



Examiners' Report

Principal Examiner Feedback

January 2020

Pearson Edexcel International GCSE

In Economics (4EC1)

Paper 02: Macroeconomics and the Global  
Economy

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## Introduction

This was the first opportunity to sit the paper in January and overall, candidates' performance showed a sound grasp of economic concepts. Answers suggested that candidates, on the whole, had been prepared for this paper. There appeared to be use of 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 1c:

There were two parts to the explanation of unemployment and candidates should have referenced that it when a person is actively seeking work and unable to find employment. Candidates had to provide both parts to gain 2 marks. Many candidates were able to gain both marks for this question.

### Question 1d:

Again, this question required candidates to two parts to their explanation of the term trade-off. This was very poorly done with many candidates giving a definition of opportunity cost rather than a trade-off or explaining that a trade-off was about imports and exports. Very few candidates were able to give an accurate definition for 2 marks.

### Question 1e:

Some candidates were able to calculate the correct answer so achieved 2 marks. Marks were not awarded if the percentage sign was missing. This was not very well answered with many candidates unable to score any marks on this question. It is essential that candidates show their workings to gain 1 mark if an incorrect answer is given or if units are missing otherwise marks cannot be awarded.

### Question 1f:

Marks were awarded for the correct shift of the supply curve, labelling of the new equilibrium price and new equilibrium quantity. If a candidate shifted both curves, 0 marks were awarded. On the whole, this question was well answered by candidates.

### Question 1g:

A mark was available for any suitable reason and many candidates referred to poor quality, or better quality of imported goods. An additional mark was available for developing the stated reason in terms of how the poor quality might reduce demand for domestically produced goods. The third mark was available for **USING** the figure of \$5.082bn rather than just stating it **AND** for the application of economic concepts – in this case showing why there is a deficit due to poor quality goods.

**Question 1h:**

This question was marked using the new levels-based questions. The question focused on why the Indian Government has given subsidies to sugar cane farmers in terms of encouraging sugar cane production and protecting domestic sugar cane farmers. Application could have been references to subsidy figures, use of a diagram or the application of the economic theories or concepts. Some candidates gave a list rather than developing or analysing why the Indian Government gave subsidies. Again, some candidates evaluated and marks cannot be awarded for evaluation on a 6 mark question.

**Question 2c:**

This is the only 'State' question on the examination paper. Candidates were asked to state a method used to protect the environment. The specification gives 6 examples such as taxation, subsidy and pollution permits. Candidates did not have to explain their chosen method. Overall, this question was answered well by all candidates.

**Question 2d:**

This question was poorly answered by many candidates. Marks were awarded for a reference to standard of living and a reference to below typical living standards. Many confused relative poverty with absolute poverty so scored no marks even if there was a reference to standards of living. Marks were only awarded for reference to the median income rather than average income.

**Question 2e:**

This question looked for a possible advantage of issuing parking fines. Many candidates were able to show how this gave additional revenue for the local government and how this could be then spent on public services such as transport. Candidates were then able to develop this in terms of how this benefitted the Manchester area in terms of reduced congestion and an improvement in standards of living.

**Question 2f:**

This question asked why 23% of GDP might go unrecorded in Greece. Marks were awarded for reasons such as statistical errors, value of home produced goods and the hidden economy. Many candidates were able to give examples of jobs or activities which often go unrecorded such as growing vegetables and or DIY. This was then developed to show why this reduced the amount recorded in Greece.

**Question 2g:**

This was the first 9 mark levels-based question on the examination paper. Many candidates were able to effectively give suitable ways such as training and financial incentives to reduce seasonal unemployment in New Zealand. The counter argument mainly focused on the cost of these methods and how effective they would be to find suitable workers in the long term. A conclusion was not required for the 9 mark Assess questions but was often given.

**Question 3c:**

This question required candidates to explain one reason why low and stable inflation is a macroeconomic objective for a country such as Cyprus. Many reasons were accepted such as consumer/business confidence, investment from FDI, reducing uncertainty, and protecting living standards. Further marks were awarded for developing this reason and contextualising by the either the use of the data in the question or the application of economic concepts. Overall, this question was poorly answered with many candidates only giving a definition of inflation rather than explaining why this is a government objective. For the 3 mark Explain questions, marks cannot be awarded for definitions of the key terms.

**Question 3d:**

This 6 mark question concerned the impact of interest rates on the currency of South Africa. This was very poorly done by the vast majority of candidates. Many candidates did not know how interest rates affected a currency and instead focused on the impact of rising interest rates on consumers and firms. Some of the better responses referred to hot money and the inflow of investment into South Africa, thereby pushing up the value of the Rand.

**Question 3e:**

This question was answered better compared to the previous 9 mark question on the examination paper. Some candidates were able to give the benefits of lowering business taxes in terms of attracting FDI and therefore the creation of jobs within the US economy. Unfortunately many candidates just copied out the extract without evaluating the likely effectiveness of lowering business taxes. The counter argument was often not as detailed and mainly focused on negative externalities. Some candidates did consider other factors which might make US less attractive in terms of higher wages and stricter environmental laws. Again, a conclusion was not required but many candidates did provide a conclusion which is unnecessary.

**Question 4a:**

Many candidates correctly calculated the percentage change so gained 2 marks. Again, many candidates did not include percentage sign and therefore only received 1 mark. It is essential that workings are shown and the correct unit and decimal place is used to gain 2 marks.

**Question 4b:**

This question required a one-sided argument. Some candidates were able to show how an increase in interest rates helps to reduce demand in the economy and therefore reducing inflation. Some candidates did not know what monetary policy was or confused this with fiscal policy. Overall, candidates did not perform as well on this question compared to other 6 mark questions on the paper.

**Question 4c:**

This was the highest mark question on the paper. Many candidates were able to explain the benefits of globalisation in terms of jobs, GDP, government revenue and how this could reduce poverty in Kenya. The counter argument mainly focused on the negative impact of water use to grow the flowers, poor working conditions for flower growers and the

disadvantage of foreign ownership. Better responses used the information in the extract rather than just copying it. A conclusion was required for this question and this was often lacking or was just a repeat of the points made previously.

## **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 or is to two decimal places (if specified).
- The 'Explain' questions will always have one context mark so ensure that there is context in the response to gain all 3 marks.
- 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.
- Use economic concepts rather than generic 'common sense' answers.
- Examination timings – make sure there is enough time to answer the 12 mark question.