Pearson Edexcel

Mark scheme

Sample assessment materials

Issue 3

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)	C	**(1)**

Question Number	Answer	Mark
1(b)	**Knowledge 3, Application 1** **Knowledge/understanding:** 1 mark each for how ILO and Claimant Count are measured: • the ILO measure of unemployment uses the Labour Force Survey/defines someone as unemployed if they are without a job, want a job, and have actively sought work in the last four weeks (1) • the Claimant Count is the total number of people claiming Jobseekers' Allowance/unemployment benefit (1). Possible answers might include: • these are measured in different ways • some unemployed people are not eligible to claim JSA • some unemployed people do not wish to claim JSA, or are unaware of their right to claim • LFS may be subject to sampling bias. **Application:** 1 mark for reference to the chart, e.g. • ILO measure is higher than the Claimant Count in all regions.	**(4)**

Question Number	Answer	Mark
2(a)	A	**(1)**

Question Number	Answer	Mark
2(b)	**Knowledge 1, Application 3** **Knowledge/understanding:** 1 mark for identifying: • trade balance is the value of exports minus the value of imports (1) **Application:** 3 marks for a linked explanation: • with a rise in income tax, disposable incomes in the US would fall (1) • demand for imports is income elastic/imports are normal goods/demand for imports would fall (1) • the trade balance would improve/trade deficit would decrease (1).	**(4)**

Question Number	Answer	Mark
3(a)	**Knowledge 2** **Knowledge/understanding:** 1 mark for identifying a role; 1 mark for linked development, e.g. • to mobilise savings (1) for lending to businesses and individuals to invest or consume (1) • to facilitate the exchange of goods and services (1) by providing a flat currency (1) • to provide forward markets in currencies and commodities (1) to reduce risk (1) • to provide a market for equities (1) to facilitate raising of finances by businesses (1).	**(2)**

Question Number	Answer	Mark
3(b)	**Knowledge 2** **Knowledge/understanding:** 1 mark for identifying one reason; 1 mark for linked development, e.g. • to stimulate growth (1) by increasing money supply (1) • to increase bank liquidity (1) so they would be more willing to lend (1) • interest rates were already very low (1) so limited scope for further reductions (1) • prevent deflation (1) by increase in money supply (1)	**(2)**

Question Number	Answer	Mark
3(c)	C	**(1)**

Question Number	Answer	Mark
4(a)	D	**(1)**

Question Number	Answer	Mark
4(b)	**Knowledge 2, Application 2** AD/AS diagram showing: • initial AD/AS curves and axes correctly labelled (1) • initial equilibrium correctly labelled (1) • increase (rightwards/outwards shift) in AD (1) • new equilibrium correctly labelled showing an increase in the equilibrium level of real national output and the equilibrium average price level (1).	**(4)**

Question Number	Answer	Mark
5(a)	B	**(1)**

Question Number	Answer	Mark
5(b)	**Application 3, Analysis 1** **Application:** 2 marks for: • the calculation for opportunity cost for Columbia (1) • the calculation for opportunity cost for Zambia (1) and 1 mark for: • in Colombia the opportunity cost of producing 1kg of emeralds is 0.1 million tonnes of copper (1) • in Zambia the opportunity cost of producing 1kg of emeralds is 1 million tonnes of copper (1) • Colombia has a comparative advantage in the production of emeralds (1). **Analysis** 1 mark for inferences from calculations carried out, e.g. • Columbia can produce emeralds relatively more efficiently/at a lower opportunity cost than Zambia (1).	**(4)**

Question Number	Answer	Mark
6(a)	**Knowledge 1, Application 2, Analysis 2** **Knowledge/understanding:** 1 mark for: • GDP per capita = GDP ÷ population/GDP per person (1). **Application:** 2 marks for: • GDP per capita for Burundi = 2.47 bn/16.14 mn = $153 (1) • GDP per capita for Kenya = 37.23 bn/62.78 mn =$593 (1) **Analysis:** 2 marks for: • Ratio of Burundi's GDP per capita: Kenya's GDP per capita = 153:593 (1) = 1:3.9 (1) [Accept 1:3.8 to 1:4]	**(5)**

Question Number	Indicative content	Mark
6(b)	**Knowledge 2, Application 2, Analysis 4** GDP is the best way to compare living standards: • it is an internationally comparable measure • it is a fairly simple measure, meaning a low opportunity cost to the governments of these developing countries • it requires less data than some more sophisticated measures, reducing the chance of data inaccuracy • there is GDP data for all five countries, whereas there is no IHDI data for Burundi • can be refined into per capita / PPP measures to make more representative • the rank orders of the five countries are the same using GDP as using GDP per capita and HDI	**(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(b) continued	**Evaluation 4** • it does not include much of what is important in determining standard of living, e.g. education, healthcare • it does not show how income is distributed among the population • it does not take account of any unpaid/illegal/'cash in hand' work, particularly a problem in developing countries like these, with a large subsistence agriculture sector • GDP doesn't take into account different costs of living (without a PPP adjustment) – compare Rwanda and Uganda	**(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	Answer	Mark
6(c)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/understanding:** 2 marks for identification of two factors (1+1) **Analysis:** 2 marks for linked explanation of how these factors constrain growth (1+1), e.g. • land-locked (1) therefore high transport costs so limited opportunities for international trade (1) • low tax revenue (1) meaning government has insufficient funds for investment in education (1) • primary product dependency (1) price volatility leading to uncertain levels of income/investment (1) • civil war (1) destruction of infrastructure which discourages investment (1). **Application:** 2 marks for reference to the data (1+1), e.g. • coffee and tea make up almost 70% of Burundi's export earnings • high level of tax exemptions – 3% of GDP. **Evaluation:** 2 marks for two evaluative comments, e.g. • civil war as a temporary factor (1) • government might get money through aid (1) OR 2 marks for identification and linked development, e.g. • growth of emerging economies (1) has led to increase in primary product prices (1) • FDI by China (1) has led to improved infrastructure (1).	**(8)**

Question Number	Indicative content	Mark
6(d)	**Knowledge 2, Application 2, Analysis 2** Possible benefits include: • increased regional trade has led to faster economic growth • firms can take advantage of increased economies of scale • trade creation • free movement of labour may fill labour shortages in individual countries • increased investment, either domestic or foreign • negotiating together may give the countries more power at, e.g., WTO talks.	**(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 links 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** Possible costs include: • trade diversion • loss of revenue from import tariffs from fellow members. General evaluative points: • Kenya is the largest economy in the EAC, so has the smallest additional economies of scale to gain • 'Kenya's exports to the other EAC members were about US$1.2 billion in 2010' (Extract 2), so benefits appear to be significant • Kenya probably gains less benefit from the smaller countries being co-members of the EAC, e.g. Burundi.	**(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** Candidates may analyse the costs in their answer, and the benefits as evaluation (or vice versa), or may analyse the costs and benefits in their answer, and consider the significance of their arguments as evaluation. Possible costs include: • loss of control over monetary policy (given current differences in economic development, perhaps unlikely that one common policy would be optimal for all) • loss of control over exchange rate policy • resulting inability to respond differently to asymmetric shocks • changeover costs/menu costs • consumer confusion • may be inflationary if all producers round up their new prices/loss of consumer surplus. Possible benefits include: • reduction in transaction costs • elimination of exchange rate risk (leading to more trade and investment) • reduction in region-wide price differentials / may reduce inflation/increase consumer surplus • a larger and more diverse economic area may be less vulnerable to exogenous shocks and speculative currency attacks.	**(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** (Costs and benefits are outlined under Knowledge, Application and Analysis.) General evaluative points: • the countries have benefited to different extents: Kenya and Rwanda seem to have done well, while Burundi has not seen as much of a benefit • the euro area is a significant trade partner more so than the other EAC countries (in 2008) • increasing economic openness should reduce the potential for asymmetric shocks as time progresses • low levels of intra-EAC trade mean that the benefits from reduced transaction costs will be very small.	**(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**
	
	Understanding of public sector debt.
	
	Possible policies may include:
	• running budget surpluses (austerity measures), through either/both:
	  o reducing government spending
	  o increasing taxation
	• policies to generate economic growth, leading to a reduction in government spending, and an increase in tax revenue:
	  o fiscal stimulus
	  o exchange rate devaluation
	• policies to cut down on tax avoidance/evasion policies to increase efficiency/reduce waste in the public sector
	• privatisation/outsourcing/public-private partnerships to reduce government spending
	• changing the legal structure of the debt (e.g. the suggested minting of a $1 trillion coin by the US Treasury)
	
	Possible evaluation points include:
	• austerity measures may reduce economic growth, leading to lower tax revenues and higher government spending, worsening the debt in the future
	• effectiveness of austerity policies depends on the balance between spending cuts/tax rises/which taxes are raised/where government spending is cut
	• policies to generate economic growth/cut tax avoidance/evasion are likely to be costly and raise debt in the short run.
	
	NB For a Level 4 response, candidates must refer to a developed country in their answer.
		(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** Understanding of income inequality. Likely causes include: • increased globalisation/trade liberalisation/off-shoring • automation of manufacturing/changing technology • development of the emerging economies, e.g. China/India • financial crisis of 2008/2009 • increased incomes of those already at the top of the income distribution (ownership of assets/wealth distribution/ economic growth) • de-regulation • increased returns to education/entrepreneurial risk taking. Possible evaluation points include: • different reasons have been the most important in different countries, or at different times • it depends on what the economy specialises in, e.g. those that specialised in manufacturing have been more affected by the development of emerging economies, those that specialise in tourism have been more affected by the financial crisis • financial crisis is only a relevant factor for a limited period of time • prioritisation of factors. **NB For a Level 4 response, candidates must refer to a developed country in their answer, and explain why income equality has increased, not simply why there is income 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.
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.