Pearson
Edexcel

Mark Scheme (Results)

Summer 2024

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

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1(a)	**The only correct answer is D** ***A*** *is not correct because household savings rose in 2015* ***B*** *is not correct because household savings fluctuated during the time period shown* ***C*** *is not correct because household savings were the lowest in 2017*	**(1)**

Question Number	Answer	Mark
1(b)	**Application 2** UK household savings in quarter 4 of 2015 is 10% (1) 10% of £26 300 = £2 630 (1) **NB Award 2 marks for 2 630**	**(2)**

Question Number	Answer	Mark
1(c)	**Knowledge 1, Analysis 1** **Knowledge/understanding (1): e.g.** ● Reduction in consumer confidence ● Consumers reluctant to spend ● Fall in incomes / recession ● Global health crisis **Analysis (1):** Linked development 1 mark for e.g. ● Due to global health crisis consumers are unwilling/ unable to spend ● Consumers are concerned about losing their job and so unwilling/unable to spend ● Rise in unemployment **NB You may award a rise in interest rates**	**(2)**

Question Number	Answer	Mark
2(a)	**The only correct answer is C** ***A*** *is not correct because this is if you part-calculate percentage change* ***B*** *is not correct because this is the figure for July to October 2020* ***D*** *is not correct because this is if you calculate percentage change between the two values*	**(1)**

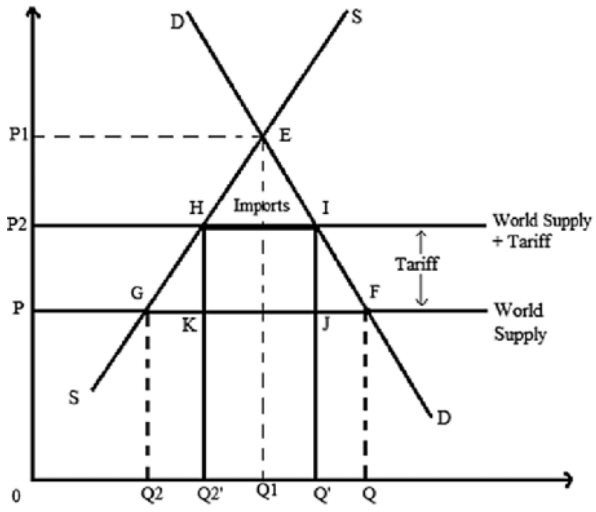
Question Number	Answer	Mark
2(b)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/understanding and analysis (3):** ● Reduction in economic growth (1) due to lower injections into the circular flow of income (1) or GDP rises more slowly (1) ● Investment is a component of AD ● Reduction in real/potential output (1) leading to higher unemployment (1) ● Reduction in productivity (1) leading to lower potential output (1) ● Reduction in quality of factors of production (1) leading to reduced productive potential (1) ● Decrease in AD (1) ● Reduced multiplier effects (1) ● Accurate diagram showing reduction in AD (1) or LRAS (1) ● Change in the price level (1) **Application (1):** A correct reference to the figure, e.g. ● Investment fell to a low of 20.8% of GDP (in October) 2020 (1) or any other figure for 2020 in diagram ● Investment fell from 24.2% (in January 2020) to 20.8% (or 3.4% points) of GDP (on October 2020) (1) ● Diagram showing changes in prices/real output linked to fall in investment, unless awarded as analysis above (1)	**(4)**

Question Number	Answer	Mark
3(a)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/understanding and analysis (3):** ● Market rigging is a form of market failure in financial markets (1) ● It involves unfairly or illegally fixing/ manipulating the price up or down/interest rate/exchange rate/bid (1) ● Banks/traders work together/collude as a cartel (1) ● Insider trading (1) ● Asymmetric information (1) ● Symptom of oligopoly (1) ● The banks will have made additional profits from market rigging (1) ● Consumers will have lost out from rates not being where they would be in a competitive market (1) **Application (1):** A relevant reference to the data or other relevant data e.g. ● Fined more than €1 billion (1) ● Share information about customers' orders, prices and other trading activities (1) ● To manipulate currency markets (1) ● Online chatrooms (1) ● Libor or other relevant examples (1)	**(4)**

Question Number	Answer	Mark
3(b)	**The only correct answer is C** ***A*** *is not correct because this is not a role of financial markets* ***B*** *is not correct because this is not a role of financial markets* ***D*** *is not correct because this is not a role of financial markets*	**(1)**

Question Number	Answer	Mark
4 (a)	**The only correct answer is C** ***A*** *is not correct because this is trend GDP growth* ***B*** *is not correct because this is a recession* ***D*** *is not correct because this is trend GDP growth*	**(1)**

Question Number	Answer	Mark
4(b)	**Knowledge 2, Application 2** Multiplier formula= 1 / (1 – mpc) OR multiplier = 1/mpw OR 1/(mps+mpt+mpm) (1) = 1 / (1 – 0.1) (1) OR = 1 /0.9 (1) Value of the multiplier = 1.11 (1) 1.11 recurring X £60m (1) = **66.6m** **Award full marks for correct answer 66.6m** **NB Allow in the range 66m - 67m** **NB Max 3 marks if incorrect units or missing units,** **e.g. 3 marks for £66.6** **NB 3 marks for the correct value of multiplier**	**(4)**

Question Number	Answer	Mark
5(a)	**Knowledge 2, Application 1, Analysis 1** **Knowledge/Analysis up to 3 marks for e.g.:** • Increase in the price of steel (1) • Reduced imports of steel from the UK (1) • Protects domestic steel industries (1) • Reduced current account deficit of the US (1) • Higher domestic supply of steel/ growth of market (1) • Lower domestic demand for steel (1) But higher domestic demand for US steel (1) • Higher domestic employment (1) • Higher USA growth (1) • Retaliation by the UK if linked to impact on the US • US steel firms gain extra producer surplus from the tariff as they can now sell at a higher price (1) • US consumers lose out due to the higher prices/ lower consumer surplus (1) • Deadweight loss in the market (1) • Government gain additional tariff revenue (1) • Higher revenues/ profits for US steel producers (1) **Application (1):** • 25% tariff on steel imports (1) • steel imports from the UK (1) • can be shown on a diagram e.g. an increase in price, increase in domestic production, increase in government revenue (1) **NB:** Marks can be awarded for these points illustrated on a diagram, e.g.: 	**(4)**

Question Number	Answer	Mark
5(b)	**The only correct answer is C** ***A*** *is not correct because higher corporation tax would increase costs and therefore reduce comparative advantage* ***B*** *is not correct because higher economic growth would likely increase inflation, therefore reducing comparative advantage* ***D*** *is not correct because higher wages would increase costs and therefore reduce comparative advantage*	**(1)**

Question Number	Answer	Mark
6(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge / analysis up to 3 marks for e.g.:** ● Progressive tax is where the proportion of income/wealth paid as tax increases as income/wealth increases / tax rate rises as income/wealth rises (1) ● Regressive tax is where the proportion of income/wealth paid as tax decreases as income/wealth increases / tax rate falls as income/wealth rises (1) ● Distinction examples: progressive tax would reduce income inequality while regressive tax would increase income inequality (1); reference to effect on Gini coefficient (1); progressive greater burden on higher income, regressive greater burden on lower income (1) encourage people to work harder, earn more money? (1) direct vs indirect (1) **Application:** Up to 2 marks (1 mark for progressive and 1 mark for regressive) Progressive income tax (1) e.g. ● People earning less than £12,570 pay no income tax ● Someone earning £150,000 will pay an extra £1,200 income tax per year with the changes ● Corporation Tax Regressive tax (1) e.g. ● VAT ● Council tax ● sugar tax ● Congestion Charge ● ULEZ ● Excise duty **NB: Do not accept e.g. increase in tax paid as income rises**	**(5)**

Question Number	Answer	Mark
6(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/Understanding:** Likely impact identified (1+1), e.g. • Disposable (real) income might fall / rising more slowly (1) • Reduction / slowdown in consumption (1) • Reduction / slowdown in investment (1) • Impact on tax revenue (1) • Impact on government spending (1) • Reduction / slowing in economic growth (1) • People pushed into higher income tax brackets (Fiscal drag) (1) • Change in confidence can affect consumption/investment (1) **Analysis:** Linked development (1+1), e.g. in the UK: • Higher tax means consumers will have less money to spend (1) • Lower demand from consumers reduces firms incentive to invest (1) • Less demand means firms will need to reduce staff costs, increasing unemployment (1) • Linked AD/AS analysis / diagram (1) • Fiscal drag explained or equivalent(1) • Reference to lower incentive to work (1) • Explain impact on tax revenue, e.g. Laffer Curve (1) **Application:** 2 marks (1+1) for reference to the data (**from either or both Fig 4 or Extract A**), e.g. • Additional-rate income tax threshold decreased from £150 000 to £125 140 (1) • Someone earning £150 000 will pay an extra £1 200 income tax per year with the changes / 'end up paying more tax on their income' (1) • Apart from additional rate, other thresholds are all staying the same (1) • 'Around 250,000 taxpayers will be pushed into this higher tax band' (1) • Thresholds fail to rise in line with salaries (line 3 Ext A) (1)	

	Evaluation: 2 marks for two evaluative comments OR 2 marks for identification and linked development of one comment (1+1 or 2+0), e.g. • If government spends extra tax revenue (1) then that could create more employment (1) • Stealth tax? (1) • Depends on changes in other taxes/government spending that may offset higher income tax (1) • Inflation is expected to fall in 2023 so wages may rise more slowly in the future (1), limiting impact of freeze in tax bands (1) • Impact on economic growth depends on where the AD lies on Keynesian LRAS/level of spare capacity (1) • Depends on changes in other components of AD (1) • Time lags: Short run v long run considerations (1) • Consumers may not reduce consumption if they choose to save less instead (1) • Top income households disposable income does fall (1) • Depends on value of multiplier (1) • Impact on tax revenue may not be as expected (1) e.g. Laffer Curve (1) / possible tax avoidance (1)	**(8)**

Question Number	Indicative Content	Mark
6(c)	**Knowledge 2, Application 2, Analysis 2** Fiscal deficit **is** a cause for concern: ● Government will have to borrow more money to finance the fiscal deficit ● Will increase the size of the national debt ● Reduce government's ability to spend in the future ● Can be inflationary ● Risk of being unable to borrow in future / lose trust / credit default National debt **is** a cause for concern: ● Result in crowding out – resource and/or financial ● Opportunity cost of interest payments on the debt ● Reliance on willingness of borrowers to keep lending to the government (reference to credit rating) ● May reduce business confidence in the UK economy ● May result in the depreciation of the currency, making imports relatively more expensive ● Could lead to future tax rises and spending cuts ● Could result in a default on the debt, and need for IMF assistance ● Intergenerational conflict **NB For Level 3, candidates need to make reference to both fiscal deficit AND national debt** **NB For Level 3, must refer to the UK government e.g. use of Figs 1 or 2 or 3 or own knowledge** **NB Some causes for concern can be applied to both e.g. intergenerational inequity** **NB KAA and EV can be flipped**	**(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** ● Depends on size of fiscal deficit/national debt compared to total GDP ● Fiscal deficit may be necessary to support the UK economy during a recession ● Borrowing to fund government spending to boost economy e.g. education, infrastructure should pay for itself through higher tax revenue in the future ● Could result in 'crowding in' ● Depends on size of service charges/interest rates ● Level of debt as % of GDP has been higher in the past, and is higher in some other countries ● Effects of recent fiscal drag will lessen impact in future ● Depends if cyclical or structural deficit ● Not a cause for concern if protecting the country in a crisis, e.g. GHC / conflict	**(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** • Deflation means the average price level is falling, and is harmful to an economy because of lack of confidence, growth, investment and real debts increase/other equality issues (definition could be implied in answer) • Bank of England purchasing £200bn government bonds, will increase the availability of credit / liquidity: more lending to / borrowing by firms and consumers/ bond yield analysis • Quantitative easing (QE) may lead to increased consumption (via borrowing), increased AD, and increase in price level. This may be illustrated with AD shift right • QE may lower commercial / high street interest rates, reducing the reward for saving therefore increasing consumption, increasing AD • QE may lower interest rates, reducing the cost of borrowing therefore increasing investment (an injection), increasing AD • QE can result in a depreciation of the exchange rate (e.g. via lower interest rates/hot money outflows) leading to imports becoming relatively more expensive and hence cost-push inflation or boost (X-M) • QE can cause positive wealth effects through asset price inflation • QE can lower cost of government borrowing and may enable government spending **NB To access Level 3 must refer to preventing deflation or causing inflation**	**(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** • Lack of consumer confidence may mean consumers do not react to QE by increasing consumption • Lack of business confidence may mean businesses do not react to QE by increasing investment • Commercial banks still be reluctant to lend due to uncertainty about future of the economy • Commercial banks still be reluctant to lend to firms and consumers as they lack confidence in their ability to pay back loans • Banks may retain the extra money from QE rather than use it to increase lending • Rise in asset prices is likely to increase inequality • Increased capital outflows to drive up asset prices abroad instead • Discussion of some of the benefits of deflation such as a reward for saving • Unintended consequences of QE e.g. inequality might outweigh the benefits of removing deflation • Miscalculation of projections might lead to inflation above target • Use of other contexts to assess effectiveness e.g. during GFC or other countries • Other policies could be used to prevent deflation, e.g. fiscal policy • QE as last resort as Base Rate close to 0% • Other countries are using QE	**(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** Explanation of how supply-side policies could stimulate economic growth, e.g. ● Increased spending on infrastructure, e.g. carbon capture technology, increases the potential output of the economy ● Increased spending on education/training/healthcare to increase productivity of workforce ● Policies to increase competition between firms, such as privatisation/deregulation, to boost UK competitiveness ● Reducing taxation, e.g. income tax/corporation tax ● Reforming the labour market, e.g. reducing the cost/ paperwork of immigration, increasing size/productivity of the labour market, measures to reduce trade union power ● Government subsidies for strategic industries e.g. electric cars ● Protectionism ● Impact on AD can be credited as a dual/short-run effect of supply-side policies on growth **NB For Level 3, more than one policy required**	**(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** • Other policies, e.g. government's demand-side policies, might be more effective, or non-government policy such as interest rate cutting • Effectiveness of the individual policies discussed • Magnitude of government spending on supply-side policies • Interventionist supply-side policies could increase budget deficit and national debt, causing crowding out • Policies can take a long time to have an effect, e.g. time to build develop new, unproven carbon capture technology / time for a student to progress through education • Increasing labour force is only beneficial if there are jobs available for the new members of the workforce • Conflict between government policies / government failure	**(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** Policies that could be used to reduce a current account deficit include: • Reducing external value of the currency e.g. through government intervention in currency markets or expansionary monetary policy by *reducing* interest rates or selling own currency such as the real • *Increase* in interest rates to reduce consumer spending on imports (could be evaluation of above) • Supply-side policies to improve the international competitiveness of the economy, market based and interventionist policies supply side policies e.g. on education and training, infrastructure, healthcare, tax breaks for R&D etc. • Increase income tax rates to reduce disposable incomes and hence marginal propensity to import • Protectionism: expenditure switching or reducing, the use of tariffs, quotas, subsidies to domestic producers and other non-tariff barriers • Measures to decrease inflation rate below that of competitors e.g. increasing interest rates • Diversification/industrialisation/deindustrialisation to produce exports with more value-added • Joining trade bloc Evaluation of these policies could include: • Limitations of the individual policies discussed e.g. in some countries such as the UK it would be unlikely that the Bank of England would manipulate the exchange rate or interest rate to reduce the deficit on current account • Magnitude of government spending/tax cuts/trade barriers/reduction in exchange rate • Time lags associated with individual policies • Conflicts with other macroeconomic objectives • Effectiveness of policies depends on the price elasticity of demand of a country’s imports and exports, which might be developed using Marshall-Lerner / J-curve / long run implications • Interventionist supply-side policies could increase budget deficit/national debt, causing crowding out • Increase in income tax could reduce consumption; fall in economic growth/increase in unemployment • A tighter monetary policy will cause the currency to appreciate, reducing price competitiveness of exports • Protectionist policies distort comparative advantage, reducing specialisation/trade; can result in retaliation • Governments of countries with a floating exchange rate cannot lower the external value of the currency • Is there a need to address a current account deficit, e.g. in some countries it might not be a sign of weakness/might be counterbalanced by other components of the balance of payments e.g. net primary incomes **NB For Level 4 the answer must refer to at least one country**	**(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** • Reduced cost of transport: technical efficiencies through containerisation; increase in fuel efficiency; better transport infrastructure • Trade liberalisation: reduction in trade barriers linked to the work of WTO; application of law of comparative advantage and link to specialisation • Increased number and size of trading blocs: may apply to trade creation • Reduced costs of communication: e.g. internet, mobile technology and technological advances have made it easy to communicate; introduction of new electronic payment systems • Political change: opening up of previously closed economies to the world market, e.g. breakdown of the Soviet system and opening up of China • Increased significance of TNCs / use of FDI: have entered new markets and invested significantly in expanding abroad to increase profits through offshoring and outsourcing to benefit from lower labour costs • Increased interconnectedness of global supply chains as firms produce different parts of their finished products in different countries Evaluative comments may include e.g.: • Deglobalisation as a more recent trend, for example recent increases in US tariffs on Chinese cars • Significance/magnitude of factors discussed • Combination of factors will be more significant • Different factors important for different countries • Reduced cost of transport: countries that have poor infrastructure/landlocked will not benefit • Reduced cost of communications: many people in developing countries excluded from benefits from internet or mobile technology due to being poor • Countries leaving trading blocs e.g. UK and the EU • Political change: trade wars between countries e.g. China and USA have reduced global trade • Increased significance of TNCs: delays/uncertainty in global shipping are encouraging some firms to reshore production or simplify their supply chains • Increased automation reduces importance of labour costs in firms decision regarding where to locate its production facilities • Trade diversion • Limited scope for further tariff removal	**(25)**

Knowledge, application and analysis		
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	0	A completely inaccurate response.
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