



Pearson

Mark Scheme (Results)

Summer 2017

Pearson Edexcel Level 3 Advanced GCE
in Economics B (9EB0)

Paper 02 Competing in the 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.

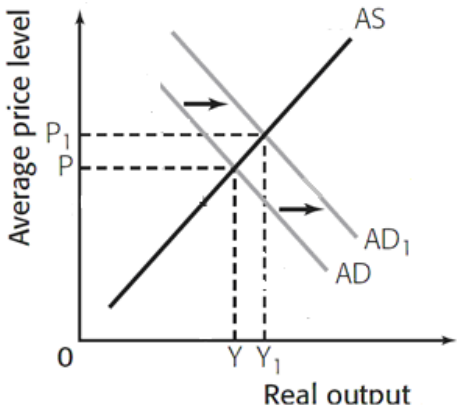
Section A

| Question Number | | Mark |
|-----------------|--|------------|
| 1(a) | <p style="text-align: center;">Knowledge/understanding 1, Application 3</p> <p>Knowledge/understanding: 1 mark for formula</p> <p>Exports of goods – Imports of goods = Balance of trade in goods (1)</p> <p>Application: up to 3 marks</p> <p>£306 810m (1) - £417 006m (1) = -£110 196m (1)</p> <p>NB if no working is shown award marks as below: if the answer given is -£110 196m award 4 marks. If the answer given is -£110 196 award 3 marks. If the answer given is positive no marks can be awarded.</p> | (4) |

| Question Number | | Mark |
|-----------------|---|------------|
| 1(b) | <p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for an understanding of a benefit of economies of scale, e.g. the cost advantages that a business can exploit by expanding its scale of production (1).</p> <p>Application: up to 2 marks are available for context, e.g. increasing size of ships/large ships (1) means more cargo can be transported (1).</p> <p>Analysis: 1 mark available for developing explanation, e.g. lower average total costs means higher profit/lower prices (1).</p> | (4) |

| Question Number | | Mark |
|-----------------|--|------------|
| 1(c) | <p style="text-align: center;">Knowledge/understanding 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for a reason that identifies the UK as a developed economy, e.g. the service sector provides more wealth than the industrial sector/surplus on trade in services (1).</p> <p>Application: up to 2 marks are available for a contextualised answer for UK from Extract A, e.g. calculation of the surplus on trade in services: £204 465m (1) £126 369m (1)</p> <p>OR</p> <p>£78 096m (2).</p> <p>Analysis: 1 mark for developing the analysis for UK, e.g. the trade surplus in services indicates that the UK specialises in this sector and this is a characteristic of a developed economy (1).</p> | (4) |

| Question Number | | Mark |
|-----------------|---|------------|
| 1(d) | <p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2</p> <p>Knowledge/understanding: up to 2 marks for identifying why there is a need for research before exporting, e.g. need to understand consumer tastes/local culture (1); to assess the feasibility of doing business in a new market (1).</p> <p>Application: up to 2 marks for a contextualised answer, e.g. frozen yogurt sells well in warmer climates (1); research may indicate different locations, such as cinemas (1).</p> <p>Analysis: up to 2 marks available for explaining the consequences of research, e.g. flavours can be tailored for local tastes to maximise revenue (1); risk can be reduced and time and money saved by researching new markets in advance (1).</p> | (6) |

| Question Number | | Mark |
|-----------------|---|------------|
| 1(e) | <p style="text-align: center;">Knowledge/Understanding 2, Application 2, Analysis 2, Evaluation 2</p> <div style="text-align: center;">  </div> <ul style="list-style-type: none"> • $AD = C + I + G + (X-M)$ • As net exports a component of AD then increase in net exports (X-M) will increase AD and real output from Y to Y_1. • Increasing real output (GDP) and the average price level (Inflation) from P to P_1. • Reducing demand deficient unemployment. • Reduce current account deficit. • Resulting appreciation of currency may decrease cost of imports. • Lower import costs may decrease costs of raw materials and imported components for firms. • This may lead to reduction in net exports as imports become cheaper and therefore increase. • Long-term effect on economy may depend upon relative PED of imports and exports. | (8) |

| Level | Mark | Descriptor |
|---------|------|---|
| | 0 | A completely inaccurate response. |
| Level 1 | 1–2 | Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question. |
| Level 2 | 3–5 | Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted. |
| Level 3 | 6–8 | Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments. |

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

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| Question Number | | Mark |
|-----------------|--|-------------|
| 1(f) | <p style="text-align: center;">Knowledge/Understanding 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Developing economy characteristics include: rising GDP and per capita GDP; rising disposable incomes; relatively unsaturated markets. • Attractive market for <i>AngelBerry</i> as relatively unsaturated market means less competition. • YED may be elastic (>1.0) therefore rising incomes may see proportionately greater increase in demand. • If developing economy has a warm climate, such as the UAE there may be less seasonal fluctuations in demand. • Ingredients may be sourced locally, reducing costs (ingredients and transportation). • May be risky due to political instability. • Cultural differences and consumer tastes may require the flavours to be modified which can increase costs. • Marketing needs to be appropriate for the developing economy. • Language problems. • Lack of skills and education in labour force. • Franchising means firm may not be in control of quality throughout the business and risk reputation. • Diseconomies of scale may arise due to remote outlets and communication problems. • Supply chain problems. • Need knowledge of local labour laws. | (10) |

| Level | Mark | Descriptor |
|---------|------|---|
| | 0 | A completely inaccurate response. |
| Level 1 | 1-2 | Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question. |
| Level 2 | 3-4 | Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted. |
| Level 3 | 5-7 | Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance. |
| Level 4 | 8-10 | Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments. |

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| Question Number | | Mark |
|-----------------|--|-------------|
| 1(g) | <p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Subsidising infrastructure allows the <i>AV Dawson</i> development to take place. • Investment in construction creates direct employment in the local economy. • Wages may be spent in the local economy, providing revenue for local firms. • Multiplier effect – initial investment of £3.4m may bring about an increase in final income of a higher magnitude. • As quay develops, new jobs may be created in associated firms and unemployment reduced. • Quay may attract other firms to the region – including multinationals. • Increased/improved communication infrastructure. • External economies of scale as specialist firms locate in the region attracted by the quay development. • Impact will depend upon the number of jobs created for local residents. • Impact will depend upon the proportion of income spent upon local goods and services. • Environmental impact may be negative. • Negative externalities – pollution; noise etc. • Inward investment may increase asset prices (land; property) crowding out existing local firms. • Jobs may be low skill, temporary and/or part time reducing value of multiplier. | (12) |

| Level | Mark | Descriptor |
|---------|-------|---|
| | 0 | A completely inaccurate response. |
| Level 1 | 1-2 | Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question. |
| Level 2 | 3-5 | Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted. |
| Level 3 | 6-9 | Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance. |
| Level 4 | 10-12 | Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments. |

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| Question Number | | Mark |
|-----------------|--|-------------|
| 1(h) | <p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Deficit in the UK balance of trade in goods means value of imported goods exceed value of exported goods (Extract A) • Deficit in goods (-£110,196m) exceeds surplus in services (£78,096m) by £32,100m • UK balance of trade in goods and services in 2013 was therefore -£32,100m • Fiscal policy is the alteration of government spending and/or taxation to help achieve desirable macro-economic objectives, such as reducing the trade deficit, by changing the level and composition of AD • Taxation may be direct (e.g. income tax and corporation tax) and indirect (e.g. specific and ad valorem) • Government spending may be current spending and investment spending • Lower direct and indirect tax may reduce costs for firms, making exported goods more competitively priced, reducing deficit • Higher direct and indirect tax may reduce disposable income for consumers, reducing demand for imported consumer goods, reducing deficit • Higher direct and indirect tax may reduce business investment, reducing demand for imported capital goods, reducing deficit • Lower government spending may have a negative multiplier effect, reducing the demand for imported consumer and capital goods • Lower tax may attract inward investment, increase the demand for the pound causing currency appreciation, worsening the deficit as exports become more expensive and imports become cheaper • Success of fiscal policy may depend upon structure of economy: In UK consumption is a large component of AD/GDP and high percentage of consumer goods are imported thus tax rises may reduce the deficit • Impact will depend upon PED for exports and imports • If PED for exports is inelastic then lower export prices may not reduce the deficit/if PED for exports is elastic then lower export prices may reduce the deficit • IF YED for imports is inelastic, then higher tax may not reduce the deficit/if YED for imports is elastic, then higher tax may reduce the deficit | (12) |

| Level | Mark | Descriptor |
|---------|-------|---|
| | 0 | A completely inaccurate response. |
| Level 1 | 1-2 | Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question. |
| Level 2 | 3-5 | Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted. |
| Level 3 | 6-9 | Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance. |
| Level 4 | 10-12 | Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments. |

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Section B

| Question Number | | Mark |
|-----------------|---|-------------|
| 2 | <p style="text-align: center;">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • GDP per capita = GDP/population. • Real GDP per capita would take into account inflation • Nominal GDP per capita would not take into account inflation. • GDP per capita can be used as indicator of economic development and/or relative wealth. This would indicate high living standards in the UK compared to China. • However, China has higher GDP than the UK but lower GDP per capita. • GDP per capita does not show distribution of wealth or income. • Other indicators may be more useful from point of view of comparing living standards over time. • HDI composite index of GNI per capita, education and health may be more useful in comparing living standards between countries. • HDI ranking may be useful for comparison purposes between countries e.g. China 91 and India 135 (higher or increasing ranking may indicate improving living standards). • HDI might be considered a better indicator of living standards than GDP per capita despite some limitations, such as accuracy of measure, time in education is not the same as quality of education and life expectancy does not necessarily measure quality of life. • Income GINI coefficient useful as it indicates distribution of income. • Closer to zero, the more evenly income is distributed. • India GINI coefficient (0.33) indicates income more equally distributed than UK (0.36) despite the disparity in GDP per capita. • Low income may be equally distributed but may mean low living standards for the majority of the population • None of the measures in Extract D looks at sustainability or directly at environmental impact of economic activity • High GDP, HDI and equal income distribution may mask environmental costs • More useful measures may include infant mortality; number of people working in agriculture; access to clean water; gender imbalances; occurrence of obesity; literacy rates. | (20) |

| Level | Mark | Descriptor |
|---------|-------|--|
| | 0 | A completely inaccurate response. |
| Level 1 | 1-4 | Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question. |
| Level 2 | 5-9 | Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic. |
| Level 3 | 10-15 | Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and competing arguments are present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments |
| Level 4 | 16-20 | Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions. |

Demonstrating application (AO2) in responses

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Section C

| Question Number | | Mark |
|-----------------|--|-------------|
| 3 | <p style="text-align: center;">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Trade restrictions include tariffs, quotas and non-tariff barriers, such as regulations. • Trade restrictions may reduce access to large emerging markets, such as China. • This may result in a fall in sales revenue for multinationals, such as <i>Marine Harvest</i>. • Trade restrictions may mean MNCs have to accept joint ventures and loss of control as a price for entering the market, e.g. China and India. • Risk of entering market when trade restrictions can be introduced for political reasons (Extract E). • If trade restricted then opportunities for MNCs may be limited. • Many MNCs will make every effort to get round trade restrictions as the potential rewards are so great. • Data shows 93% increase in annual average nominal incomes in China 2008-2014 and 900% increase in demand for farmed salmon. • YED therefore $+900/+93 = 9.6$ (highly income elastic). • Firms may be able to overcome trade restrictions by re-locating production, e.g. <i>Marine Harvest</i> has moved production to Scotland to avoid China's restrictions against Norway. • May also depend upon Chinese exchange rate policy (under-valued ¥ may make imports more expensive). • Firms may be able to overcome trade restrictions by locating production to China or to ASEAN. • Potential rewards for firms entering Chinese market may outweigh costs of avoiding trade restrictions. • Impact of tariff will depend upon PED for the good or service, e.g. <i>Jaguar</i> cars face a 100% tariff in China but it is still successful. • Some MNCs are so large and powerful that they are often able to overcome trade restrictions. | (20) |

| Level | Mark | Descriptor |
|---------|-------|--|
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| Level 2 | 5-9 | Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic. |
| Level 3 | 10-15 | Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments. |
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