Pearson Edexcel

Mark Scheme (Results)

Summer 2022

Pearson Edexcel GCE
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)	**Application 3, Analysis 1** Multiplier formula= 1 / (1 – MPC) (1) = 1 / (1 –0.64) OR = 1 /0.36 (1) Value of the multiplier = 2.7 recurring OR 2.8 (1) 2.7 recurring X £20m (1) = **£55.6m** **Award full marks for correct answer** **Award up to 3 marks if no correct answer** **NB Allow range (-)£55m to (-)£56m** **NB 3 marks if million missing**	**(4)**

Question Number	Answer	Mark
1(b)	**The only correct answer is B** ***A*** *is not correct because imports are a withdrawal from the circular flow* ***C*** *is not correct because savings are a withdrawal from the circular flow* ***D*** *is not correct because taxation is a withdrawal from the circular flow*	**(1)**

Question Number	Answer	Mark
2(a)	**The only correct answer is C** ***A*** *is not correct because house prices rose in August 2020* ***B*** *is not correct because house prices rose in November 2018* ***D*** *is not correct because house prices rose throughout this time*	**(1)**

Question Number	Answer	Mark
2(b)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/understanding (2):** • Reference to wealth effect/houseowners are wealthier (1) • Increase in UK consumption (1) • Mortgage equity withdrawal (1) **Application (1):** A correct reference to the figure E.g. in November 2018 house prices increased by approximately 2% a year **Analysis (1):** Linked development 1 mark for e.g. • Increased consumer confidence • Consumers are less likely to save **Alternative approach based on justified economic rationale:** Allow answers based on people unable to buy and home improvements/saving instead E.g. Reduced consumption (K1) as consumers save more (K1) in order to be able to afford a deposit for a house (An1)	**(4)**

Question Number	Answer	Mark
3(a)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/understanding (2):** • Investment will increase (1) • Lower interest rates reduce cost of borrowing (1) **Application (1):** A relevant reference to the data, e.g. • In 2020 interest rates fell from 0.75% to 0.1% (1) • In 2020 interest rates fell by 0.65 percentage points (1) **Analysis (1):** Linked development 1 mark for e.g. • Firms are more incentivised to borrow money (1) • Firms feel more confident to invest • Investments financed by borrowing are now more profitable/less risky (1) • Costs of production fall for firms (1) • Fall in return on savings stimulating consumption/sales (1)	**(4)**

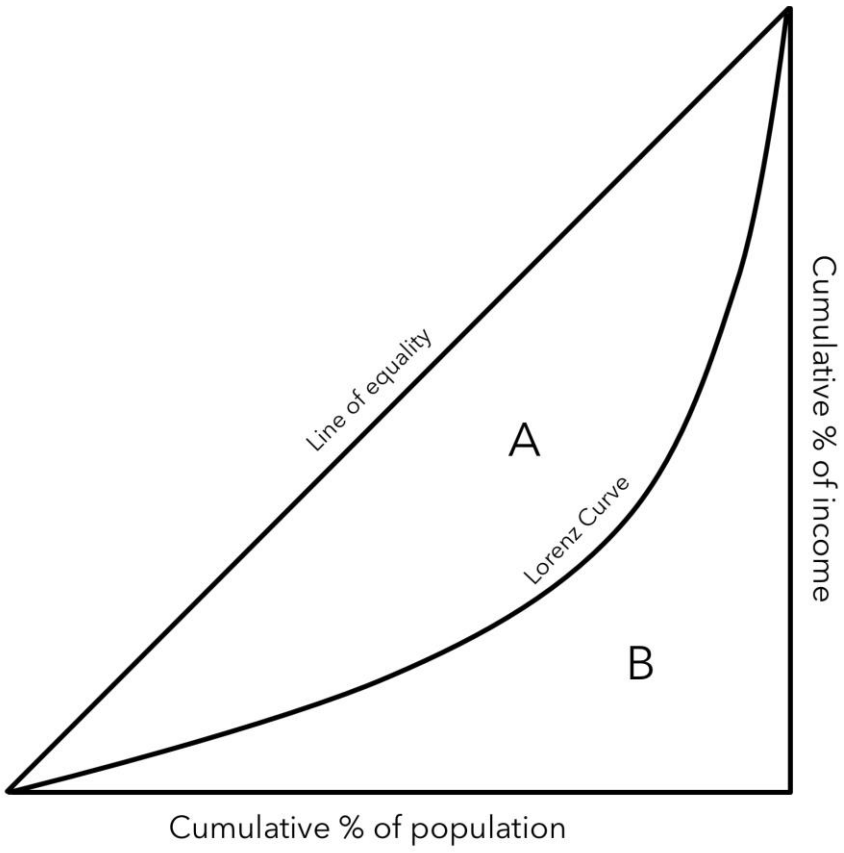
Question Number	Answer	Mark
3(b)	**The only correct answer is B** ***A** is not correct because average house prices would be likely to rise* ***C** is not correct because the level of employment would be likely to rise* ***D** is not correct because the rate of economic growth would be likely to rise*	**(1)**

Question Number	Answer	Mark
4 (a)	**The only correct answer is D** ***A*** *is not correct because absolute poverty would be likely to fall* ***B*** *is not correct because the budget deficit would be likely to fall* ***C*** *is not correct because cyclical unemployment would fall*	**(1)**

Question Number	Answer	Mark
4(b)	**Knowledge 3, Application 1** **Knowledge/understanding** 3 marks e.g. • Automatic stabilisers means government spending/taxation vary without direct government decision-making (1) over the course of the economic cycle (1)/built into the means-tested welfare support (1)/progressive tax bands (1) • Discretionary fiscal policy – deliberate/direct alteration of government expenditure/taxation (1) designed to achieve its economic objectives (1)/determined in budget (1) **Application** 1 mark for reference to graph, e.g. • In a positive output gap you would expect less government spending/more tax revenues as part of automatic stabilisers (1) • In a negative output gap you would expect more government spending/less tax revenues as part of automatic stabilisers (1) • At point Z you would expect taxation to increase relative to government spending (1) • Discretionary fiscal policy could occur at any point on the trade cycle (1)	**(4)**

Question Number	Answer	Mark
5(a)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/understanding of one role (2):** **E.g.** • To lend to businesses and individuals (1) to help them consume/invest (1) • To facilitate the exchange of goods and services (1) increasing consumption/investment (1) • To facilitate saving (1) so consumers can build up money to purchase expensive items (1) • To provide forward markets (1) so firms can reduce the risk of fluctuating prices (1) • To provide a market for equities (1) so firms can seek investment from shareholders (1) **Application (1):** A relevant reference to the data, e.g. • Many small businesses required a loan to help them survive the downturn in the economy (1) • Interest rate of 2.5% for up to 6 years (1) • Up to £50,000 could be borrowed for up to 6 years (1) **Analysis (1):** Linked development 1 mark for e.g. • Businesses will already have accounts, loans, etc. with banks so the banks were in a position to quickly issue these loans to their customers (1) • Loans provided finance for firms suffering a drop in demand (1) • Loans allow firms to grow/expand more quickly (1) • Helps to boost AD/increase economic growth (1) • Firms can invest in innovation (1) • Increase in productivity (1) • Impact on housing market (1) • Importance of saving to help development (1) • Bonds to finance government spending (1)	**(4)**

Question Number	Answer	Mark
5(b)	**The only correct answer is A** ***B*** *is not correct because this would not lead to crowding out* ***C*** *is not correct because there is no suggestion of market rigging taking place* ***D*** *is not correct because there is no suggestion of speculation here*	**(1)**

Question Number	Answer	Mark
6(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge/Understanding:** Up to 2 marks for e.g. • Gini coefficient is A/(A+B) (1) • Correct labelling of axes on Lorenz curve as % cumulative share of income & % households by income distribution (or similar wording) (1) **Application:** Up to 2 marks for e.g. • UK's Gini coefficient is 0.34 (1) • Correct drawing of Lorenz curve on diagram (labelled/referred to in text) (1) **Analysis:** Up to 1 mark for e.g. • Further away from the line of perfect equality, the more unequal a country/region is (1) • The higher the Gini coefficient value, the more unequal a country/region is (1) Diagram (1+1) e.g.:  **NB If no Lorenz Curve diagram award maximum of 3 marks**	**(5)**

Question Number	Answer	Mark
6(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/Understanding:** Relevant reasons identified (1+1), e.g. • Level/quality of education • Level/quality of healthcare • Level of infrastructure spending • Unequal access to job opportunities across the UK • Progressive nature of taxation • Degree of employment protection • Strength of trade unions • Differing wage rates • Globalisation **Analysis:** Linked development of each factor (1+1), e.g. in the UK: • Less education means the workforce may be less skilled & therefore receive lower average pay (1) • Relative lack of healthcare means people spend more time absent from work with illnesses and therefore reduces productivity (1) • Relative lack of infrastructure makes it harder for people to get to work/will discourage firms from investing in the region (1) • Jobs in London/South-East may be more skilled and therefore higher paying when compared to jobs in the North-East (1) **Application:** 2 marks (1+1 or 2), e.g. • Gross disposable household income was £19 000-£21 000 in London (1) • Gross disposable household income was £13 000 - £13 999 in North East (1) • UK's Gini coefficient is 0.34 **Evaluation:** 2 marks for two evaluative comments OR 2 marks for identification and linked development of one comment Evaluative comments (1+1 or 2), e.g. • Infrastructure investment in the North of England is increasing so this may change in the future • Education levels across the UK are improving • Higher education may not lead to higher	**(8)**

	incomes- depends on degree/qualifications • Relative significance of different reasons • It is hard to be definite about specific reasons as it is a combination of factors that causes inequality	

Question Number	Indicative Content	Mark
6(c)	**Knowledge 2, Application 2, Analysis 2,** • Higher incomes mean people have more money to spend on purchasing goods & services that increase their standard of living • Higher incomes mean people will feel less anxious about their ability to repay debts • People can afford larger repayments on mortgages & loans for durable goods • Higher income may lead to wealth creation, e.g. able to save for future/retirement • People earning over £40 000 are happier than people earning £10 000 to £40 000 (figure 2) **NB Allow the argument that a higher income does not increase happiness as KAA and that it does as EV** **NB:** **To achieve full KAA marks there needs to be at least one reference to Figure 2**	**(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** • There are other things that affect subjective happiness apart from money- e.g. family & friends • Amount of leisure time may be more important to people's happiness rather than their level of income • People on higher incomes may be in more stressful jobs • The happiest people are those earning less than £10 000 (figure 2) • Reliability of survey data in determining happiness **NB Allow the argument that a higher income does not increase happiness as KAA and that it does as EV**	**(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.

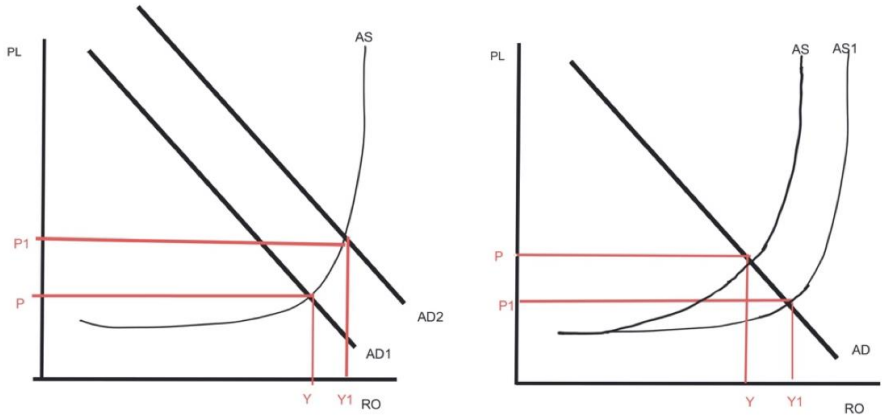
Question Number	Indicative Content	Mark
6(d)	**Knowledge 2, Application 2, Analysis 4** Methods might include e.g.: Either from Extract C: • Increasing tax on houses: Housing is a large part of the UK economy and many people may feel this is in need of an update to reflect changing house prices since 1991. This could also provide a good opportunity to increase overall revenue from the tax • A one-off wealth tax: This would raise a very large amount of money, £260 billion, and would focus on those with the most wealth. Only one-off so shouldn't have any long-term impacts • Increasing corporation tax: The UK has a very low rate of corporation tax, so it would make sense to raise it without risking too many firms leaving the UK whilst still raising extra revenue yearly going forward- e.g. £17.2 billion in 2025-26 Or other possible methods e.g.: • Cutting corporation tax to incentivise firms to increase investments in UK/attract FDI leads to increase in tax revenue for the government. Perhaps with reference to Laffer curve. • Cutting income tax to incentivise workers to work harder/less incentive to avoid tax leads to increase in tax revenue for the government. Perhaps with reference to Laffer curve. **NB:** **To achieve level 3 at least one reference must be made to Extract C somewhere in the whole answer**	**(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** • Higher tax rates may not lead to higher revenue, perhaps with reference to Laffer curve/tax evasion/tax avoidance/disincentive effect • Updating tax on houses could see some people experiencing a significant rise in the tax they have to pay which may be unaffordable for them • A one-off tax won't help generate tax revenue long-term • Increase in regressive taxes could worsen inequality • Disincentive to invest having a long term impact on LRAS	**(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** • People can access jobs further away from where they live, reducing unemployment • Improved ability to transport goods around the country and/or abroad quicker/cheaper • Greater injections into the circular flow leading to a multiplier effect • Helping to reduce inequality across the country by focusing spending on poorer areas of the country, e.g., new train station in Wales, leading to new businesses, jobs, etc. • Diagram showing an increase in AD and/or AS, e.g.:  **NB A correct AD/AS diagram is needed for KAA level 3** **Reference to Extract B is needed for KAA level 3**	**(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** • Significance of impact- will a few new train stations will make that much difference to economic growth? • Depends on the quality of the new infrastructure provided • Depends on if the infrastructure is in the right location to help improve connectivity • Opportunity cost- perhaps spending on education or healthcare would have a larger impact? • Time lag- large infrastructure projects take a long time from initial planning to being completed • Impact on public finances and national debt • Crowding out • Depends on the value of the multiplier	**(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** Likely impact includes: • Higher prices for consumers, especially on goods/services that can't be produced domestically, e.g. bananas in the UK, increasing inflation globally • Higher prices for consumers due to domestic firms facing less competition from abroad • Less choice for consumers as imports become too expensive • Fewer firms may decide to export due to increased cost/bureaucracy to abide by, reducing global competition and therefore lower global GDP, higher global inflation • Reduction in comparative advantage globally leading to less productivity and less output • Deadweight welfare loss Evaluation might include e.g.: • Depends on levels of tariffs that countries introduce • May only be short-term trade wars and countries such as US and China could agree new terms • WTO can enforce global trade rules to ensure countries don't distort international trade • Comparative advantage can encourage over-dependence for a country (perhaps primary product dependency) • Protection of domestic industries helps to protect domestic employment and income, helping to reduce global inequality • Protection of infant industries to allow them time to grow and expand in order to benefit from economies of scale to compete internationally • Protection of an economy from a foreign country dumping products on the country- loss of jobs, output, etc. **NB for KAA Level 4 candidates must refer to the global economy**	**(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** Likely impact includes: • Increased global trade • Increased global output with reference to comparative advantage • Increased incomes in developing countries due to growth of export industries/investment from MNCs • Increased global competition between firms leading to lower prices for consumers globally • Increased supply globally leading to less global inflationary pressures • Growth of multinational corporations • Increased migration reducing unemployment globally as people move to where jobs are available/where their skills are in need • Diagrammatic analysis e.g., using PPF Evaluation might include e.g.: • Growth of protectionism may restrict global trade and/or limit comparative advantage • Problems with over-reliance on imports encouraging more firms/countries to look at domestic production • Increased production in countries with lower labour costs may help to reduce global inequality • Greater global integration of supply chains increases chances of delays in transport/delivery around the world • Increased inequality as some industries close down due to competition from abroad • Structural unemployment in some countries if industries more abroad • Increased exploitation by MNCs of workers in countries with weak regulations • Increased pollution from increase in transport of goods around the world **NB for KAA Level 4 candidates must refer to the global economy**	**(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.
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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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