reasoning only. |
| Level 3 | 9–12 | Demonstrates accurate knowledge and understanding of the concepts, principles and models.<br>Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer.<br>Analysis is clear and coherent, although it may lack balance.<br>Chains of reasoning are developed but the answer may lack balance. |
| Level 4 | 13–16 | Demonstrates precise knowledge and understanding of the concepts, principles and models.<br>Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated.<br>Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning. |

| **Evaluation** | | |
|---|---|---|
| Level | Mark | Descriptor |
| | 0 | No evaluative comments. |
| Level 1 | 1–3 | Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning. |
| Level 2 | 4–6 | Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements.<br>Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning. |
| Level 3 | 7–9 | Evaluative comments supported by relevant reasoning and appropriate reference to context.<br>Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made. |

| Question Number | Indicative content | Mark |
|---|---|---|
| **8** | **Knowledge 4, Application 4, Analysis 8, Evaluation 9**<br><br>Likely impacts include:<br><br>• UK exports are now cheaper when priced in dollars, so should mean an improvement in UK price competitiveness leading to increased demand for UK exports and AD *However depends on quality of UK exports or if US firms/consumers demand what we are producing*<br>• UK imports from the US are now more expensive so likely to lead to less demand for US imports which improves net trade and therefore AD *However, depends if there are domestic alternatives to the US imports. If not prices will simply rise*<br>• Imported inflation: as prices of imports rise, particularly of necessities, then UK inflation will increase.<br>• Lower exchange rate might attract inward investment with multiplier effects on AD<br>• Other factors which cause growth might be considered as more than one factor<br>• Diagrammatic analysis may be used (e.g. AD/AS)<br><br>Other evaluative comments may include e.g.:<br><br>• Imported inflation will be a particular problem if wages do not increase in line with inflation.<br>• Depends if this is a temporary fall or a permanent adjustment to the exchange rate<br>• Depends on UK exchange rate with other currencies as well<br>• US is a significant trade partner for the UK so the impact is likely to be significant<br>• Consideration of the Marshall-Lerner condition and J curve effect<br>• Other factors which cause growth might be considered as evaluative comments<br>• EU is a very significant trading partner for the UK and thus the impact is likely to be significant | **(25)** |

| **Knowledge, application and analysis** | | |
|---|---|---|
| Level | Mark | Descriptor |
| | 0 | A completely inaccurate response. |
| Level 1 | 1–4 | Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models.<br>Use of generic or irrelevant information or examples.<br>Descriptive approach which has no chains of reasoning or links between causes and consequences. |
| Level 2 | 5–8 | Displays elements of knowledge and understanding of economic principles, concepts and theories.<br>Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question.<br>A narrow response or superficial, two stage chains of reasoning only. |
| Level 3 | 9–12 | Demonstrates accurate knowledge and understanding of the concepts, principles and models.<br>Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer.<br>Analysis is clear and coherent, although it may lack balance.<br>Chains of reasoning are developed but the answer may lack balance. |
| Level 4 | 13–16 | Demonstrates precise knowledge and understanding of the concepts, principles and models.<br>Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated.<br>Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning. |

| **Evaluation** | | |
|---|---|---|
| Level | Mark | Descriptor |
| | 0 | No evaluative comments. |
| Level 1 | 1–3 | Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning. |
| Level 2 | 4–6 | Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements.<br>Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning. |
| Level 3 | 7–9 | Evaluative comments supported by relevant reasoning and appropriate reference to context.<br>Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made. |

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