

Mark Scheme (Results)

October 2020

Pearson Edexcel GCE A Level
In Economics A (9EC0)
Paper 2: 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 2** 1.7% growth in 2017 £200 000m X 1.017 (1) = **£203 400m** (1) Award 2 marks for correct answer e.g. 203.4 billion	**(2)**

Question Number	Answer	Mark
1 (b)	**Knowledge 2** **Knowledge/understanding:** 1 mark for explaining 'real', e.g. • Taking inflation into account • Adjusted for inflation • Removing the effects of inflation from the data • Constant prices 1 mark for explaining GDP, e.g. • Total output of the economy • Total income of the country • Total expenditure of the country	**(2)**

Question Number	Answer	Mark
1 (c)	**Application 1** **The only correct answer is C** ***A*** *is not correct because we do not have any data on population* ***B*** *is not correct because we do not have any data on inflation* ***D*** *is not correct because economic growth is positive in 2015*	**(1)**

Question Number	Answer	Mark
2 (a)	**The only correct answer is C** ***A*** *is not correct because it is £115m divided by 1.8* ***B*** *is not correct because it is the value from the extract* ***D*** *is not correct because it is £115m doubled*	**(1)**

Question Number	Answer	Mark
2 (b)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/Understanding:** Up to 2 marks for e.g. • Multiplier effect is where an initial change in aggregate demand can have a greater final impact on equilibrium national income (1) • Injection of money from investment goes round the circular flow multiple times/knock-on effects/further effects (1) • Understanding of a multiplier formula (1) **Application:** Up to 1 mark for a relevant example e.g. • Construction workers will eat lunch in local cafes • Construction workers will stay in local hotels • New shops means more jobs for local people, they may then spend their money in a local bar • £115m investment • Multiplier value of 1.8 • Final increase in AD of £207m **Analysis:** Up to 1 mark for e.g. • One person's spending is another person's income • Eventually all money is withdrawn/leaked out of the circular flow of income A correct AD/AS diagram showing two shifts in AD out to the right can be awarded 2 marks (1 K, 1App)	**(4)**

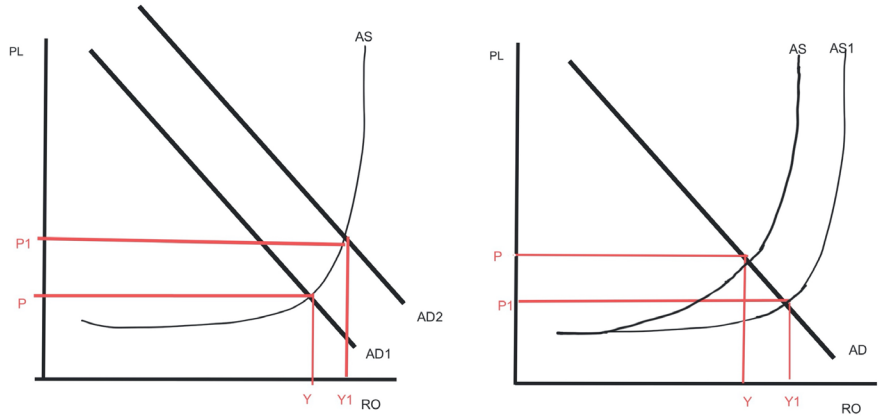
Question Number	Answer	Mark
3 (a)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/Understanding:** Up to 2 marks for e.g. • Enabling growth/prevent recession • Providing temporary loans/credit • Promoting economic stability • Promoting international monetary cooperation • Promoting exchange rate stability **Application:** 1 mark for relevant example e.g. • $57bn lent to Argentina • Money helps to stabilise currency • Money enables Argentinian government to continue repayments on its debt • Other relevant examples **Analysis:** Up to 1 mark for e.g. • Countries such as Argentina relied on IMF as it would be too risky for financial markets to lend to them • IMF will insist on reforms to economy as part of financial assistance	**(4)**

Question Number	Answer	Mark
3 (b)	**The only correct answer is B** ***A*** *is not correct because that refers to an increase in the value of the currency* ***C*** *is not correct because that refers to direct intervention in the currency markets* ***D*** *is not correct because that refers to an increase in the value of the currency*	**(1)**

Question Number	Answer	Mark
4 (a)	**Application 2** 910 – 894 / 894 X 100 (1) = **1.79%** (1) Accept answers between 1.78% and 1.8% Award 2 marks for correct answer e.g. 1.79	**(2)**

Question Number	Answer	Mark
4 (b)	**Knowledge 1, Analysis 1** **Knowledge** 1 mark for one relevant reason e.g. • Uncertainty over the process of leaving the EU (1) • Closure of high street shops (1) • Falling incomes (1) • Increased automation (1) • Slower economic growth (1) • Business expectations (1) **Analysis** 1 mark for linked development e.g. • Uncertainty discourages firms from expanding/investing into their businesses (1) • High street shops employ large numbers of people in the UK and with sales moving online jobs tend to be lost permanently (1) • Lower incomes lead to lower consumption so less demand for labour (1)	**(2)**

Question Number	Answer	Mark
4 (c)	**The only correct answer is D** ***A*** *is not correct because this is not related to a change in technology* ***B*** *is not correct because this is real wage inflexibility* ***C*** *is not correct because this is not related to a change in technology*	**(1)**

Question Number	Answer	Mark
5 (a)	**Knowledge 2, Application 2** **Knowledge/understanding:** 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 Candidates can illustrate an increase in AD, AS, or both	**(4)**

Question Number	Answer	Mark
5 (b)	**The only correct answer is C** ***A*** *is not correct because this would not solve the negative output gap* ***B*** *is not correct because this would not solve the negative output gap* ***D*** *is not correct because this would not solve the negative output gap*	**(1)**

Question Number	Answer	Mark
6 (a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge/Understanding:** Up to 2 marks for e.g. • Guaranteed minimum price (1) • Reduced fluctuations in income/price (1) • Fairtrade farmers/growers/suppliers receive a higher price for their crops (1) • Fairtrade 'premium' paid to farmers/growers/suppliers (1) • Extra financial support for farmers/growers/suppliers (1) • Increased income/profit for farmers/growers/suppliers (1) **Application:** Up to 2 marks for e.g. (1+1 OR 2) • 44% of Fairtrade premium was spent on improving business administration and infrastructure • 45% was spent on investing in farm equipment, training, and funding • Price volatility for farmers • Fragile incomes for farmers • Fluctuating world cocoa prices • Diversification into other crops • Median annual income for cocoa farmers in Ivory Coast of US$2 600/not a living income • Even tripling farm output would not provide a cocoa farmer with a living income **Analysis:** Up to 1 mark for e.g. • Fairtrade is designed to support people in developing countries (1) • Farmers can use additional income to invest into their business (1) • Fairtrade is democratic in the sense that farmers can choose how to spend their Fairtrade premium money (1) • Alternative to aid using the market system (1)	**(5)**

Question Number	Answer	Mark
6 (b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/Understanding:** Relevant methods identified (1+1), e.g. • Diversification • Invest in technology/machinery • Improved use of resources • Increased processing of cocoa beans within the country **Application:** 2 marks (1+1 OR 2) for reference to the data/candidates' own knowledge, e.g. • World cocoa prices plunged by more than a third in 2017 • Average cocoa farm yields only half of what could be achieved • Fertilisers/replanting/tractors to increase output/yield • Diversification into livestock/other crops • Producing chocolate bars from cocoa beans **Analysis:** Linked development of each factor (1+1), e.g. • Diversify into other crops to reduce impact of fluctuating prices • Machinery can speed up harvesting and reduce labour costs • Fertiliser can increase output of cocoa so farmers have more to sell • *Adding value* by processing beans **Evaluation:** 2 marks for two evaluative comments OR 2 marks for identification and linked development of one comment Evaluative comments (1+1), e.g. • Significance of different methods • Improvements will only occur in the long term • Increasing cocoa yields will further reduce cocoa prices	**(8)**

Question Number	Indicative Content	Mark
6 (c)	**Knowledge 2, Application 2, Analysis 4** • Fluctuating prices make it hard for farmers to plan ahead for future purchases of seeds, equipment, etc. and will discourage investment into the farm to improve productivity • Falling cocoa prices reduce profits for farmers • Falling cocoa prices reduce the Ivory Coasts' terms of trade, affecting their ability to buy important imports such as capital equipment • Fluctuating current account • Cocoa is over half of Ivory Coast's exports and thus is a significant part of the country's economy and changes will have a big impact on AD **NB For a Level 3 response candidates must refer specifically to Figure 2**	**(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 (c) continued	**Evaluation 4** • Ivory Coast has comparative advantage in cocoa (climate, soil, etc.) so they should specialise in this to maximise output • Growth of schemes such as Fairtrade will help in the future	**(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 2,** Possible policies might include e.g.: • Supply-side policies to improve productivity such as improved education or healthcare will make workforce more efficient and thus reduce per unit costs to better compete with cheaper imports (allow more than one supply-side policy) • Deregulation policies (e.g. labour laws) to reduce production costs for firms and therefore they will be able to compete on price with other African countries better • Investment in infrastructure to reduce transport costs for exporters • Subsidies provided by the government to help firms adjust to new competition, e.g. could be used to purchase new, more efficient machinery • Demand-side policies such as reduction in taxes on businesses to reduce their costs and increase competitiveness on price	**(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 (d) continued	**Evaluation 4** • Education investment will take a long time until those students enter the workforce • Opportunity cost for the government of investment • Potential side effects of wage-related policies	**(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** • Trade creation as a result of joining the trading bloc • Increased specialisation & trade for countries & their firms, following theory of comparative advantage so total output of the economy can increase. Could potentially be explained diagrammatically or with a numerical example • Higher incomes for workers in the countries thanks to increased demand for the country's exports pushing up wages • Increase in jobs as domestic firms now have much larger market to sell their products to, improving standard of living for citizens of the countries **NB For a Level 3 response candidates must refer specifically to benefits for sub-Saharan African countries**	**(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** • Trade diversion resulting in loss of efficiency as trade switches to less efficient producers within the trading bloc • More integration means financial crises will spread more quickly across the trading bloc • Loss of output due to cheaper competition from lower wage cost countries	**(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** Arguments that cutting taxes will **positively** impact the economy: • Firms will have more profit to reinvest into their companies, therefore increasing investment, aggregate demand, and therefore output • Consumers have higher disposable income so consumption will increase • Greater injections into the circular flow of income • Less withdrawals form the circular flow of income • Relevant AD/AS diagram illustrating an increase in AD • Increase in size of multiplier • Less incentive for tax evasion/avoidance Arguments that cutting taxes will **negatively** impact the economy: • Firms may not reinvest money, many other factors affect investment decisions- e.g. confidence • Consumers may save any extra disposable income, thus withdrawing it from the circular flow of income • Likely to result in higher government debt leading to increased crowding out • Government will have less money to spend on infrastructure/education etc. that may negatively affect economic growth One side of the argument should count as KAA and the other as EV.	**(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 causes include: • High levels of corruption leading to government inefficiency/failure to act in best interests of general population • Lack of redistributive fiscal policy • High indirect taxes which tend to be regressive • Inequality in access to or quality of education/healthcare for different people in a country • Rural/urban divide with people in urban areas having a much greater variety of job opportunities and higher wages than in rural areas • Weak trade unions reduce power of workers to insist on higher wages • High levels of inheritance that is not significantly taxed being passed on to future generations • Ownership of financial assets concentrated amongst the wealthy, with a lack of public share ownership Evaluative comments may include e.g.: • Significance/magnitude of specific causes • Causes may be solved over time as the economy grows and income levels rise • Significance of competing causes could be discussed • Consider whether there is a link between the two types of inequality **N.B. For a level 4 response, candidates must make reference to causes of both income and wealth inequality**	**(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		
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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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