

Examiners' Report June 2022

GCE Economics A 9EC0 02



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Introduction

The focus of this exam is on macroeconomics, and themes 2 and 4 of the specification.

Candidates' answers to the questions on this paper have been of an expected standard. All questions were accessible to the candidates, although inevitably candidates were scoring more highly on some questions than on others. There were a few very high-quality answers from candidates demonstrating an excellent grasp of the key macroeconomic issues, although other answers demonstrated a more superficial understanding. Overall, there was a wide range in the quality of answers.

In Section A, most candidates answered the multiple-choice questions correctly, although candidates are encouraged to improve their skills at interpreting graphs. This was a particular issue on question 2(a). On other multiple-choice questions, candidates need to ensure they read the question carefully and think through each of the four answers; only one of them will be a logical answer in the context of the question.

For the other questions in Section A, candidates need to focus on answering the precise question set, and nothing else. There are no marks for evaluation in Section A, so doing so is wasting valuable time in the exam. In addition, when the question asks candidates to refer to either a chart, a graph, or the information provided, candidates need to make sure they do so. This was the case in questions 2(b), 3(a), 4(b), and 5(a), Unfortunately a few very well-written answers achieved 3 of the 4 marks as they lacked application. Candidates also need to make sure they know key formulas such as how to calculate the multiplier. There was a considerable number of answers where candidates did not know the formula or got it wrong.

In Section B it is equally important that candidates read the question carefully and ensure they are answering the precise question set. For example, question 6(c) asks whether an increase in real income improves subjective happiness within the UK, but a number of evaluative comments focused on the reliability of the data rather than on whether money does make people happy or not.

In question 6(d), most answers focused too much on what the government could spend any additional tax revenue on, rather than on the methods of increasing tax revenue themselves. High quality answers to these questions were ones that clearly analysed the issues and applied them to real-world contexts, either using information from the case study or their own knowledge.

In all questions it is important for candidates to remember that when a question includes the words 'with reference to' candidates should actually refer to whatever they have been asked.

In shorter questions there are discrete marks for application and in levels-based questions, examiners are looking for context to enhance the answer and move it into the higher knowledge, application, and analysis (KAA) levels. In fact, a common issue when marking candidates' answers was a lack of application. Answers should not be entirely theoretical and should be placed within the context of the real economy of the world or countries and regions. Candidates are advised that the extract is there to help them with their answers, and some of the more effective answers made considerable use of it to help them in their writing.

For Section C where the candidates have a choice of which question to answer, question 8 was slightly more popular than question 7. In both questions, success could be found by clearly demonstrating the skills of analysis, evaluation, and application. Candidates need to ensure they go beyond simply stating issues and justify their points, as well as backing them up with application.

In question 7, most candidates were able to draw a tariff diagram and explain it, but they did not relate it to the global economy.

In question 8 most candidates had reasonable understanding of comparative advantage but struggled to clearly articulate how it would impact the global economy.

Question 1 (a)

In this question, candidates are required to calculate the total reduction in the UK's GDP.

There are two steps in the process. Firstly, candidates need to calculate the value of the multiplier. Secondly, they need to multiply this value by £20 million. There were a range of answers with many of the weaker responses demonstrating a lack of understanding of this key macroeconomic formula.

 According to the Bank of England, the UK's marginal propensity to consume is estimated to be 0.64.

> (Source: adapted from https://www.bankofengland.co.uk/-/media/boe/files/workingpaper/2017/the-consumption-response-to-positive-and-negative-income-changes.pdf?)

(a) Using the information above, calculate the total reduction in the UK's GDP from a fall in government spending of £20 million.

$$multiplier = 1 = 2.777... = £55.55...$$

A reduction of £55.56 million



This is a response that was awarded the full 4 marks for the correct answer.



Make sure you know key formulas, such as how to calculate the multiplier.

It is always worth showing your workings in case you make a mistake as marks can be awarded for the workings. (4)

Question 2 (b)

In this question, candidates were required to explain the likely impact on consumption of a rise in house prices. The focus here is on the wealth effect, and good answers explained clearly how the wealth effect would lead to an increase in house prices. We also awarded answers that considered the problem of rising house prices for those seeking to buy a house. For example, rising house prices would increase the size of deposit house buyers would need.

In this question there were 2 marks for knowledge, 1 mark for analysis, and 1 mark for application.

(b) With reference to the chart on the previous page, explain the likely impact of an increase in average house prices on UK consumption.

An increase in average prices have prices as seen on the chart by a vair increase of 7% during may and november 2020 Wound lead to a decrease in wearn- B household your or allen leading to a accure in disposable theretore meaning conjumen are less financially income willing to spend there is an Lable and incentive to save leading to an increased fau in consumption due to overau antidence. decuno in consumer



This response was awarded 1 mark. The candidate has correctly made some use of the chart provided on house prices and gained the application mark. However, there is no relevant detail for marks to be awarded for knowledge and analysis.



When you have a question about house prices and consumption, this is likely to relate to the wealth effect.

Candidates need to make effective use of the data provided in the question.

(4)

(b) With reference to the chart on the previous page, explain the likely impact of an increase in average house prices on UK consumption.

mey mpact & rising house prices an consumption Ohe an increase in consumption 60 As Shor wand from OV. nour Price, rose the Char, Grouth 15% 15 2020 to Jure May 2021 due tU consumption would merec wear exsect. assers A3 does tu 8 as he asum casidence tris eads quearer wers ducretion to Cargidelle. 2 consumption du reale

(4)



This response was awarded the full 4 marks. The candidate has clearly stated that it would be likely to increase consumption. The candidate develops the response further by explaining why and providing some application to the chart.



When a question says 'with reference to', make sure you do what the question asks.

Question 3 (a)

In this question, the focus was on investment and the question considers the impact of a fall in interest rates. Most candidates grasped that this would lead to an increase in investment as the cost of borrowing would now be cheaper. As with the previous question, a reference to the data should be present in the answer.



3 Bank of England base interest rate, 2016–2020



This response was awarded the full 4 marks. The candidate has clearly answered the question from the outset by saying that investment will increase, swiftly followed by some application. The rest of the answer gains the second knowledge mark and the analysis mark.



Be clear and concise in the answers in Section A. This answer is just over 6 lines long, but it fully answers the question.

3 Bank of England base interest rate, 2016–2020



(Source: adapted from https://www.bankofengland.co.uk/ monetary-policy/the-interest-rate-bank-rate)

(a) With reference to the chart above, explain the likely impact of a reduction in the base interest rate on UK investment.

percentage (4)	
For intrest rate is the amounth charged on top	
of the amount borrowed . by decrooneing the	
banes innost rale in shout character Rom	
0.75% in 2019 to 0.1% in 2020 should lower	
the cost of borrowing which phourages	
borroning which increases spending on	
tome investment as firms an able to do	
10 Cheaper.	



This response was awarded 3 marks. There is clear knowledge and application, but there is no analysis. This was probably the most common cause of students not earning full marks on this question. There needs to be some explanation of how/why investment would increase to earn the analysis mark.



In questions such as this, make sure you have demonstrated the skills of knowledge, application, and analysis in your answer.

Question 4 (b)

In this question, candidates needed to explain the difference between automatic stabilisers and discretionary fiscal policy. Most candidates found this question challenging with a number of responses unable to explain the difference. Some of the weaker responses demonstrated a lack of knowledge of these key terms and often wrote in general about fiscal policy. Many candidates missed the application mark for not making effective use of the trade cycle diagram.

4 The trade cycle



(1)

(4)

(a) At point Z on the diagram, which one of the following is likely to occur?

An increase in:

- A absolute poverty
- B budget deficit
- C cyclical unemployment
- D inflation
- (b) With reference to the graph, explain the difference between automatic stabilisers and discretionary fiscal policy.

Automatic stabilises are part of Biscal Policy that aren't directly enoceed by the government but instead occur in response to the economy, Such as when actual GDP Salls below Trend GOP. Whereas discretionary Discal Policy & consists de conscious decisions made 65 the government such as an increase in taxation to push. real GOP closer to Trend GOP



This response was awarded 3 marks. The candidate has given a good explanation of the difference between automatic stabilisers and discretionary fiscal policy, but there is no reference to the graph so no application mark was gained.

4 The trade cycle



(1)

(4)

(a) At point Z on the diagram, which one of the following is likely to occur?

An increase in:

- A absolute poverty
- B budget deficit
- 🖾 C cyclical unemployment 🗴
- D inflation
- (b) With reference to the graph, explain the difference between automatic stabilisers and discretionary fiscal policy.

or withour your name policy changes When actual Will Automotic Skabilizes e.g. is decreasing or the points oper Z, unemployment would incruse meaning (DS comment Wherews discrementy piscul policy regions benchis would be more to specific yovernment policies to harrow the positive output an incruse in taxes. * where the economy is there was booming and about going to recess



This response was awarded the full 4 marks. The candidate has given a clear explanation of the difference between automatic stabilisers and discretionary fiscal policy along with some application to the trade cycle graph.

Question 5 (a)

This question focussed on the role of financial markets. Most candidates correctly identified a role and offered some explanation. The application was often present in many answers. However, answers that gained 3 of the 4 marks available often lacked a full explanation to gain the analysis mark.

5 In May 2020, the UK government introduced a loan scheme to help small businesses survive the downturn in the economy. Small businesses could borrow up to £50 000 at an interest rate of 2.5% for up to 6 years from a bank. The government guaranteed 100% of the loans, to enable banks to issue them quickly, and only minimal checks were made on borrowers.

> (Source: adapted from https://www.ft.com/content/1ca15db2-93e4-4e34-877d-110309cd9716)

> > (4)

(a) With reference to the information above, explain one role of financial markets.

One role of financial matters is to prov businesses or indu iduals in order 60 show lat Aggregate demand Maintain Stabilin in and real to increase consumption or in verment both Agarcante Increase domana a bu Increasing DOEL ahon and teep price levels stable.



This response was awarded 3 marks. The candidate has correctly explained one role of financial markets and offered some good knowledge and analysis, but there is no application. 5 In May 2020, the UK government introduced a loan scheme to help small businesses survive the downturn in the economy. Small businesses could borrow up to £50 000 at an interest rate of 2.5% for up to 6 years from a bank. The government guaranteed 100% of the loans, to enable banks to issue them quickly, and only minimal checks were made on borrowers.

(Source: adapted from https://www.ft.com/content/1ca15db2-93e4-4e34-877d-110309cd9716)

(a) With reference to the information above, explain one role of financial markets.

(4) nancial markets co 5010 0 esses and in Stated that Sma 150,000 w0110 100 /0 he 6 avoinner to ption boost (OA SUM llonom 125 15 Re roe conon

This is a response that was awarded the full 4 marks. The candidate has given a good, well-written answer to this question.

Question 6 (a)

The Lorenz curve was the focus of this question. Candidates were asked to explain how income inequality is measured using the Gini coefficient.

Candidates were awarded 2 marks for a correctly drawn and labelled Lorenz curve diagram. The remaining marks were awarded for explaining how the Gini coefficient works and for some application to the data. Referring to the fact that the UK's Gini coefficient is 0.34 was the key piece of application, and the majority of candidates gained the mark. However, many candidates lost marks for incorrect labels on the diagrams.

(5) 0 - any and coeff prondes icient allality income do Car inoquality in me It is calculated wrong the lorene curve and U. is difference cumulance . 1. of noureners benulees we use equality and Ano Lovenz curve shown above This area A Meanies ma difference incomes of cn. groups and 64 for the give week week is weared a figure me area estimated to ho for example on the JK, 13 income which represent a level offinea 0.34 040 C and O refectly could inequal

6 (a) Using a Lorenz curve diagram, explain how income inequality is measured using the Gini coefficient. Refer to Extract A in your answer.



This response was awarded the full 5 marks. The candidates has given a clear and correctly labelled Lorenz curve diagram and it was clearly explained in the written response.



Make sure you correctly label the axes on diagrams, such as a Lorenz curve.

6 (a) Using a Lorenz curve diagram, explain how income inequality is measured using the Gini coefficient. Refer to Extract A in your answer.

population Coefficient Gini 60 meas 45 er2 ß heir 90 pistribution and OF income Eavalin



(5)

Question 6 (b)

This question asked candidates for causes of income inequality within the UK.

For the 8-mark questions, there are 2 marks available for each of the assessment objectives; knowledge, application, analysis, and evaluation.

Most candidates made good use of the extract given in the question to discuss education and infrastructure inequalities between different parts of the UK.

However, many candidates did not gain marks for evaluation as they did not evaluate the causes they had discussed in their answers.

(b) With reference to Figure 1 and Extract A, examine two likely causes of income inequality within the UK.

One cause op income inequality is poor education. In Rotherham in the North op England, only 21% op disadvantaged 18 year-olds go on to higher education compared to 41% in London. This means that young people in the North don't have the some opportunities as people in the South op England, causing income inequality because on average, to people who go to university end up with better paid jobs than people who don't go to University.

Another cause is a lack op inprastructure. There is 28% op public expenditure on transport in Northern cities compared to 46% op apital expenditure on railways in London This dipperence in expenditure causes income inequality because people in Northern cities aren't able to travel as easily to higher paid jobs. Therepore they will have to take jobs that are lower paid but posier to access por theme causing income inequality.

(8)



This response was awarded 6 marks. The candidate has correctly identified two different causes and explained and applied them to the case study. However, the candidate failed to offer any evaluation of the causes and did not gain the two marks available for evaluation.



Remember the mark structure is the same for any 8-mark question. There are 2 marks available for each of the four assessment objectives; knowledge, application, analysis, and evaluation. Particular attention must be given to evaluation. (b) With reference to Figure 1 and Extract A, examine two likely causes of income inequality within the UK.

Income inequality occurs when the incomes are uneredy distributed within an economy. One likely cause of this would be the difference in the guility of education of the North compared of that of the South In Rotherham, only 21% of disadvaloged 18 year adds. go onto higher education, compared to 411/ in London, lack of educations will reduce the productive polestical of each individual this meaning they are less litely to can higher incomes as accorded by the fact those in Lorden can approximately E6.000 to E7.000 more in household income per copite However, with the reacht roll out of 20 New institutions of technology and the introduction of Thereby those in poorer hoseholds earning love incomes con find education and apartmy more accessible, increasing their chances of earning hister incomes, reducing income incorrelity Anothe likely reason why the Uk has seen a nse in income inequally with the Gni coefficiet nsing to 034, would be the difference in public spending on northern either compared to London In 2017. infestache 28% of public expenditive "on transport and 46% of capitel expendice on resilings was in London A lack of infastructure spending in the North " will reduce

(8)

the geographical mobility of lebor, areting a dere structural inamplayments leading to higher means magichly However, the UK government is set to increase public on Northern projects in the like such as exaudih train lines in Yorkshire and Northmakeled the reopense of Increasing degree to which infestive spiriting is the the spent on lew income areas reducing income neguetty

This response was awarded the full 8 marks. The candidate has identified two different causes as differing levels of education and infrastructure between different parts of the UK. Both causes have been identified as well as analysed and applied. There is also an evaluation of the causes.

Question 6 (c)

This is the first of the levels-based questions. There are 6 marks for knowledge, application, and analysis (KAA) and 4 marks for evaluation (EV).

The focus of this question was a link between income and happiness. Candidates needed to present both sides of this argument, with one side of their argument counting as the KAA and one as the EV.

Candidates were also expected to make use of the data provided in the question, which could be used to support arguments on both sides of this debate.

The better responses discussed both sides of the debate and did so with clear step by step chains of argument. Some weaker responses tried to critique the data rather than answering the question.

(c) With reference to Figure 2, assess whether an increase in real income improves subjective happiness within the UK.

(10)real income may r An 110(0000 In S 1201 wh 91 60 M (Ω) 71 H 19 190 me Ť BS N M 6 the Ma NAST a HH. 101

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wan

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Results Plus Examiner Comments

This response was awarded 5 marks. The candidate has given some understanding of both sides of the argument but neither is very well argued. The candidate has the right idea and therefore earns level 2 for KAA and level 1 for evaluation. Unfortunately, the answer lacks sufficient depth of explanation to access the higher levels.



Make sure you fully explain a point. Try not to state a point without explaining it on the assumption that it is obvious. Remember you will only be marked for what is written on the exam paper. (c) With reference to Figure 2, assess whether an increase in real income improves subjective happiness within the UK.

(10)

mione adjusted Red vicano M myrory infective happiness A became the moorne Real you have the more Mon mother means services that MA and goods ame happin sn. Ahon 540,000 Laring whether more earning m Hore maffi enning \$10,000 Min Hore \$20,000 Kr rompored pr. NO. 0.21 0 1 7,29 9 avore A billity to spen martanons Spending on Mury goodt an such like BMWL may therefore hend No mereaver redon cons potential of happyress However, this may not be No some race M Hings moteod formily walne other sach KN, M AMM hore by the Maylow Hierarchy of requested Needs by the many may be experienced happinen got and care instead the happiness docion't improve indjective Marine there E-1077. \$ 10,000 than 10experience become A hers the Ur gurrey, with He rentrective happiness Ha. that of 7.31, compared the DQ. highert score there over \$40,000. This may be become work on those wher \$10,000 mark b. less they have more work port time, photosting meranny wought many than that stress is for reinne which time angulicant factor affecting happeness.

However, this may due to due to the surrent henographic, as not part time workers are astlege young people, therefore they many exper atudents sma later on in their links from lining stress mn Jul - time MOTE

This is a top-level answer for both KAA and evaluation and it was awarded 9 marks. The points are clearly argued in a step-by-step way on both sides of the argument, with application to the data to back them up.

Question 6 (d)

In this question, there are 8 marks for KAA and 4 marks for evaluation

For KAA, the better responses focused clearly on arguing the merits of using particular methods to raise tax revenue, as given in the extract in the question. However, candidates could equally gain marks for discussing other methods besides those in the extract, provided there was a link to the extract in their answer.

Some of the weaker responses tended to state a method of raising tax revenue rather than explaining it. Many candidates also focused their responses on what the government could spend extra tax revenue on, which was not a requirement of the question.

In addition, many candidates struggled to write a clear definition of tax revenue without repeating the same words.

(d) With reference to Extract C and your own knowledge, discuss methods the UK government could use to increase tax revenue.

(12)aould to increase method tax revenue be fa bo raise corporation wh nas been rise 60 and 10 fan 19% rate his ta Dusmess incrase revenue on DIC creation 15 a tox Dusines tel ac SUCCRS wou d be rate BH teet in the 01 art poral rause lafer over WY revenue a der VP PT rec ad P emplu high ratio civenue nse shewn difference bu between and relte remaining the the avest in haes business restmon beer Stora δŦ Since the CIBIS Hnoncia can in the factor shockmo crisis. per cennum Difce Ine Harce Ch CU parakon tat this is casino levels 60 elu Firms to invest and thise ear the mitigating uction m redu tax revenue OY ect

The second method used to increase tar revenue work could be the heavily discussed one off wealth par. This would be effective as a 5% tax on property and pension wealth over \$ 500 000 would raise \$260 lon over 5 years pfeeting the Eimmense Cosos of the covid pendemic crisis. This tout ticuld be warranted is top 1% of individuals wealth, which many deem to be excessive, hence a simple one - off tat is anticly to effect those with large asset holdings too negatively , whilst also sating huge anotants of tat revenue. Havener, this police may result in a firm of

capital flight where wealthy decide to purchase offshore assets instead in order to evold the one -off wealth tat. This would have a reduction effect on our perence aspected and also reduce the land of growth in the UK economy as mony of the realthicst individuals create many jobs and Pravide mane tet gra per a large potorion of ghe UK population.





This is an excellent response which gained the full 12 marks. The candidate has given a clear understanding of the merits of different methods of raising tax revenue, and the answer is clearly focused on what the question is asking. There is also good use made of the extract in the answer.

Remember the extract is your friend. For example, the extract in this question offers you some methods you can discuss in your answer.

Conversion & Patrice (d) With reference to Extract C and your own knowledge, discuss methods the UK government could use to increase tax revenue. (12)One mot that leve governmente can use is by Unreasing Connect tax on homes. The newson why tens well be effective on the amore of ter revenue received by the government is because as there are milling of people Wing in moment a shipit increase on the type of that near ellet the governore allo -cerke a lot more revenu Answer mereron in Exempt C is a one-off usedeth tax. This essentially is taking a tax off people that have properly and persion wealth over 6500,000. laking 5% of this by however many people the have that anone menne that it will be E23,000 multiplied by that amone the extent Stating it would raise over E260 billion to help pay for sine global health crusis in 5 years. Another way tax revenue can be increased is by uncreasing component on tax will be rog a tex imposed on truspesser and this Will rise to 25 to in 2023. Maning on Whetever bus nesses lake away amally they wave to pay 2506 of that amont to



This is a response that achieved level 2 for KAA but there was no evaluation and it was awarded 5 marks.

The candidate has taken the approach of breadth rather than depth, which is not recommended. The candidate discusses three different methods, but none of the explanations are sufficiently developed to reach the criteria for KAA level 3.



Remember to ensure you evaluate in all questions of 8 marks and above, otherwise you are missing out on vital marks.

Question 6 (e)

In this question there are 9 marks for KAA and 6 marks for evaluation.

The question specifies that candidates need to draw a diagram, which is a requirement in order to achieve highly at level 3 for KAA. Some of the better responses were able to clearly analyse and evaluate the benefits and downsides of increased spending on infrastructure. They also often used the information in the case study, such as the new station at Bow Street, to illustrate their argument. Evaluative arguments could discuss the significance of one small station or the long timespan of UK infrastructure projects.

(e) With reference to Extract B, discuss the benefits of an increase in infrastructure spending on the UK economy. Use an aggregate demand and aggregate supply diagram to support your answer.



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mole means and molepsic molegies ability &
to consumo, Thoroporo supply AD anawarde and
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This is a response that was awarded 8 marks and achieved level 2 for KAA and level 1 for evaluation.

The candidate knows the basics of the discussion provided in the answer but lacks a sufficiently detailed and step-by-step explanation to go beyond these levels.



If a question asks you to draw a diagram, make sure you do so. However, the diagram alone is not enough to get you into the top levels of the marking criteria. (e) With reference to Extract B, discuss the benefits of an increase in infrastructure spending on the UK economy. Use an aggregate demand and aggregate supply diagram to support your answer.

infrastructure speeding within A An mare ~21 ~ m denna aggregale star N era-com would en - how screen a sched eronne and on a short AS A An more Gener Riv Joronmen a mfrastructure porms of aggregale benerd soul AD-C++ AD= C+1+G+(X-M) 2, as would more cause **n**... AP3 on accellen AD from AD2 AQ, AD, to AD, This 7. 72 73 Row GOP michton who whe economy (\$20 billion proyeer what B) would also contribute to use month for which would the nultiplier be respect within the classing, or known AP3 effects, which would eave AP to an purphy 10 For a meshacity greened spinding, and an a servite answerber would course Fearl GDE to an you Y, to Ma Y3 Moneyer, this can a greened speeding or a freshould had access in helper defit and maken Me , he conclutive an at garanak dult. This dell - real burder on fitrate prevalios as the government Mra have

(15)

muren laxable and addres speaking to improve the hidget. dyrule. There a do long opportunity work he repayment a dill above that walk is carried by his spending, which would durcon in lock lived of government pixed should available for speeding a pille service in the puber. This is him would over wing standards in the public and east produces and An mercan my gevernent a spending a mfresherching nould also moreon in productive political of the aconomy, shifting the long-on average supply out pour LRM. 1- LRAS2 LAN. The As cereset LAN'2 cubract 13 states there will gender an 0 from how and brand and an the re-opin M P? of stations. This AD with ada will improve the productive officiency ent CDP YGE. YFEL of the aconomy as proved transport i nak enser for froms hangering goods across de carly / North of Angland. The or all care the 6-2-ru overage work and cause productioning to only The will cause the potential growth of the clansmy expending & he pode production of the UK from YEE, to YEE,

This Bether prospect will also create incorred occupation mobility, creating a nor officient latar pare and you hall receiver he productivity of the lation for in worker in travel 10 where there is lenad for their skills.

Moneyer, there is potential a potential for the topolog out have francich and mover consider al 10 BECUS. Remore crowdry and a sure governut spinding a infrastruite employs Lon of resources, say steel / caloous - leaving loss fines mources for my private sector, shipping investment a poor than Equally, if the second years a fuelled by borrowing, the demand par backly finds call pirk much calls y. This rold arran the lost of horrowing for prilde sector from so reduces the emost of investment letting place for private from's putich world crede unbidned prom. and could have the productive potnikal of the economy m When Long- EVA.



This is an excellent answer which gained top level for both KAA and evaluation and was awarded 14 marks.

The benefits are clearly discussed in terms of both aggregate demand and aggregate supply as well as the downsides. There is application and there is good use made of correctly drawn AD/AS diagrams.



Remember to relate your answer to the real world by using the extract and/or your own knowledge.

Question 7

This question focused on the impact of protectionism on the global economy. Overall, candidates coped well with this question. They were able to correctly draw and explain a tariff diagram and discuss the impact of tariffs, as well as evaluate those impacts. Some of the better responses related this to real world tariffs, such as the trade dispute between the USA and China. However, the strongest responses were clearly able to effectively relate it to the global economy. Other methods such as quotas or subsidies were also often discussed with a range of efficiency.

Protectionism is a process whereby measures are encieled to protect domestic industries from foreign competition, with one example being tariffs its Sp a result of imposing a taviff, the price of foreign supply increases from Pr 10 Pr + Louff. PW R Sw + lanff + toriA Sw Due to higher prices, Pw demond for foreign Qz Que Q2 goods fall from Q, to Qy because of the rationing function of price Furthermore, it means that domestic production Shifts from Q, lo Q2, which is hereficial as it increases produce surplus. Despite this, the Imposition of a tariff con lead to disordvantages for the global economy, as there is a fall in world efficiency. This is because shifting production from countries that specialise in certain goods le production domestically results in a loss of productive efficiency. for example, an imposition on of a fariff on French

wine con lead to a loss of world efficiency, * as France's wine industry has high economies of scale leading le lower cost of production. As a result, moving wine production else where due to the tariff can lead to higher prices for consumes therefore or loss of consumer surplus equivalent to C on the diagram, as well as less choice and quanhity. equivalent to B. However, although the IMF estimates that global CDP growth may shrink by O.S percentage points as a reput of toniffs between Ching and the UIA, in the long run GDP growth may increase again if protectionism is reduced after on period of teriffs. This is because protectionism protects infant industries in the domestic industry to grow beenuse of reduced global competition. for example, protecting the new Al industry in China gives the industry the chance to Survive and therefore pushe technological advancements that would not be possible atternise if the ex industry was exposed to ferrige competition. After Ching's Al industry has substantially developed, China Can remore Worde barriers such as regulations of that foreign industries can also use their technology, thereby improving

global GDP through higher AS. Mis is unlikely, as Chin ing is a is likely le com my and 0 Or on



This response was awarded 16 marks and achieved level 3 for KAA and level 2 for evaluation.

The candidate has accurately drawn a tariff diagram and has made a good attempt at explaining the pros and cons of such a protectionist measure. The answer continues to discuss the impact on infant industries. Overall, the content of the response does not meet the criteria for the top levels for either KAA or evaluation.

Protectionism in polic policie) are those wed to restact trade in between commen- tramples of pretection bom include the introduction of tants, which are important taxes on imports. Quotas which are used to comit the amount grimpets brought into the country by setting a maximum amount - For example the Algerian presticent impued a queta of \$3,000 cas are allowed to be impered. And also subsidies to preduces is an example g projection to increase Competitivenes).

In the extract it is said "beth China and the United States have been gradually increasing the tangs imposed on eachothers expans as their trades have increased," and on Far example Trump introduced a 30 -1- tarte on washing machines. One impact of on increase in temps on the glubal economy is that the revel a good imponed decrease for example Ching impering washing mochines from the UA becaue price has increased by the much. This can be shown on figure cno.

FIGURE 1 5 (demestic) Territes 100 Level cn Washing mechiles 19 wend supply + Tart - wood supply D(domestic) Real GDR 63 De 94 92 Q1 Wend supply of washing mechines is at 12 and demestic supply is at Q1 and demestic demand is at Q2. However word supply + terrft increased price to from PZ-P3 Contracting dimestic supply and demestic demend. This means the amount q imponed goods have Juling because consumes marginal propensity Consime has fallen. Fri Becase importi have fall the coment account of China con improve because they imported less Imports Leaports. As a result an improvement in the coment algorit account theater that may mean the government can be in expense to vertice ox ever Threat onna in infrastructure and impresse Production Hy-However, The improvement in the current

depends on the price elessicily a demand for the good or senice. If Price elasticity is The is The responsiveness a quentity demanded to a change in price. If washing machines are reachely price inelastic and increase in price will have a less then preparenole Charge in demand, demand is inresponse. As a realt the cement accent may hat implere.

Another impact q pretection by Such as tartes is that it generates for benefits the generations, because it generates tax revenue for the government? Thu can be seen in FIGURE I the shaded crea. By the USA imposing a 30-1. tarfy on they can generate terft tox revenue depending in the Price elesticity 6 the good. This means that the op US government can use the tax revenue to invest in firms. Since investment is 141. of aggregate demand, increased mesment why lead to an increase in demad and real appu. By a result as lA aput increases long con as productisty within the economy may increasing. With firmer appet and productify if expens one price competitive there can be an energan in experted gouds e.g

watting mechanes leading to further revenue and micoment.

However, by the USA introducing a territ this can cause retaliaken from China. China may retailate by also raising their tartt reiter merder to get back at the USA- "The IMF estimated that the facele dispute between Chine and and United States would reduce glubal GDP granth by 0-8-1. by the end of 2020-" The means Athet increased pretection on cause contries to retaciate mercenne the price quids and renices pessibly damage the total amont q gends They expers. As a reacht buth their Cenemies CDP may Jall. A finel impact of increased protection on Such as queta is to on the global economy to that the protects such as quetas is that it pretects infent industries. The elgeran president implemented a greta 9 83,000 (maximum) cors ro be imported. By

ding this infent / small businesses are prosected. This is because infont indusive encrowerke to bereast from econo in the Car industry

However black markets may be formed. This Unhengends and serices are sold illegelly-14 a black market opens in for can then Mant industries may not be prese preserved. As a result their demand for gouds may continue to fail and the Algerian president may inferencent a stricter quesa for example q aly 10,000 car can be imparted. As a result fred between lantier diminishes and

Red GDP Jall', beneen glebal economies. In conclusion on increase in protection impacts the global economy as it pushely improves The bolance of payments for the centry who imports and prover projects infont industries-Henverer, by increasing protectunism, Cantries May relate and track between China and ably USA may fall decreasing the level & GDP. Therefore the intensity of the increase a protection may that impact by han much the corrig is impreted.



This is a high-quality response that was awarded 22 marks and meets the criteria for KAA level 4 and evaluation level 3. The candidate has clearly discussed the impact of protectionism, relating it to the real world with the reference to the trade dispute between the USA and China. The candidate has also drawn a correct tariff diagram and clearly explained it. The response develops further with a clear discussion on positive and negative impacts of protectionism on the global economy.



Answers in the top levels for KAA and Evaluation do not have to be long essays. Take note of the depth of the chains of argument given in this answer as an example of what is needed to meet the criteria for the top levels.

Question 8

The focus in this question was on the impact of globalisation on the global economy. Comparative advantage was frequently discussed by candidates, although many struggled to properly explain how it worked or provided plausible real-world examples.

In terms of evaluation of comparative advantage, some of the better responses clearly critiqued it whilst still keeping their focus on globalisation. Weaker responses tended to lose focus and discussed the impact of protectionism on comparative advantage. Other benefits included higher economic growth, more jobs, and more competition between firms leading to lower prices and/or better quality.

Elobertiscition to be increase in interdeprover and interconnected reas retraes contract and the more red fluss between contries. Globalisate (leegoob) with & production for firms the Lewrani recensed and trick that a within to when toreign firm Can freely her trevel cure 00 Europer ma (P. b) lest of Lesing Treq. ED. Rede an tentt by the importing Cedt . Mint hartin 11 Soon Allower Ecollin tresepose e gloser econom times can mareres 87 SWTT multiment restring in 2 more productions machiner 0000 the stars RD 05, 95, 90, 002 d right be typin to the costs of production K. moreate PL Fulls due to triss compete LEAS, LILAS . producing sheep unare been somperative counteges ۴, sha when the shade PZ pusson by the applicable A.D fins can trade thealy x Ro efficient paying happents

in ecercia as the the come care and that many as Envertien à la competier à tre concertaire Allow fiction and toters parties will really on a prove with and many and an for further increases in the global clonang. Housene are present of comparation canadancy can sometim lead to privace spectration and poor privacy product dependency as seen by the sit samon Counterits, This means ker they are vulnerable to dinka ensage have ginala esting lores! to generative global economy to purge into (Min substance) in allering

Another mapacet is that globalisation can beat a he globert ensuring by increasing aggregate care & and to incread hipse paying 0-2 this is developing contras was as alines where use weeken many too were too the sole in which beer water, the and a surger of anna inverses wares in magon contend Bendras of manged tupin that de an end he W Attack Imaches backs 27AT LANG an expension in the it causes Page: LRAS COM 2 detring in an AD-PI marph Furhermore mult 40, neresed contraction increase the У. 20 42

Value of the multiplice as there are les undrauel in evening in more & cut revenus at month clansmin grander and deneloping contrins this chine helps boott be glober economy as it means hat there are more curring by which here trade and production / multime can accur partition the perifice at bless to recenter deeds ungood no where withdered is a factor of matering is bebbs & independent of work with erround to people men and the free eromentaria. at in still and pression energian and by he marenest of glubalisation tarea and that teen an as we with the provide the provide the sector is the us, reducing productions and reading to high deprivation This regatively effects be given Chinen dealers that want is a working and full compared to tracely entry here in the design of the design of the abubard & give ranks want ward being burnerens. and higher OA angul but the charged big term as it takes time tor to glubalteaber to reach the lesson Fuchernere globaltsation and to & environneiter dancege which her tulapore danange production due to reade imparter acarty countries we not using at full capeling ad that reducing the



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This is an excellent, high-quality response that was awarded 23 marks and met the criteria for the top levels of both KAA and evaluation. There are excellent chains of argument throughout, earning full marks for KAA. The evaluation is also of a high quality, although there is a lack of an overall judgement which prevents it from gaining full marks for evaluation.

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This answer is shorter than the exemplar of a top-levels candidate response in question 7, but they both demonstrate what is expected to achieve these levels. Focus on the quality of the argument when reading this example.

Paper Summary

Based on their performance in this paper, candidates are offered the following advice:

- Ensure you manage your time effectively. Spend 30 minutes on Section A, 1 hour on Section B, and 30 minutes on Section C. If candidates spend too long on Section A, they are in danger of running out of time for the 15 and 25-mark questions at the end of the exam paper.
- Candidates can answer the paper in whichever order they see fit. Candidates may find it helpful in terms of time management to start with Section B or C instead of Section A.
- A multiple-choice question is worth one mark whereas questions 7 and 8 are worth 25 marks. Bear this in mind in terms of how long you are spending on individual questions, especially in Section A.
- Maximise your efficiency by ensuring you only answer the precise question set. For example, in Section A, question 3(a) is asking specifically about the impact on investment, not anything else in the economy.
- For 'calculate' questions, such as question 1(a), candidates are required to calculate the correct answer. An explanation of the answer is not necessary.
- As part of your revision, spend time interpreting graphs. Look at the axes and think about what data the graph is showing you.
- There are no marks for evaluation in Section A. Improve efficiency in time management by not including an evaluation in your answers.
- Ensure you know key formulas, such as how to calculate the multiplier.
- When drawing diagrams remember to ensure that they are clear and have correct labels on both axes and lines. This was a particular issue for Lorenz curve diagrams in question 6(a).
- Ensure you carefully study and understand the figures and extracts provided in Section B. These form the context for the questions, and answers should be related to this context and not be entirely theoretical.
- Remember to keep your answers within the space provided. If you run out of space, you should ask for additional paper and clearly indicate about which question you are writing.
- There is no need to repeat the question back to the examiner. Save time and get straight on with answering the question.
- There is no need to define every word in the question. For example, in question 6(d), examiners do not need to be told that tax revenue is revenue the government receives from taxes (or similar wording). Your understanding of tax revenue will be apparent in the answer you write.
- Remember that in Section B the 5 and 8-mark questions use a points-based mark scheme whereas the other questions use the levels-based mark scheme. For example, in question 6(b), the 8-mark question, there are 2 marks each for knowledge, application, analysis, and evaluation.
- Ensure you answer the precise question you have been set. For example, in both the essays questions you were asked to evaluate the impact on the global economy.
- To get top marks on levels-based questions you need to ensure you fulfil all the criteria for the top level (eg, KAA Level 4 on essays). If you do not have good knowledge, analysis, and application then you cannot access the top marks.

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

https://qualifications.pearson.com/en/support/support-topics/results-certification/gradeboundaries.html

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