Mark Scheme (Results)

Summer 2019

Pearson Edexcel GCE A Level
in Economics A (9EC0)

Paper 02 The National and Global Economy

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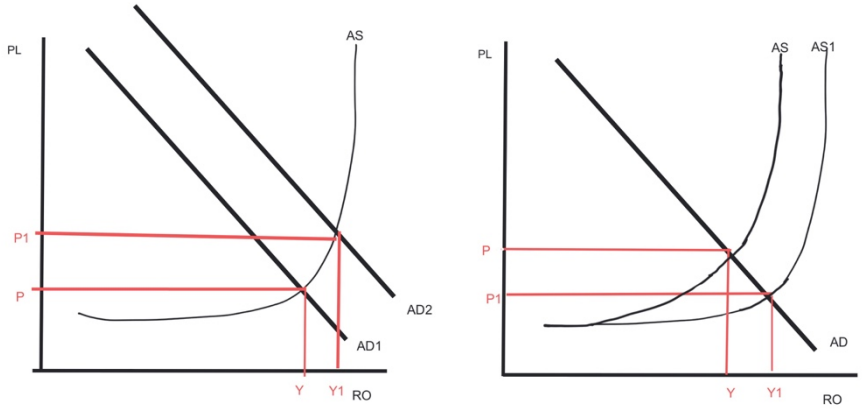
General marking guidance

- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- 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/indicative content will not be exhaustive.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- 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 A** ***B*** *is not correct because investment is by firms, and would not be related to credit cards* ***C*** *is not correct because this is about trade and wouldn't affect credit cards* ***D*** *is not correct because this would mean less consumption*	**(1)**

Question Number	Answer	Mark
1(b)	**Application 2** Identify correct data (1): January 2016: 13 000 March 2017: 15 000 Correct manipulation of formula (1) e.g. (Final value ÷ Initial value) X 100 (15 000 ÷ 13 000) X 100 Correct answer: 115.4 (allow range 115 to 115.4) Also allow: Feb-March 113.6 (range 113 to 114) Mar-April 91.33 (range 91 to 92) **NB Award full marks for correct answer**	**(2)**

Question Number	Answer	Mark
1(c)	**Knowledge 1, Application 1** Identify link e.g. rise in inflation (1): Linked development (1) e.g. rise in AD (1) causes an increase in inflation (1) **Accept other possible approaches** **NB Allow answers explaining how inflation might lead to an increase in credit card lending**	**(2)**

Question Number	Answer	Mark
2(a)	**Knowledge 2, Application 2** **Knowledge/understanding:** Accurate diagram with correct labels on axes (1) and lines (1)  **Application:** Correct shift of line(s) (1) showing change in price level and/or real output (1) For example: N.B. Other AS curves are acceptable. Allow outward shift of both AD and AS.	**(4)**

Question Number	Answer	Mark
2(b)	**The only correct answer is A** ***B*** *is not correct because it is not infrastructure* ***C*** *is not correct because it is spending on salaries, not infrastructure* ***D*** *is not correct because it is spending on welfare, not infrastructure*	**(1)**

Question Number	Answer	Mark
3(a)	**Knowledge 1, Analysis 1** **Knowledge/understanding (1):** Identification of relevant reason, e.g. • Faster economic growth in Estonia • Lower unemployment in Estonia • Lower labour productivity in Estonia • Increase in the national minimum wage • Power of trade unions • Shortage of labour **Analysis**: 1 mark for linked development, e.g. • Workers able to negotiate higher pay due to low unemployment	**(2)**

Question Number	Answer	Mark
3(b)	**Knowledge 1, Analysis 1** **Knowledge/understanding (1):** Identification of reduced competitiveness for Estonia **Analysis**: 1 mark for linked development, e.g. With rapidly rising labour costs Estonia's exports may become more expensive than those of other countries such as France	**(2)**

Question Number	Answer	Mark
3(c)	**The only correct answer is C** ***A, B and D*** *are not correct because they give incorrect answers to the calculation:* *Base year 2010=100. Austria's figure for 2017 is 113. 113-100=13*	**(1)**

Question Number	Answer	Mark
4(a)	**The only correct answer is D** ***A*** *is not correct because that would involve interest rates/QE* ***B*** *is not correct because that would involve changing the value of the pound* ***C*** *is not correct because that would involve interest rates/QE*	**(1)**

Question Number	Answer	Mark
4(b)	**Application 2** **Application**: 2 marks for e.g. 500 000 X 0.17 (1) = 85 000 **NB Award full marks for correct answer**	**(2)**

Question Number	Answer	Mark
4(c)	**Knowledge 1, Analysis 1** **Knowledge/understanding (1):** Identification of one reason, e.g. • Increase in firms choosing to base themselves in the UK • Increased investment by UK firms leading to increased profits • Reduced tax evasion/avoidance **Analysis**: 1 mark for linked development, e.g. • With more firms locating in the UK there will be more firms paying UK corporation tax • A labelled Laffer curve	**(2)**

Question Number	Answer	Mark
5(a)	**Knowledge 2** **Knowledge** 1+1 mark e.g. Definition of income (1) and/or wealth (1) • Income is a flow (1) whereas wealth is a stock (1) • Income can create wealth (1) and/or wealth can create income (1) • Income comes from salaries/wages/dividends/profits/interest/rent (1) whereas wealth is the value of assets (1)	**(2)**

Question Number	Answer	Mark
5(b)	**Knowledge 1, Analysis 1** **Knowledge/understanding:** Identification of one reason (1), e.g. • Rise in asset prices • Lack of education • Lack of healthcare • Inheritance entrenches inequality • Rise of MNCs • Lack of government intervention to reduce inequality • Government policy e.g. regressive taxes, corruption • External shocks **Analysis:** Linked development relating to wealth (1), e.g. • Poor education means people lack the skills to take on higher-paying jobs which could lead to wealth creation	**(2)**

Question Number	Answer	Mark
5 (c)	**The only correct answer is B** ***A*** *is not correct because that would affect imports/exports, not income inequality* ***C*** *is not correct because that would increase the Gini coefficient* ***D*** *is not correct because that would increase the Gini coefficient*	**(1)**

Question Number	Answer	Mark
6(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge/Understanding:** (1+1 or 2) marks Explanation of forward markets in currencies, e.g. • Firms buy their currency in advance (1) • Firms agree a fixed price (1) for purchase of foreign currency in the future (1) **Application:** (1+1) marks Reference to Extract A, e.g. • Currency 'has a big impact' on their business • Buying currency as soon as a large order is confirmed • 'The pound's post-Brexit referendum depreciation' Other application e.g. use of Figure 1. NB at least one piece of data must come from Extract A for the full 2 Ap marks. **Analysis:** (1) mark Linked development, e.g. • Enables firms to reduce risk/uncertainty • Firms can be certain about the cost of their imports in pounds	**(5)**

Question Number	Answer	Mark
6(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/understanding:** 1+1 marks for identification of likely impacts of a fall in the value of sterling, e.g. • Import inflation change in cost of production for firms • Export/demand pull inflation • Changes in FDI • A change in unemployment • Economic growth • The will be an impact in the current account **Analysis:** 2 marks for linked explanation of these impacts (1+1 or 2 marks for one well developed explanation), e.g. • Fall in the value of sterling makes UK good appear cheaper to consumers in foreign countries when converted into their own currency (1) • Fall in the value of sterling makes UK imports more expensive to UK consumers when converted into pounds (1) **Application:** (1+1) or 2 marks for reference to figure 1 and/or extract A, e.g. • Pound fell from around $1.50 (1) rapidly to $1.30 (1) after the Brexit vote • Pound fell further to a low over the period shown of just over $1.20 (1) in October/November 2016 (1) • 'pound's post-Brexit referendum depreciation' (1) • Pound fell by approximately 12% after the vote to leave the EU (2) • Trend of depreciating pound (1) **Evaluation:** 2 marks for evaluation (1+1 or 2 marks for one well developed explanation) • Short-term impact - both figure 1 and extract A show how pound has risen towards mid/late 2017 • Price elasticity of demand for UK imports/exports • J-curve effect • Marshall-Lerner condition **NB If the answer relates to a small rise in exchange rates e.g. since March 2017 then full marks can be awarded for a rise in exchange rate**	**(8)**

Question Number	Indicative content	Mark
6(c)	**Knowledge 2, Application 2, Analysis 2,** Likely impacts on subjective happiness: • Consumers have less real income to spend on goods/services that affect their happiness • Consumers may worry more about the state of their personal finances • Consumers may worry about ability to continue paying mortgages/other debts **NB For a level 3 answer there must be context from last paragraph of Extract C e.g. reference to credit cards and personal loan repayments**	**(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. Use of generic or irrelevant information or examples. 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. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

Question Number	Indicative content	Mark
6(c) continued	**Evaluation 4** • Other factors affect happiness beside real income, e.g. leisure time, environment, etc. • Record low unemployment likely to lead to rising real incomes in future • Rises in real income may have a different effect on happiness than falls in real income • May be increased borrowing to make up for falling real incomes	**(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. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
6(d)	**Knowledge 4, Application 2, Analysis 2,** Central Bank would use monetary policy (interest rates and quantitative easing) to control inflation: • Tighter monetary policy in response to rising inflation may create a conflict with objective of low unemployment- Phillips curve • Higher interest rates in response to rising inflation may create rising inequality if savers benefit and borrowers suffer • Higher interest rates in response to rising inflation may cause the sterling exchange rate to rise which can worsen the balance of payments on current account • Higher interest rates likely to reduce consumption/investment and therefore AD, so controlling inflation but reducing economic growth **NB Accept expansionary and contractionary monetary policy**	**(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. Use of generic or irrelevant information or examples. 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. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. 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. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. 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(d) continued	**Evaluation 4** There may not be a conflict between some macroeconomic objectives: • UK economy has had both low inflation and low unemployment recently so is the Phillips curve really still valid? • If incomes keep pace with inflation then inequality won't be an issue • Cutting QE reduces asset prices thereby reducing inequality • Depends on significance of change in monetary policy	**(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. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
6(e)	**Knowledge 3, Application 3, Analysis 3** **Arguments that providing support to banks is the best policy:** • Economy is dependent on financial system working smoothly • People could have lost their savings if banks had been allowed to fail, leading to massive drop in confidence • Potential for risk of depression had government not intervened • Government has recouped much of the money invested into bailing out the banks anyway- Government 'recovered every penny of its investment in Lloyds' **NB Discussion of other policies, e.g. central bank regulation, can also be awarded as KAA** **NB Candidates may argue that providing support to banks is not the best policy as KAA and the opposite as evaluation**	**(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. Use of generic or irrelevant information or examples. 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. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. 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. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. 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** **Arguments that providing support to banks is not the best policy:** • Huge expenditure for government that, for example in the case of the UK, already has a significant national debt- £65bn bailout of RBS and LBG. Will have to be repaid by future generations of taxpayers. • Moral hazard: will encourage reckless behaviour from the banks in the future, expecting a bailout again • Government looking unlikely to recoup losses from RBS for some time (in contrast to Lloyds) • Other policies, e.g. expansionary fiscal policy, may have been more effective **NB Candidates may argue that providing support to banks is not the best policy as KAA and the opposite as evaluation**	**(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. 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. 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** Effects might include: • Trade creation: domestic production is replaced with more efficient imports from a member of the trading bloc • More trade within the trade bloc • Increased exports due to the larger market firms can now enjoy • Increased imports due to removal of protectionist barriers that previously existed between member countries • Increased specialisation/economies of scale as can now sell to a larger market • Use of comparative advantage to support argument Diagrammatic analysis may be used to aid explanation e.g. tariff diagram Evaluation points might include: • Trade diversion: Due to protectionist measures imposed on non-member countries, countries may purchase imports from less efficient countries within a trading bloc instead of more efficient ones outside of the bloc • Products may still be cheaper from outside the trading bloc due to economies of scale/lower production costs • Possibility for countries to benefit from bilateral trade deals without needing to join a trading bloc • Other factors affect ability to import/export such as quality of infrastructure at airports/ports • Possible conflict with WTO rules • Only within Africa so effect may be limited **NB For a level 4 answer candidates must use examples of real trading blocs** **NB For a level 4 answer candidates must make explicit reference to trading patterns**	**(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. Use of generic or irrelevant information or examples. 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. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. 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. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. 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. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. 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. 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. 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** Impacts might include: • Impact on AD and economic growth of fiscal stimulus, with multiplier effects (net injection to circular flow) • Higher purchases of government bonds/debt leading to crowding out, so less funds for investment by firms • Higher contractionary fiscal policy in the future as governments start to pay off these fiscal deficits • Higher interest costs of servicing debt means less money for public services and so lower standard of living • Impact on a country's financial account on the balance of payments of large inflows of finance into government bonds • Impact on a country's exchange rate Possible evaluation points might include: • Government debt isn't necessarily a problem as long as there are plenty of people/firms willing to buy it • Higher debts may mean governments are investing more into improving public services, which if it improves investment in the economy will help boost GDP & pay for itself over time • Short-term fiscal deficits can be balanced out by surpluses in the future **NB For a level 4 answer candidates must use examples of a country** **NB For a level 4 answer candidates must refer to both fiscal deficit and national debt**	**(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. Use of generic or irrelevant information or examples. 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. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
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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. 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. 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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