



Examiners' Report June 2022

International GCSE Economics 4EC1 02

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Introduction

Overall candidates' performance showed a sound grasp of economic concepts. Answers suggested that candidates had been well prepared for this paper. There appeared to be use of precise economic terminology throughout all sections of the paper. The more able candidates demonstrated excellent application of their knowledge to the precise question set, whilst the less able candidates attempted questions from a 'common sense' approach rather than demonstrating any economic concepts. The examination paper required candidates to apply their understanding; more-able candidates performed strongly, with clear development of points. Examination timing skills appeared to be very good.

Question 1 (c)

'What is meant by' questions always have two marks and require two parts to explain the term. No marks are awarded for examples. Many candidates were able to gain both marks for the definition of imports and could provide accurate definitions.

(c) What is meant by the term imports?

(2)

Imports are visibles and invisibles (goods & services) purchased from foreign countries by domestic firms or consumers.



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Examiner Comments

This response scored 2 marks. There are two parts to the definition and there is a clear understanding that imports are purchased from foreign countries for use within the domestic market.



ResultsPlus
Examiner Tip

Do not use examples for 'what is meant by' questions as marks cannot be given for these.

Question 1 (d)

A wide range of reasons were accepted including for ethical reasons, raising the standard of living, to help people meet basic needs, reducing poverty and inequality and redistributing income. There had to be a valid reason to be able to gain the development mark. Some candidates gave several reasons but only 1 mark can be awarded if these reasons are not developed or explained.

(d) Describe **one** reason why governments make benefit payments.

(2)

For ethical reasons, the government would like to ~~assist~~ assist people who has low income or are unemployed, and ~~to~~ help them to achieve daily necessities.



ResultsPlus
Examiner Comments

This response scored 2 marks. The reason given was for ethical reasons and this is then explained in more detail for the second mark.



ResultsPlus
Examiner Tip

Only give one reason and make sure you fully explain this reason to be able to gain both marks.

(d) Describe **one** reason why governments make benefit payments.

(2)

Government make benefit payments to redistribute the income. They usually tax on the rich and redistribute the income to poor people to narrow the income gap and reduce poverty.



This response scored 2 marks. It gives an alternative reason to the first example and fully explains how benefit payments help to redistribute income.



There will be a wide range of possible reasons available to choose from so make sure you select a reason that you are able to fully explain.

Question 1 (e)

To get both marks the correct answer of – £43.2bn had to be shown and if the £ sign, the bn or the negative sign was missing, then 1 mark could only be awarded for the working. Often candidates incorrectly calculated Imports – Exports. Marks were awarded for stating the current account was a deficit rather than using a negative sign and some candidates did both.

(e) Using the data in Figure 1, calculate in £bn, **the current account** for the UK year ending July 2019. You are advised to show your working.

(2)

$$\begin{aligned} \text{The current account} &= \text{value of exports} - \text{value of imports} = \\ &= £646.7 - £689.9 = -£43.2 \text{ bn} \end{aligned}$$

UK is running the current account deficit.



This response scored 2 marks. The correct answer is given with the units and negative sign. The candidate does also state this is a current account deficit but this is not required and the negative sign is enough.



Always show your working and double check your final answer. All calculation questions must have the correct units to be worth 2 marks.

Question 1 (f)

This question required candidates to shift the quota curve to the right, with 1 mark being awarded for a fully labelled perfectly inelastic supply curve, 1 mark for labelling the lower equilibrium price and 1 mark for labelling the higher equilibrium quantity. Arrows are not rewarded and there has to be new labels to gain the marks. Many candidates scored 3 marks for this question.

In December 2019, the UK and the European Union (EU) negotiated North Sea fishing quotas for 2020. It was agreed to increase the fishing quota for haddock by 30%.

- (f) Using the diagram below, draw the effects of the introduction of the new quota on the equilibrium price and quantity of haddock. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)

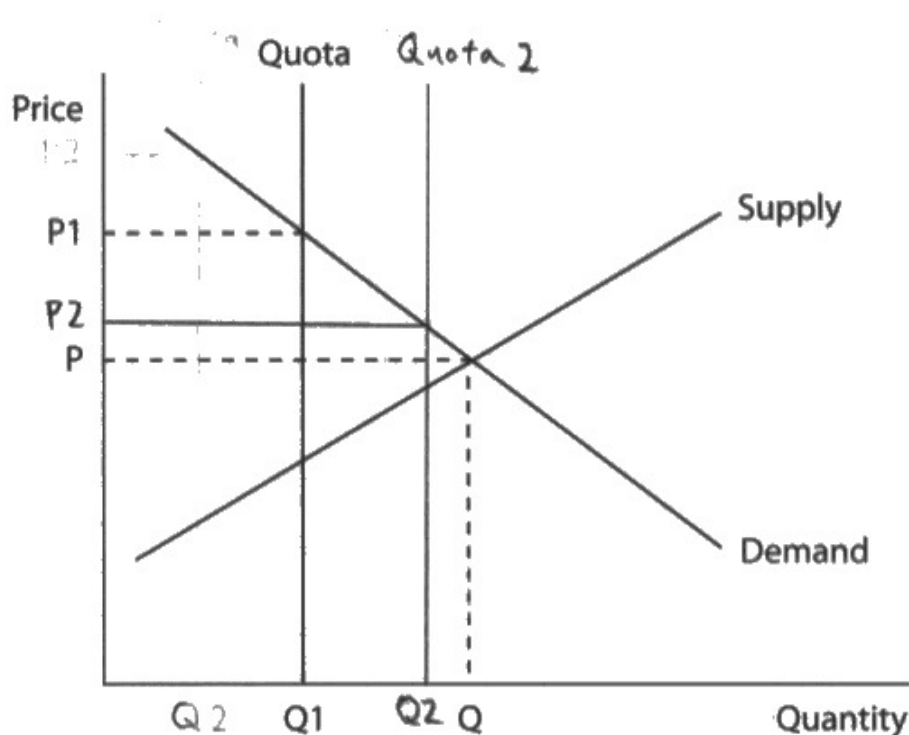


Figure 2



This response scored 3 marks. The new quota curve is labelled Quota 2 along with the new price and quantity.



Do not use arrows to indicate the shift and there must be a new labelled curve. Make sure the new price and quantity are labelled on the x and y-axis. You will only be asked to move one curve so do not shift multiple curves.

Question 1 (g)

As with all 'Explain' questions, only one effect/reason/way can be credited. No marks are available for definitions of the economic concept. The other marks are awarded for either the response being in context with another development point or for two development points. This means that candidates can score all 3 marks for a response that is generic in nature but does demonstrate application of economic concepts. The example below illustrates how a generic response can still score 3 marks because of the very good use of economic concepts.

Norway had a current account surplus of 19.07bn Norwegian Krone (NOK) in the fourth quarter of 2019.

(g) Explain **one** possible reason why a country such as Norway had a current account surplus.

(3)

The country has a relative lower exchange rate which means that its products is cheaper than those from other countries. The sales of exports will increase and the sales of imports will decrease as imports are also more ~~expense~~ expensive. The current account surplus will happen when ~~imports~~ exports exceeds imports.



This response scored 3 marks. The candidate gives the reason of a relative lower exchange rate and then gives two further developments of points as to why this could result in a current account surplus. In this example, all the marks are for the application of economic theory rather than the response being specifically linked to Norway.



No marks are available for definitions on the Explain questions. The marks are for the reason and then the development of the reason.

Question 1 (h)

This was the first levels-based question on the examination paper and is marked holistically rather than looking at specific points. Marks were awarded for some understanding of how a reduction in indirect taxation could result in lower prices of goods and services thereby improving living standards. Some candidates analysed how this could also affect employment levels because of an increased demand for goods and services further improving living standards. As usual, some candidates evaluated when this was not required. Better responses provided developed reasons rather than a list.

The rate of Value Added Tax (VAT), a type of indirect taxation in the UK, is 20%.

(h) With reference to the data above and your knowledge of economics, analyse how a reduction in indirect taxation is likely to affect the standard of living in a country such as the UK.

Taxation is the ^{money} ~~tax~~ collected by the government when ~~regulate~~ firms have to pay for the external costs generated, which is collected by the government. A reduction in indirect taxation, which includes VAT, will lead to a decrease in the price of products. This increases demand for products and increases consumer confidence. As demand increases, firms would have to ~~rep~~ respond by increasing supply. Firms would have to employ more workers to generate output. This increases employments and reduces unemployment rate. ~~the~~ As firms earn more revenue, they may pay higher wages too. A higher wage leads to an increase in living standard, as well as reduces poverty levels in a country. Both businesses and consumers are willing to spend and could boost the economy. The government could also receive more tax revenues from income taxes and business taxes, and provide more public goods and services to the society such as education and healthcare. This again improves the quality of life of a country.



This response scored 6 marks. This response demonstrates clear knowledge and understanding by developing relevant points with appropriate application of economic terms and theories. It has a thorough analysis and does show how the standard of living in the UK might improve due to a reduction in indirect taxation.



Analyse questions are always only one-sided, and evaluation is not required. Do not waste time evaluating as this cannot be rewarded on the 6 mark questions.

Question 2 (c)

There is only one mark available for 'State' questions. Examiners do **not** expect candidates to write extensively. There are 5 different types of unemployment listed in the specification but other appropriate examples such as demand deficient and regional unemployment were also accepted. Many candidates were able to identify a type of unemployment which is very pleasing.

(c) State **one** type of unemployment.

(1)

Frictional ~~unemp~~ unemployment



ResultsPlus
Examiner Comments

This response scored 1 mark for the correctly identifying frictional unemployment as a type of unemployment.



ResultsPlus
Examiner Tip

You do not need to fully explain your answer for the State question so do not waste time doing this.

Question 2 (d)

As in previous 'What is meant by' questions, there are two marks available, and candidates are required to give two parts to explain the economic term. No marks are awarded for examples. Many candidates gave good explanations of the term recovery and there has been an improvement in the quality of responses given for these types of questions.

(d) What is meant by the term recovery?

(2)

A part of the economic cycle which the economy has started to recover from recession; GDP is starting to grow as business activity is rising; unemployment is falling.



ResultsPlus
Examiner Comments

This response scored 2 marks. There is reference to the economic cycle as well as recession which gains 1 mark. The second mark is for the reference to GDP starting to grow.



ResultsPlus
Examiner Tip

Precise definitions with two parts will always score highly. Ensure your answer does have enough development to gain both marks.

(d) What is meant by the term recovery?

Recovery is a period of the economic cycle in which the economy is recovering from recession which will ~~have~~ increase employment rate and consumer and business confidence. (2)



ResultsPlus
Examiner Comments

This response scored 2 marks and took a different approach to gain the second mark. The first mark was for reference to the economic cycle/recession and the second mark was awarded for referring to an increase in employment rate and consumer and business confidence.



ResultsPlus
Examiner Tip

Do not use examples in these types of questions.

Question 2 (e)

This was a challenging question for many candidates because many did not understand what was meant by shoe leather costs. Lots of candidates thought this was about the price of shoes or the making of shoes so could not score any marks even if they did say there would be an increase in shoe leather costs. There had to be some fundamental understanding of this economic concept in order to be rewarded any marks.

Nigeria's rate of inflation increased to 12.2% in February 2020. A rise in the price of food products, such as bread and meat, was the main reason for the increase.

(e) Explain **one** impact of rising inflation on shoe leather costs in Nigeria.

(3)

Rising inflation causes higher shoe leather costs in Nigeria, as consumers have to spend more time comparing the price and find the lowest price with best quality goods and services. The rise in price in Nigeria is on food products, which ~~are~~ is inelastic and essential, so everyone has to buy it, thus affecting many people and causes a rise in shoe leather costs.



ResultsPlus
Examiner Comments

This response scored 3 marks. The candidate identifies that shoe leather costs will rise and does fully explain why this would be the case.



ResultsPlus
Examiner Tip

Do not define key terms and try to identify the impact at the start of your response and then develop the reasons why this is the case afterwards.

Question 2 (f)

This question was popular with many candidates being able to score all 3 marks. Marks were awarded for a fully labelled right shift of the demand curve, a labelled higher equilibrium exchange rate and a labelled higher equilibrium quantity. If candidates shifted both curves, then 0 marks were awarded. There must have been a correct shift in the demand curve to gain the new price and new quantity marks.

Figure 3 shows the supply of and demand for the UK pound (£) in terms of US dollars (\$) and the equilibrium exchange rate.

(f) Using the diagram below, draw the effects on the exchange rate of the UK pound (£) from an increase in UK exports to the US. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

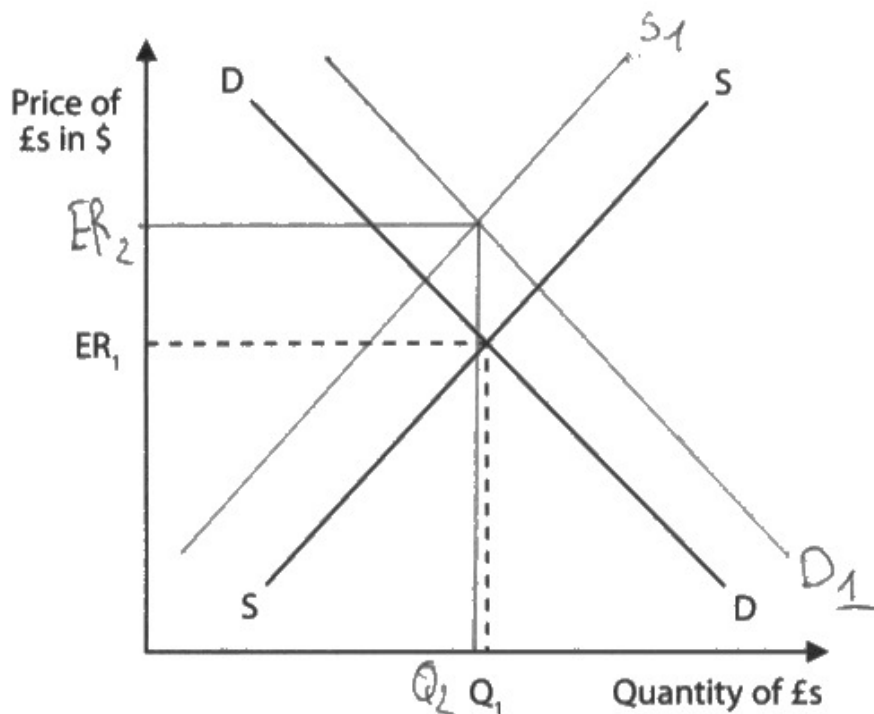


Figure 3



This response scored 0 marks because the candidate shifted both curves.



Shifting both the demand and the supply curves results in 0 marks.
You will only be required to shift one curve.

Figure 3 shows the supply of and demand for the UK pound (£) in terms of US dollars (\$) and the equilibrium exchange rate.

(f) Using the diagram below, draw the effects on the exchange rate of the UK pound (£) from an increase in UK exports to the US. Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)

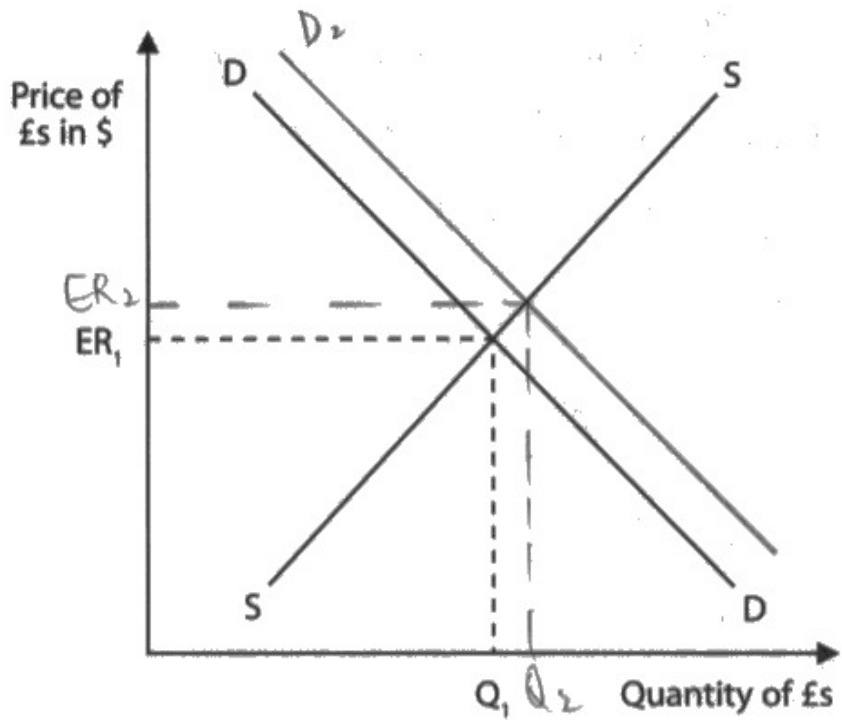




Figure 3

 This response scored 3 marks for a correct diagram.

 Always label the new curve otherwise you cannot be awarded the mark. Clearly label the new price and quantity on the x and y-axis to gain these marks. Do not use arrows as these do not count and will not be rewarded.

Question 2 (g)

This was the first of the 9 mark questions on the paper and like the 6 mark questions, was marked holistically by applying the levels in the mark scheme. This was a popular question with candidates being able to assess the advantages of free trade for domestic firms in the EU. The focus was on being able to access cheaper imports now that tariffs were removed. Simplistic evaluation scored level 1 or low level 2 with more developed chains of reasoning with a balance assessment accessing level 3. Some responses were generic and not applied to the EU or one-sided so struggled to access all the marks available. The counter argument was often not as strong and centred on increased competition from imports from Mercosur, the closure of infant industries and the formation of localised monopolies. The assessment had to be for firms within the EU and not firms in Mercosur or consumers.

- .
- .
- .

After nearly 20 years of negotiations, the European Union (EU) and Mercosur, the South American trading bloc, have agreed a draft trade deal. It would create the largest free trade area in the world consisting of 770 million people. The two blocs currently trade more than €88bn in goods and €34bn in services every year.

global

The EU would eventually end 92% of the tariffs on Mercosur imports. Mercosur would gradually remove its tariffs on 91% of EU goods, which amounts to €4bn. This includes removing the tariffs on clothing, chemicals, wine and canned peaches. Mercosur farmers would be allowed to export a specific quantity of beef, sugar and chicken at a lower tariff rate to the EU each year.

tax free

domestic competition

labour

(Source: <https://www.dw.com/en/eu-mercotur-free-trade-deal-what-you-need-to-know/a-49414103>)

(g) With reference to the data above and your knowledge of economics, assess the advantages of free trade for firms located within the EU.

(9)

Free trade is when barriers such as tariffs and quotas are eliminated to encourage trade trading ~~of~~ goods and services between countries. As the EU and Mercosur agreed to a trade deal, ~~the~~ ^{the} largest free trade area is formed. 770 million people ~~is~~ involved, which means that firms are able to access huge markets and have more consumers. An increase in trade of goods and services are also shown, which is €88bn and €34bn respectively, which means firms could sell more products and earn more revenues. Firms could also access to economies of scale, which highly increases output in a lower costs and increase their revenues. They could also access advertisements easier and increase the audience. Tariffs on clothing, chemicals, wine and canned peaches are removed so it could highly boost firms' exports. Firms could also enjoy more labour and skilled ones ~~by~~ by expanding itself, ~~enlarging~~ enlarging their size of firms. A higher revenue could also mean that they could invest in technology and innovations, ~~improving~~ improving production capacity.

and reducing costs.

However, as 92% of tariffs are ended on Mercosur Import. It also means that the imports are cheaper. Consumers may choose to buy the imports instead of products from EU domestic firms, which increases the competitiveness and their sales.

Some infant firms may also close down without protectionism as they do not have the resources and ~~couldn't~~ ^{reach} access to economies of scale, which makes them ^{much} less competitive. This may affect the beef, sugar and chicken industries in the EU as ~~the imports might~~ consumers might prefer the imports.

It depends ~~on~~ on the price elasticity of the products as well. If the domestic firms produce good quality products, people may still choose to purchase them at a higher price, which doesn't affect the firms. It also depends on the income elasticity and the preferences of consumers.



ResultsPlus
Examiner Comments

This response scored 8 marks. There is detailed evaluation, and the response is applied to the EU and does try to apply to the products mentioned in the extract.



ResultsPlus
Examiner Tip

9 mark questions do not need a conclusion so do not waste time writing one. Focus on the arguments for and against and try to use the information provided to support your assessment rather than just copying large chunks of it.

Question 3 (c)

This question performed well with many candidates able to score all 3 marks. As with the other 3 mark question, there was 1 mark available for giving a valid reason and then 2 marks for developing this reason, either with context or by giving two further development points. Many candidates gave the reasons of protecting the environment or to reduce cost of production. The responses then developed this reason, and many candidates were able to show how the subsidy might encourage more people to switch from fossil fuels and the impact in terms of reducing pollution and the health benefits of using renewable energy.

The UK Government gives subsidies to firms in the renewable energy market that provide wind and solar energy.

(c) Explain **one** reason why the UK Government gives subsidies to firms in the renewable energy market.

(3)

To reduce their production costs so that ~~they~~ firms in the ~~renew~~ renewable energy market are able to ~~produce~~ ^{provide} more wind and solar energy which is clean energy. Firms might be able to provide with lower price, ~~that~~ and therefore demand for these cleaner energy increase, less fossil fuel would be burned and therefore less air pollution in the UK.



ResultsPlus
Examiner Comments

This response scored 3 marks. It gives the reason of reducing production costs and then does fully explain how this could result in lower prices for clean energy therefore demand for fossil fuels would decrease and there would be less air pollution. In this example, the context mark is for the use of context in terms of applying to clean energy and fossil fuels.



Often there simply is not enough development or use of economic concepts for the 3 mark questions so try to use economic concepts in your answer rather than just copying out the information given. Marks cannot be awarded for repeating the information in the stem or in the question and do apply economic concepts to gain the context mark.

Question 3 (d)

This is an analyse question so only a one-sided answer is required and evaluation of having a fiscal surplus is not required. Answers seen focused on the ability to pay off debt, lowering taxes and spending on public services but any valid benefits were rewarded. For the higher levels, developed analysis was required and marks were awarded for the quality of response rather than counting the number of benefits. Many candidates did access level 2 and level 3 for this question. More simplistic responses that gave a list were likely to be awarded level 1. Unfortunately, some candidates confused a fiscal surplus with a current account surplus so could not be awarded any marks.

Nauru is a tiny island country in Micronesia, northeast of Australia. It has a population of ~~10,824~~. In 2019, Nauru had a fiscal surplus of 16.1% of GDP.

(d) With reference to the data above and your knowledge of economics, analyse the benefits of having a fiscal surplus for a country such as Nauru.

(6)

Fiscal surplus is when government spending is less than government revenue. By having fiscal surplus of 16.1% of GDP would allow the Nauru governments to have more money to invest in infrastructure such as road construction. This would create huge numbers of jobs. The increasing numbers in job opportunity would help to decrease the numbers of unemployment within the country economy. Which will see a rise in national disposable income and have an increase in aggregate demand and cause economy to grow positively. Moreover, it allows government to increase their payments in benefits payments, which helps to increase the living standards of the low-income family and narrows the gap between the rich and the poor. Making the income to be distributed in an even manner across Nauru's population.



This response scored 6 marks. The response has developed analysis and does fully explain the benefits of having a fiscal surplus in terms of what this could be spent on. Rather than a long list, the analysis is thorough and uses economic concepts throughout.



All the 6, 9 and 12 mark questions are marked holistically. This means that the quality of the response is more important than the number of benefits given. A response with one really detailed benefit could score all 6 marks whereas a response that lists a series of benefits might only score 1 or 2 marks depending on the quality.

Question 3 (e)

This was the last 9 mark question on the examination paper and was marked by using the levels in the mark scheme. Marks were awarded for some assessment of how pollution permits might help to protect the environment in terms of an incentive to reduce pollution or how firms could only pollute up to a certain amount. Some candidates were able to give detailed analysis of the effectiveness of permits but unfortunately at the opposite end of the scale, it was clear that some candidates did not know how they worked or had a vague attempt at trying to show how they reduced pollution. For the counter argument, marks were given for demonstrating the problems with permits and the difficulty in measuring pollution. Some candidates did not give the problems with permits and instead jumped straight into alternative methods such as using subsidies and taxation as a counter argument rather than giving the issues with pollution permits. The mark scheme does allow for alternatives to be discussed but for high quality evaluation, the focus must be about the issues of pollution permits first and perhaps bring in alternatives as a separate argument. Unfortunately, many candidates just copied the information provided rather than answering the question so scored 0 marks.

More than 125 million tonnes of poisonous gases pollute the US state of Colorado's air every year. US Government records show that 46 million tonnes, or 36% of the total air pollution, comes from 119 large industrial polluters. These include 35 power stations. More than half the electricity in Colorado is still generated from burning coal despite 10 years of government efforts to encourage producers to switch to clean energy.

(e) With reference to the data above and your knowledge of economics, assess the effectiveness of pollution permits in protecting the environment for a country such as the US.

Pollution permits are the permits ⁽⁹⁾ distributed to firms by the government. Firms are allowed to pollute a certain amount of pollution ~~in~~ every year.

This method is effective because ~~it~~ permits are trade tradable between firms. Firms can sell off their excess permits to those firms ~~who~~ that ^{pollute} need more than they ~~amount~~ ^{amount} setted by the permits. Therefore, firms are motivated to pollute less so that they can sell their permits to make profits. This might encourage industrial polluters in the US to switch to ~~the~~ cleaner energy resources rather than coal. Therefore, less air pollution would be emitted. Moreover, this might also encourage firms to be more innovative and invent greener production methods. On the other hand, pollution permits might be inefficient because more than half the electricity in Colorado is still generated from burning coal despite 10 years of government efforts. Firms might

cheat and ignore the pollution permits. Moreover, it's difficult for the government to give the right amount of permits. ~~For~~ For example, the government might give out too many permits so ~~that~~ those ~~of~~ industrial polluters keep pollute ~~a~~ ~~long~~ million tonnes of pollution to keep costs down.

The US government could use a combination of methods to protect the environment. For example, the US government could impose more taxes on those ~~firm~~ industrial polluters to increase their production costs and ~~to~~ offset the external costs. As production costs increase, ~~the~~ ^{those} ~~firm~~ ^{firms} will decrease their output. As a result, less air pollution will be emitted.



ResultsPlus
Examiner Comments

This response scored 7 marks and is a good response that does assess pollution permits before considering alternative ways to reduce pollution.



ResultsPlus
Examiner Tip

For evaluation, always evaluate the economic concept in the question first **BEFORE** considering alternative methods otherwise you are not really evaluating.

Question 4 (a)

This question was very well done with most candidates able to give the answer of 32.36% for 2 marks. If the percentage sign was missing, only 1 mark could be awarded for the working. The same is if the answer is not given to two decimal places. If no working is shown, no marks can be awarded so it is essential candidates do show their working and this is stated in the question itself.

4 Figure 4 shows the \$618bn spent by India on existing infrastructure projects in 2019.

Existing infrastructure projects	\$bn
Renewable energy	200
Railways	147
Roads and highways	109
Metro rail	109
Smart cities	32
Airports and ports	21
Total	618

Figure 4

(Source adapted from: <https://www.businessinsider.in/Nearly-half-of-Narendra-Modis-1-4-trillion-new-infrastructure-promise-may-be-already-approved-projects/Existing-promises/slideshow/68795905.cms>)

- (a) Calculate, to two decimal places, **the percentage** of spending on all existing infrastructure projects that was spent on renewable energy in India in 2019. You are advised to show your working.

(2)

~~renewable energy~~
$$\frac{\text{Renewable energy spending}}{\text{Total spending}} \times 100\% = \text{percentage spent on Renewables}$$

$$\frac{200}{618} \approx 32.36\%$$

32.36% was spent on renewable energy.



This response scored 2 marks for the correct answer of 32.36%.



Always show your working and double check your answer is given to two decimal places and has the correct units.

- (a) Calculate, to two decimal places, **the percentage** of spending on all existing infrastructure projects that was spent on renewable energy in India in 2019. You are advised to show your working.

(2)

$$\frac{200}{618} \times 100\%$$

$$= \frac{32.3624...}{32.3624...}$$

$$= 32.4\% \quad \text{cor. to 1 decimal place}$$



This response scored 1 mark because the answer was not given to two decimal places and the 1 mark was awarded for the correct working.



All calculation questions will require the answer given to two decimal places not 1 decimal place.

Question 4 (b)

This 6 mark question proved to be a challenge for some candidates with many not attempting the question or simply describing the data in Figure 5. Marks were awarded for some understanding that business confidence might decrease due to a lack of spending in the economy and an increase in uncertainty for firms. Some candidates focused on the impact on employees and how they might be fearful for their jobs so stopped spending in the economy which also negatively affected business confidence. Some candidates incorrectly stated that business confidence might increase because firms could easily recruit employees but realistically with such high levels of unemployment, the impact would be negative not positive.

(b) With reference to the data above and your knowledge of economics, analyse the impact of rising unemployment rates on business confidence for a country such as India.

(6)

In India, the percentage rate of unemployment increases to 23% in April 2020 which means one fifth of the people don't have a work. It will have huge influence on the business. The business confidence decreases. This is because more people lose job and they don't have disposable income, therefore, the unemployed people wouldn't spend or invest money on business as before. For the business, they will lose a large amount of consumers because the consumers can't afford the products. What's more, workers in the business will be demotivated because they are afraid that they may lose the jobs, hence they save more money and spend less. So the business will be affected negatively, there is a negative impact on business confidence.



This response scored 5 marks and accessed level 3 for detailed analysis and use of the data from Figure 5.



Try to use the data provided to support your analysis. Figure 5 showed a huge increase in unemployment in a relatively short period of time and therefore consider the impact on aggregate demand and spending on goods and services.

Question 4 (c)

This question has the most marks on the examination paper and always discriminates between the candidates who can accurately use economic concepts to evaluate a course of action and those that approach the question from a 'common sense' approach and simply copy out the extract. Many candidates focused on the effectiveness of spending on infrastructure in terms of job opportunities, movement of goods and attracting FDI/MNCs to India in order to increase output. There was some very good analysis as to the benefits of improving the road and rail networks with some candidates being able to link to reducing labour immobility and more efficient transportation around India. The counter argument was often not as well developed and was centred around the opportunity cost of the infrastructure spending and the fact that India already had a fiscal deficit so the country might have to borrow more money to fund this. Developed evaluation was more likely to achieve level 2 or level 3 and simplistic evaluation was awarded level 1. A conclusion is required for this question and often this was lacking or was a repetition of earlier points rather than making a final judgement.

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of spending on infrastructure to increase total output in a country such as India.

(12)

Spending on infrastructure is a kind of supply-side policy, which is the policy used by government to stimulate aggregate supply in the economy.

Spending on infrastructure is effective as it will provide more job opportunities. This is because building road and other infrastructures will need more workers. As a result, the unemployment level will be lower. More resources will be exploited, ~~less~~ and therefore increase total output.

In addition, new roads, ~~and~~ ^{rail} links, airports will improve the labour mobility. Moreover, raw materials therefore can be transferred cheaply and faster than before. All these factors reduce the production costs, so more output will be able to be produced.

On ~~the~~ Furthermore, better infrastructure means that more FDI or MNCs will be attracted. They will also contribute to the total output in a country. This is proved by "essential for attracting investments and making India a \$5 trillion economy." MNCs also pay tax to the government. These money can be ~~use~~ given to domestic firms as subsidy ^{as an incentive to} produce more goods.

On the other hand, investing in ~~the~~ infrastructure is expensive. The ~~GDP~~ ^{growth} of Indian GDP slowed to 4.5% in the quarter ending Sep. 2019. The fiscal ~~deficit~~ deficit was 3.4% of GDP. This means that the Indian government spend ^{their revenue} more than they ~~are~~ earned. This might be bad as ~~the~~ ^{money} country will have to borrow and pay debt in the future. Long term fiscal deficit might place burden on future generation.

Moreover, investing infrastructure has a high opportunity costs. This money comes from tax revenue and it could have been ~~spend~~ spent more efficiently on other public services. For example, investing in education.

Overall, I believe spending on infrastructure is effective ~~as~~ because it will provide more jobs and attract MNCs and therefore increase total output. However, it's expensive and might be

An opportunity costs. Moreover, it's bad for the economy if the country runs the deficit for long term.



This response scored 11 marks and is an excellent response. There are plenty of economic concepts used and context was present on both sides of the evaluation. The evaluation is balanced and does look at the effectiveness of infrastructure spending.



The 12 mark question is important and often candidates leave this until the end and consequently rush it or do not spend enough time on it. Each question is independent of each other so candidates could tackle this question first or at least not leave it to the very end of the paper.

Paper Summary

There are several points which could raise performance in future sittings. Based on their performance on this paper candidates are offered the following advice:

- Read the questions carefully in terms of the command words. It was clear that some candidates were not aware of the demands of the question or how to structure their responses.
- 'What is meant' questions will always require two parts to the explanation and examples are not rewarded.
- Quantitative Skills will be tested throughout the paper, and these may be in the form of calculations, diagrams or using the data from the Extracts.
- For calculation questions, it is essential that the answer has the correct units and is to two decimal places if specified.
- Diagrams need accurate labels and arrows to indicate the shift of the curve will not be rewarded.
- The 'Explain' questions do not require definitions so do not waste time giving a definition of the key economic term.
- Analyse – this question only requires a one – sided argument and evaluation is not required for a 6 mark Analyse question.
- The command words 'Assess' and 'Evaluate' are evaluative command words so candidates must provide both sides of an economic argument in order to achieve full marks.
- Use of relevant application is required throughout, and this can be from the Extracts provided or using examples provided by the candidate themselves.
- The Extracts are there for a reason – so use them to support your answer but do not copy out large chunks as this cannot be rewarded.
- Use economic concepts rather than generic 'common sense' answers.
- Examination timings – make sure there is enough time to answer the 12 mark question.

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/grade-boundaries.html>

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