



# **Examiners' Report**

## **June 2024**

**Int 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)

Questions phrased as 'What is meant by' are worth two marks and need a two-part explanation of the economic term. Marks are not awarded for examples. According to the marking scheme, one mark is given for referring to it being a record of all transactions, while the other mark is awarded for reference to relating to international trade. Other relevant answers were also accepted.

(c) What is meant by the term the current account on the balance of payments?

(2)

The ~~term~~ current account on the balance of payments is a record of all of the imports and exports within an economy.



**ResultsPlus**  
Examiner Comments

This response scored 2 marks. There is an accurate definition with reference to the current account on the balance of payments being a record (1 mark) of all the imports and exports within an economy (1 mark).



**ResultsPlus**  
Examiner Tip

Do not use examples for definition questions. These cannot be rewarded.

## Question 1 (d)

Candidates were expected to recognise and describe how a business can damage the environment by various types of pollution including visual, noise, air, water and litter. It was acceptable for candidates to refer to pollution in general terms without specifying the type. They could also identify specific business activities as sources of pollution such as mining, transporting goods, building housing or manufacturing products. Without a valid way, development marks could not be awarded. For the development mark, candidates needed to explain how or why a particular type of pollution or business activity harmed the environment. Examples seen included killing marine life or contributing to global warming. Simply stating that an activity damaged the environment was insufficient; candidates had to provide a detailed explanation of how or why the environment was damaged to earn the development mark.

(d) Describe **one** way business activity can damage the environment.

(2)

Transporting goods abroad negatively impacts  
the environment as the airplanes or boats emit  
fossil fuels



This response scored 2 marks. 1 mark was awarded for the way (transporting goods abroad) and 1 mark was awarded for the development/explanation of the way (airplanes or boats emit fossil fuels).



If there is no valid way then the development mark cannot be awarded.

## Question 1 (e)

This calculation was straightforward requiring candidates to calculate the amount raised in direct taxation in the UK. Candidates could only be awarded 2 marks if the units (£bn) were present. Many candidates accurately calculated the revenue raised in direct taxes but omitted the £bn, resulting in only 1 mark being awarded for any workings shown. No marks were given for providing a formula or definition. The vast majority of candidates achieved at least 1 mark for 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. If an incorrect answer is given and there are no workings shown, then examiners can only award 0 marks.

Figure 1 shows selected UK Government receipts from taxation in February 2023.

	£bn
Income tax	20.0
Sales tax (VAT/GST)	14.3
Business tax	7.6
Excise duties	3.7
Customs duties	0.4

Figure 1

(e) Calculate the **total amount of revenue** in £bn raised by direct taxes in February 2023. You are advised to show your working.

(2)

$$20,0 + 7,6 = 27,6 \text{ bn}$$



This response scored 1 mark only. Although the response was in billions (bn) it was missing the £ sign so could only be awarded 1 mark for the correct workings.



Always show your working and this is stated in the question. You can still be awarded 1 mark for correct working with an incorrect answer.

Figure 1 shows selected UK Government receipts from taxation in February 2023.

	£bn	
Income tax	20.0	✓
Sales tax (VAT/GST)	14.3	-
Business tax	7.6	✓
Excise duties	3.7	-
Customs duties	0.4	

Figure 1

(e) Calculate the **total amount of revenue** in £bn raised by direct taxes in February 2023. You are advised to show your working.

(2)

$$20.0 + 7.6 = \text{£}27.6 \text{ bn}$$



This response scored 2 marks for a correct answer with the correct units (£bn).



Units are not required in the workings and are only required in the final answer.

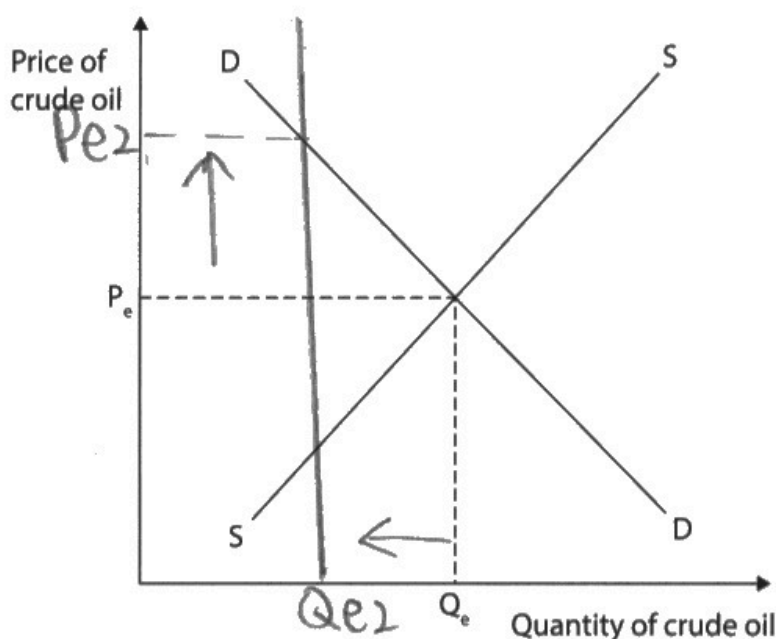
## Question 1 (f)

This question required candidates to draw a new quota curve. This question was much more challenging than the other diagram questions with many candidates shifting the demand curve rather than drawing a new vertical quota curve. As often seen, there were some candidates who did correctly draw a new vertical quota curve but did not label the new curve so could not be awarded the mark. Labels should be clear and appropriately suitable to indicate the changes in price and quantity.

In January 2023, China introduced a quota on imports of crude oil into the country.

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

(3)



**ResultsPlus**  
Examiner Comments

This response scored 2 marks. The new quota curve has not been labelled so can only be awarded 2 marks for the new price and new quantity.



**ResultsPlus**  
Examiner Tip

When drawing a quota curve, ensure that the curve is fully extended above the demand curve and make sure this is labelled separately to the new quantity.

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

(3)

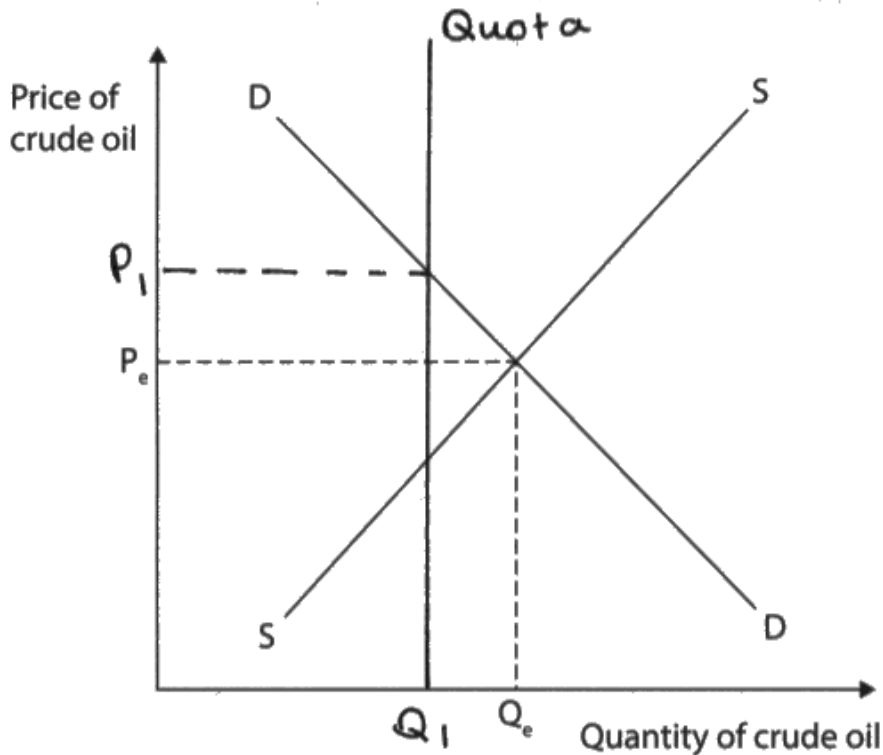


Figure 2



**ResultsPlus**  
Examiner Comments

This response scored 3 marks and is an example of how to draw a quota curve and how to label it.



**ResultsPlus**  
Examiner Tip

The new equilibrium point is where the quota curve intersects the demand curve and not the original supply curve. Some candidates incorrectly showed a lower price due to this.

## Question 1 (g)

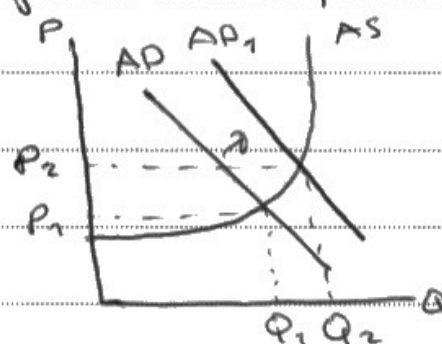
This was the first Explain question on the paper asking candidates to explain a reason for the link between economic growth and inflation. No marks were awarded for definitions of economic growth or inflation. One mark was given for providing a reason; examples included increased demand, people buying more goods, reduced unemployment resulting in higher incomes and the economy overheating. The reason could appear anywhere in the response, but a correct reason was necessary to access the other two marks. Up to 2 marks were awarded for developing the reason (cause or consequence), explaining why prices might increase, such as supply not being able to keep up with demand, resources becoming scarce and how this results in inflation (linking to demand-pull or cost-push inflation). The response needed to explain why prices might increase to gain the development marks rather than just stating that prices rise or mentioning demand-pull or cost-push inflation.

In 2021, the global economy experienced a period of rapid growth. This growth was accompanied by rising inflation in many parts of the world due to problems with the supply of goods.

(g) Explain **one** reason why there may be a link between economic growth and inflation for an economy.

(3)

economic growth will usually result in higher disposable incomes and therefore higher demand for goods. If businesses can't respond to the rise in aggregate demand by increasing production <sup>or supply</sup> in stead they'll decide to raise prices to the equilibrium price, leading to demand pull inflation. As shown in the graph when AD shifts to AD<sub>1</sub> prices rise.





This response scored 3 marks. 1 mark was awarded for the reason (higher disposable incomes and therefore higher demand for goods), 1 mark for the development of this reason (businesses cannot increase production/supply) and 1 mark for further development (raise prices to the equilibrium price leading to demand pull inflation).



Try to fully explain your reason/impact/effect/advantage to gain all 3 marks rather than trying to 'shoehorn' in context from the information provided. Just inserting data or figures into your response is not classed as context and it must be used in the response for this to count as context. It is much easier to gain all 3 marks by using economic theory to explain a concept.

## Question 1 (h)

This is the first levels-based question on the paper. 'Analyse' questions require a one-sided argument. There are no marks for evaluation. This question asked about the disadvantages of free trade for firms in South Africa. Examiners saw some good responses for this question with many candidates able to score at least 3 marks and access Level 2 for this question. A wide range of disadvantages were rewarded with many candidates able to explain how free trade might result in increased competition for domestic firms and how some (smaller) firms might have to exit the market. Better responses analysed the disadvantages and fully explained them rather than providing a long list of undeveloped disadvantages. Some candidates focused solely on the economy rather than firms which was not what the question was asking.

The African Continental Free Trade Area (AfCFTA) is a free trade area that includes most of Africa. It connects 1.3bn people across 55 countries with a combined gross domestic product (GDP) of \$3.4 trillion. South Africa is an important member of the AfCFTA.

- Competition  
- lower profits  
- unfair comp

(h) With reference to the data above and your knowledge of economics, analyse the disadvantages to firms in South Africa of being a member of the AfCFTA.

(6)

~~The biggest disadvantage is the competition they face.~~  
Trading blocs are ~~are~~ when groups of countries <sup>in the same region</sup> join together to enjoy trade free of barriers such as quotas and tariffs.  
The most significant disadvantage to firms from this is the competition that they will face, because there are no trade barriers ~~other~~ firms <sup>in the SS</sup> in other countries can export goods to South Africa free of charge, ~~meaning that~~ this makes it more attractive for foreign firms to sell into South African markets as they don't have to pay extra. Consumers are also persuaded to buy foreign for the same reason, this increases competition for firms in SA, especially if the imports are competitively priced. This means that they would have to also lower their prices ~~or~~ invest and innovate in product development to be able to compete with these foreign firms. Either way their ~~profit~~ profits will be reduced as whether production costs (due to innovation) will increase or revenue will decrease (by lower prices), this could also stunt their growth in long term as they may not be able to have enough money to expand and <sup>it</sup> may also make them more vulnerable as if economic conditions get worse they may not have ~~to~~ enough cash reserves to draw on. <sup>in addition,</sup> if they can't compete effectively they will be forced out of the market.



This response scored 6 marks. It has several disadvantages and each one has thorough analysis.



For the 6-mark questions, examiners are looking for the quality of the analysis rather than counting the number of disadvantages. A list of disadvantages with no development and a lack of analysis is likely to only match the Level 1 descriptor and score a maximum of 2 marks only.

## Question 2 (c)

There is only one mark available for 'state' questions. Examiners do not expect candidates to write extensively for this type of question. Many different impacts of a current account deficit were rewarded. Some candidates misread the question and stated why there could be a current account deficit rather than the impact.

(c) State **one** possible impact of a current account deficit.

(1)

Slower economic growth



This response scored 1 mark for identifying a correct impact of slower economic growth.



The response does not need to be detailed and often a one word answer is enough such as unemployment or inflation.

## Question 2 (d)

Questions phrased as 'What is meant by' are worth two marks and need a two-part explanation of the term. Marks are not awarded for examples. According to the marking scheme, 1 mark is given for mentioning a financial penalty imposed on individuals or businesses, while the other mark is awarded for reference to who break the law/disobey regulations. Other relevant answers were also accepted. There had to be some sort of reference to the fine being financial to gain the mark. As with the other definition question, examples were not rewarded.

(d) What is meant by the term fines?

Fines are penalties on individuals<sup>(2)</sup>  
or companies for breaching certain  
regulations, like laws.



**ResultsPlus**  
Examiner Comments

This response scored 1 mark. There needed to be reference to the penalty being a financial or a monetary penalty to be awarded 2 marks.



**ResultsPlus**  
Examiner Tip

Only precise definitions will score both marks. Imprecise or vague definitions can only score 1 mark.

(d) What is meant by the term fines?

(2)

A financial penalty used to deter people from breaking laws as it would come to a cost them financially.

This could be in response to not paying a subcharge or breaking a rule.



**ResultsPlus**  
Examiner Comments

This response scored 2 marks. This does refer to a financial penalty from breaking laws which is enough for 2 marks.



**ResultsPlus**  
Examiner Tip

Do not use examples in your definitions as these cannot be rewarded.

## Question 2 (e)

The second Explain question asked how progressive taxation could help to reduce poverty and inequality. One mark was awarded for stating a valid way, with many candidates stating that there is less tax on lower incomes or higher tax on higher incomes. Examiners awarded up to 2 marks for developing the way (cause or consequence), tied to how this tax revenue could be used by the government to provide public services or that lower-income earners got to keep more income and how this could be used to spend on basic needs. There had to be a valid way to access the other two marks. To gain the development marks, examiners looked for links and connections rather than simple assertions or statements. It was not necessary to mention the 10% and 37% figures to gain all 3 marks.

The US has a progressive taxation system for income tax rates. In 2023, the income tax rates ranged from 10% for individuals on low incomes, up to 37% for those on the highest incomes.

(e) Explain **one** way progressive taxation can help to reduce poverty for a country such as the US.

(3)

A progressive taxation system can reduce poverty as the rich are charged more than the poor. This means that the rich people have less disposable income, whereas the poor are government are then able to spend this increased amount of tax on benefiting the poor, such as increasing education and training, or benefit payments. This means that the poor will have better qualifications, be able to get a job and whilst unemployed, be able to earn money from benefits - reducing inequality.



This response scored 3 marks. 1 mark was awarded for the way (rich are charged more than the poor) and 1 mark for developing this way (government spend this on benefiting the poor such as increasing education and training or benefit payments) and 1 mark for further developing this (poor have better qualifications and be able to get a job).



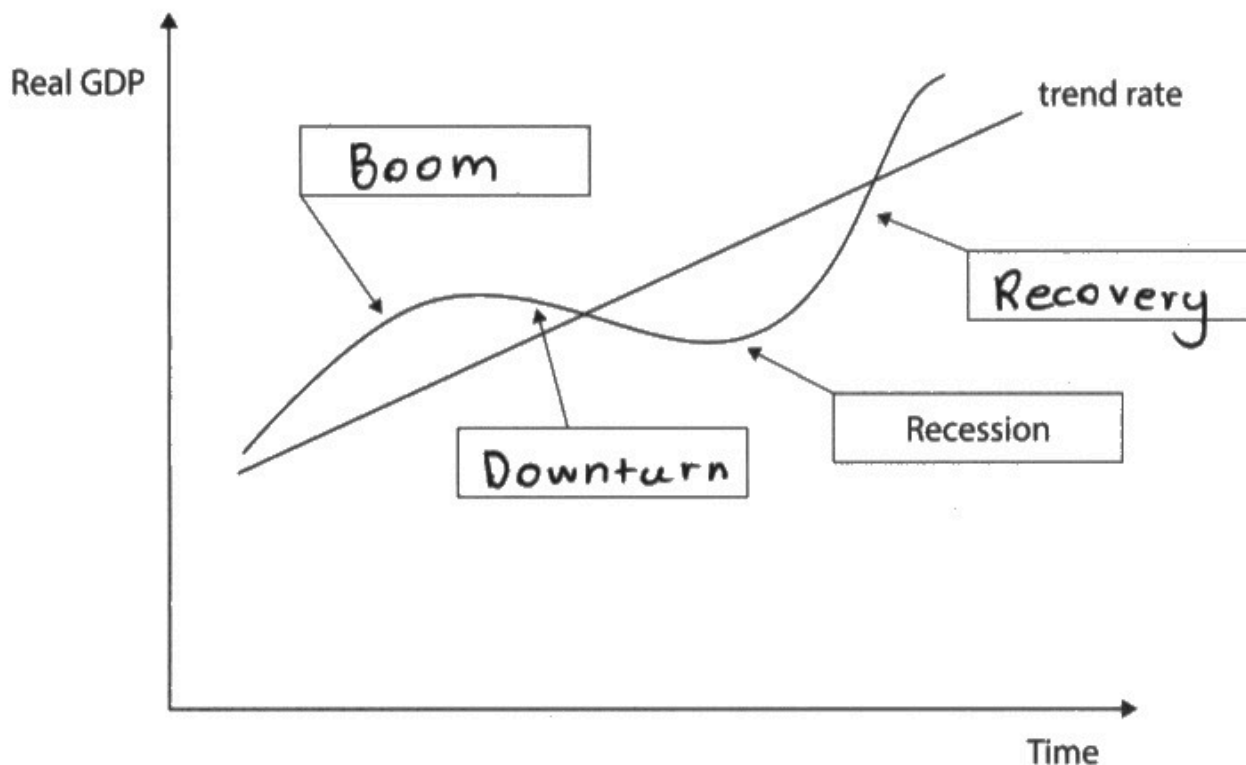
No marks are available for definitions on the Explain questions.

## Question 2 (f)

Marks were awarded for the correct labelling of the remaining boxes of the economic cycle. Many candidates were able to gain all 3 marks for this question.

(f) Using the diagram below, label the remaining three stages of the economic cycle in the boxes on the diagram.

(3)



**ResultsPlus**  
Examiner Comments

This response scored 3 marks for the correct labelling of the remaining boxes.



**ResultsPlus**  
Examiner Tip

Please write clearly and if you do need to change your answer, cross it out and make sure it is very clear to the examiner what your final answer is.

## Question 2 (g)

This is the first of the 9 mark questions on the examination paper and like the 6 mark questions, it is marked holistically by applying the levels in the mark scheme. This question required a 2-sided argument using the information provided about subsidies in the US. Many candidates used the extract to highlight benefits of providing subsidies such as reduced unemployment, a current account surplus, reduced pollution, economic growth and improved living standards. For the counter argument, many candidates explained the potential opportunity cost (often linked to education and healthcare), possible inefficiencies, the time required for subsidies to take effect and the risk of retaliation from the EU. Simplistic assessments were likely to be placed into Level 1 or at the bottom of Level 2. Responses were not placed into Level 2 or above merely for including some assessment of subsidies. In order to access Level 3, more developed chains of reasoning that incorporated economic concepts were needed.

In 2022, President Biden introduced legislation to increase investment in green technology in the US. Subsidies of \$369bn are given through grants, loans and tax credits to public and private firms.

① less pollution

These subsidies are to be used to increase battery, solar panel and wind turbine production in the US creating new factories and millions of new green jobs in the country.

② Job opportunity

There is widespread opinion amongst EU and UK politicians and business leaders that US subsidies will have a negative impact on their economies.

① Opportunity Cost

(g) With reference to the data above and your knowledge of economics, assess the possible benefits for the US of giving subsidies for green technology.

② Lack of motivation to invent

(9)

Subsidies are financial support granted to firms for production in a hugely competitive market. In this case, US is giving subsidies for green technology.

On one hand, there are many benefits for the US to give subsidies for green technology. This is because President Biden has spent \$369bn to increase renewable energy sources such as battery, solar panel and wind turbine.

These renewable energy sources will create less air pollution for manufacturing and for the industries in the country.

Therefore, due to these green technology, government does not need to worry or concern regarding the ~~negative impacts~~ pollution levels of green technology and this reduces their costs. As a result, this will benefit the US.

In addition, the subsidies of \$369bn to the green technology will create millions of new green jobs in the country. This is because ~~investing into the use of~~ the increase demand of battery, solar panel and wind turbine will require more workers to build it and transport it. Therefore, this will lead to less unemployment.

Moreover, the government can collect more revenue for income tax to redistribute income. This therefore means the entire population will have a high standards of living. Higher standards of living will lead to a higher economic growth for the country which will be beneficial.

However, as mentioned by EU and UK politicians, subsidies will have a negative impact on their economies. This is because the huge amount of money, \$369bn is spent on this green technology creating a huge opportunity costs. This could be <sup>better</sup> spent on investing on the healthcare and education and increasing their standards of living.

In addition, it takes a lot of time to build the solar panels and wind turbine and increase the use of green technology, therefore, the \$369bn ~~was~~ spent ~~is not~~ might not fully benefit the countries and the cost could be better spent in investing in training labours.

Moreover, the <sup>firms</sup> might have a lack of motivation to increase their efficiency. This is because government is granted lots of financial support and they are unafraid to shut down and therefore it would be operating inefficiently which could lead to lower output and unbeneficial to US.



This response scored 9 marks. An excellent response demonstrated thorough assessment and ample application on both sides of the argument. It has clear knowledge, in-depth analysis and a well-balanced assessment of subsidies. This level of performance is impressive, especially given the 9-minute time constraint.



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.

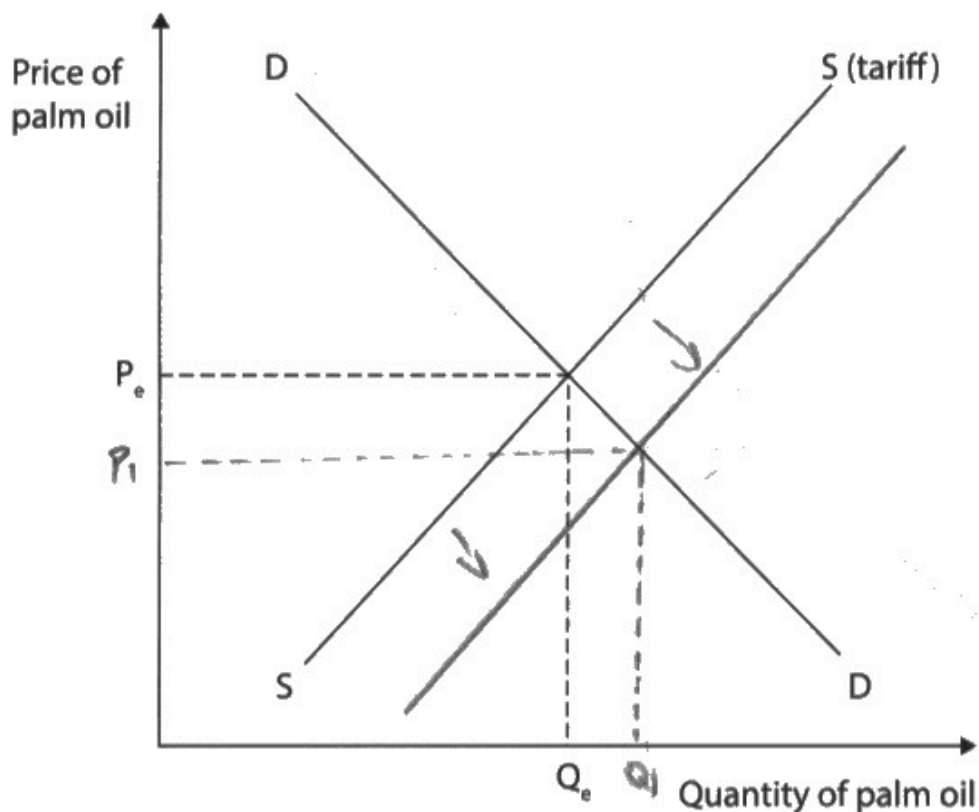
### Question 3 (c)

This was the last of the diagrams on the paper and required candidates to show the removal of a tariff. Marks were awarded for the correct right shift of the supply curve to show the removal of a tariff and labelling of the new equilibrium price and quantity. If a candidate shifted both curves, 0 marks were awarded. On the whole, this question was much better answered by candidates in comparison with Q1(f).

The UK Government has removed the 12% import tariff on palm oil from Malaysia.

- (c) Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of palm oil imported into the UK from Malaysia. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)



**ResultsPlus**  
Examiner Comments

This response scored 2 marks only. Although a new supply curve has been drawn to the right on the diagram, it is not labelled. Arrows are not acceptable.

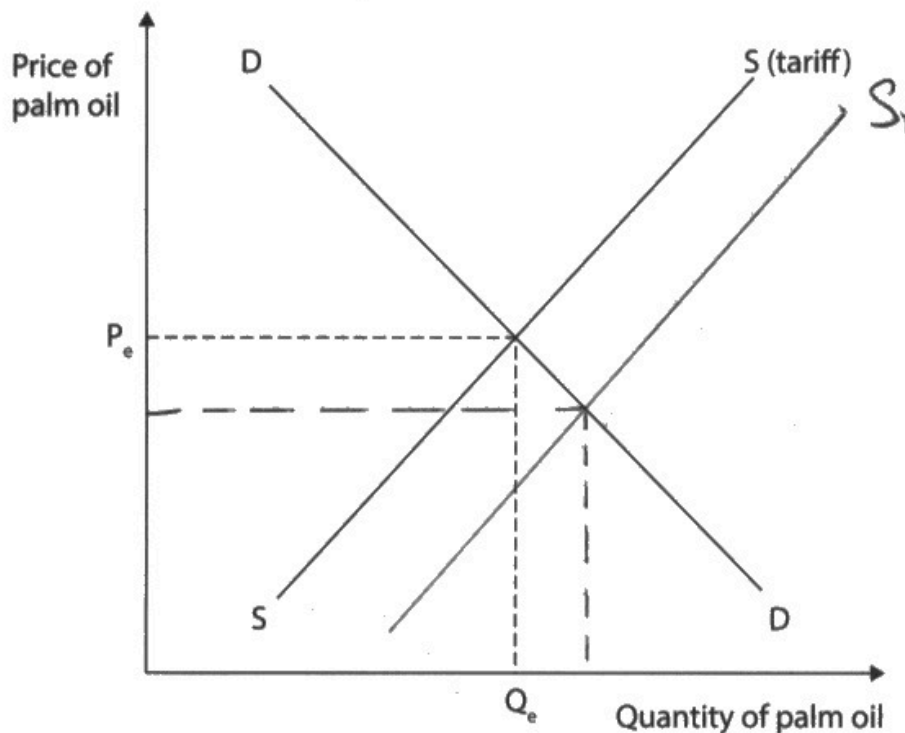


Always label the new curve and do not use arrows in place of a labelled curve.

The UK Government has removed the 12% import tariff on palm oil from Malaysia.

- (c) Using the diagram below, draw the effects of the removal of the tariff on the equilibrium price and quantity of palm oil imported into the UK from Malaysia. Label the new curve, the new equilibrium price and the new equilibrium quantity.

(3)



This response scored 1 mark only for the correct shift and labelling of the supply curve. Although a new equilibrium is drawn on, the price and quantity labels are missing so these marks cannot be awarded.



There will always be 3 marks for the diagram questions so make sure you do fully label your diagram.

### **Question 3 (d)**

This levels-based question required candidates to analyse the possible benefits of globalisation for consumers. Examiners rewarded benefits such as a wider range of goods, lower prices, innovation, increased purchasing power, cheaper transport and communication. Examiners did not count the number of benefits; full marks could be earned by thoroughly analysing one possible benefit, although many candidates covered several. The response had to focus on consumers and not firms or the economy.

Global trade reached a record high of \$29 trillion in 2022. It has continued to grow, although at a slower rate since the global health crisis.

(d) With reference to the data above and your knowledge of economics, analyse the possible benefits for consumers of globalisation.

1. increasing choice  
2. decreased prices

increasing (6)

the most significant benefit of globalisation (increasing international trade between world economies) for consumers has been the fall in prices of goods. globalisation has allowed firms to specialise in what they're best at and import what they're not good at producing. ~~this leads to~~ this leads to the goods produced and distributed both being better in quality and lower in price as some countries have become experts in producing them and have better methods or have access to cheaper raw materials. another reason why prices are decreased are that as globalisation lets firms sell into many different markets, this means that due to their large output they can exploit economies of scale and lower <sup>their</sup> average costs. this cost saving can then be passed on to consumers.

~~Another advantage is~~ another advantage is the increase in choice, consumers can buy any goods online from other countries or the imports provided by foreign firms can also increase choice. the competition provided by foreign firms in domestic markets also leads to firms innovating to compete with them and coming up with better quality or different products leading to more choice. this increase in options and decrease in prices perhaps encourages consumers to buy more leading to the \$29 trillion in global trade in 2022.



This response scored 6 marks. This is an excellent response, identifying three benefits and providing thorough analysis for each. It matches the level descriptor by demonstrating clear knowledge, developing points effectively and including appropriate application. The analysis is comprehensive and focused.



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 impacts given. A response with one really detailed impact could score all 6 marks whereas a response that lists a series of impacts might only score 1 or 2 marks depending on the quality.

### Question 3 (e)

This question was more of a challenge compared to the previous 9-mark question. Examiners looked for explanations of how a recession might lead to a fall in inflation due to reduced demand thereby decreasing demand-pull inflation. The question examined the the impact of a recession on inflation, not on the causes of the recession or high inflation and far too many candidates misread the question and instead explained why a recession might have occurred. Responses that merely defined inflation or recession, without further development, received 0 marks. Many responses simply copied information from the stem and lacked depth. For the counter argument, examiners looked for why inflation might not decrease during a recession. Candidates needed to consider information provided, such as there being high energy costs indicating cost-push inflation rather than demand-pull inflation, or the possibility that monetary policy used to stimulate the economy could lead to higher inflation. A conclusion was not required.

A. Stabiliser

Germany's economy shrank more than expected in the fourth quarter of 2022. This raised doubts over the ability of Europe's biggest economy to avoid a recession and recover quickly from its energy crisis due to high gas and oil prices.

Record inflation rates of 10.4% caused reductions in German consumer spending and business investment in buildings and machinery. This led to a 0.4% decrease in gross domestic product (GDP) from the previous quarter.

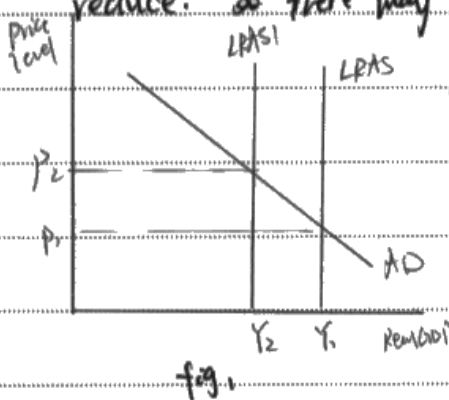
The effects will be felt by consumers, workers, firms and the German Government.



(e) With reference to the data above and your knowledge of economics, assess how a recession may affect inflation in a country such as Germany.

(9)

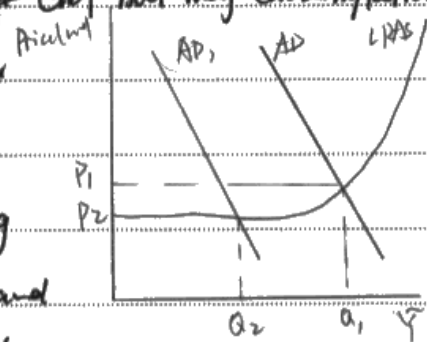
Recession means the falling in GDP for two consecutive (continuous) quarter. Germany's economy shrank more than expected in the fourth quarter of 2022. And recession may have some impacts on inflation in Germany. During recession, consumers and businesses lost confidence, so they will tighten their spending and investment in buildings and machinery. In this case, innovation will be limited, the quality and quantity of resources will reduce. So there may be an unemployment. ~~As~~ The LRAS may shift to left.



And decrease in consumer spending will cause aggregate demand decrease and slow down the demand-pull inflation of 10.4% in Germany. For the German business,

an expansionary fiscal policy or monetary policy may be used to push up the ~~the~~ GDP but may cause inflation.

However in some cases, the automatic stabiliser may work. As there is unemployment and fall in disposable income in recession, consumer spending will decrease and inflation will drop, when consumer and businesses have enough saving they will spend and invest again.



So the inflation will not be too large or small. Further, Reductions in German consumer spending ~~and bus~~ means there is less demand for imports.

In this case, current account deficit will be reduced and the aggregate demand will be pushed again. The ~~real~~ real GDP will increase. Overall, it how inflation can be affected should depend on the size and duration of the recession and consumer confidence. The current state of the economy is important as well. If Germany is close to full employment, then the price level can be easily pushed up and cause surging inflation.

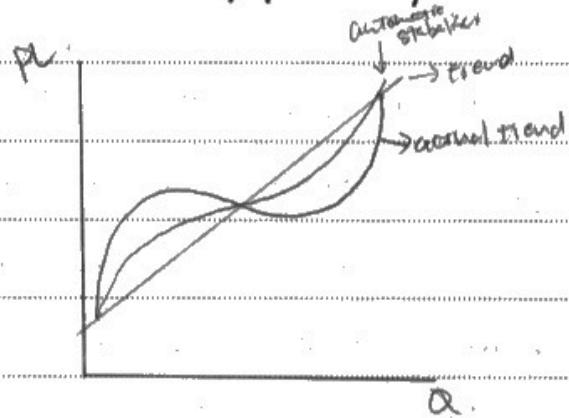


fig. 3  
automatic stabiliser



**ResultsPlus**  
Examiner Comments

This response scored 8 marks. It is a very good response that gives a balanced assessment of how a recession may affect inflation. It was awarded at the midpoint of Level 3 and uses appropriate economic concepts appropriately.



**ResultsPlus**  
Examiner Tip

A response does not automatically achieve Level 2 (or higher) merely by including some sort of weak assessment. Conversely, it can move beyond Level 1 without any assessment. The overall mark awarded depends on the overall quality of the response and how closely it matches with the descriptors for each level.

### Question 4 (a)

This question required candidates to calculate a fiscal surplus. This question was very well done with most candidates able to give the correct answer of 2.918 CAD *bn* for 2 marks. If the CAD *bn* was missing, only 1 mark could be awarded for the working. The same applies 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 5 shows the government revenue and expenditure for Canada in 2021–2022.

	Canadian dollars CAD\$bn
Total revenue	38.815
Total expenditure	35.897

Figure 5

(a) Calculate the **fiscal deficit or surplus** in CAD\$bn for Canada in 2021–2022.  
You are advised to show your working.

(2)

$$38.815 - 35.897$$

---

$$= 2.918.$$



This response scored 1 mark because the correct units (CAD\$bn) were missing so 1 mark was awarded for the workings only.



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

4 Figure 5 shows the government revenue and expenditure for Canada in 2021–2022.

	Canadian dollars CAD\$bn
<b>Total revenue</b>	38.815
<b>Total expenditure</b>	35.897

Figure 5

*re > ex  
surplus*

(a) Calculate the **fiscal deficit or surplus** in CAD\$bn for Canada in 2021–2022.  
You are advised to show your working.

(2)

*It is a fiscal surplus of CAD\$2.918 bn as the revenue  
is greater than the expenditure.*



This response scored 2 marks. It has the correct answer and includes the correct units (CAD\$bn).

## Question 4 (b)

This 6 mark question proved to be a challenge for some candidates with many not attempting the question or simply repeating the information provided. This question asked about the relationship between inflation and interest rates. Examiners looked for an explanation of the relationship between interest rates and inflation, specifically how high interest rates could help reduce high levels of inflation and how low interest rates might lead to increasing levels of inflation. It was not necessary to address both high and low interest rates to achieve Level 3. Application could be drawn from the information provided or involve the application of economic concepts and theories. Basic statements, such as "higher interest rates help to reduce inflation," without any substantial explanation, were placed in Level 1. For Levels 2 and 3, examiners sought chains of reasoning and analysis explaining the direct relationship between interest rates and inflation. Relevant content might include discussions of monetary policy, saving, borrowing and references to aggregate demand.

In April 2023, the inflation rate in Canada fell to 5.2%. The Governor of the Bank of Canada, Tiff Macklem, said, "Interest rates may have to stay at 4.5% to ensure inflation declines to the Bank of Canada's 2% target".

(b) With reference to the data above and your knowledge of economics, analyse the relationship between inflation and interest rates for a country such as Canada.

(6)

Interest rates are the price paid to lenders for borrowed money. ~~if~~ If interest rates decrease in an economy, ~~more people~~ ~~AD rises~~ aggregate demand rises. This is because more consumers will be willing to take out loans as now they cost less. They will then spend this extra money, increasing consumer consumption and demand in the economy. People with mortgages will also benefit because they now have to pay less and have a higher disposable income. ~~if~~ People will also be unlikely to save as the reward for saving is lower and will rather spend the money they have. All of this contributes to increasing aggregate demand. Firms will also contribute to this increase as many investment projects are funded through loans. ~~at~~ ~~this~~ This rise in AD can ~~cause~~ cause inflation however because if firms cannot respond by an increase in supply they might decide to raise prices instead leading to an increase in the general price level which leads to ~~ie~~ inflation. This is why Canada has to keep its interest rates high at 4.5% to ensure that there is not a sudden increase in aggregate demand that could result in demand pull inflation.



This response scored 6 marks. It analysed the impact of having lower interest rates and the impact on aggregate demand for consumers and the impact on firms.



Try to use the data provided to support your analysis. It is there to help you with application and context and remember that there are no marks for evaluation on these types of questions.

## Question 4 (c)

This question has the most marks on the examination paper and always discriminates between the candidates that 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. The question evaluated the benefits of education and training to reduce structural unemployment in Canada. Examiners rewarded advantages such as enhancement of skills, increased employability and the ability to move to different types of jobs within Canada. However, the disadvantages were less thoroughly explored and generally revolved around the opportunity cost of education and training, the time required to retrain and it depended on the different types of unemployment in Canada. 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.

In March 2023, the unemployment rate in Canada stayed at 5% for the fourth consecutive month. There are one million job vacancies and the country is suffering from structural unemployment. A quarter of these job vacancies are for low skilled jobs.

To address these skills shortages, the Canadian Government is launching several new education and training programmes.

- **Skills for success:** Helping Canadians at all ability levels improve their foundation and transferable skills, such as digital skills.
- **Financial support for adult learners:** \$815m over five years which covers up to 50% of training fees.
- **Labour mobility improvements:** \$595m over six years to make it more affordable to travel to where the jobs are.

(c) With reference to the data above and your knowledge of economics, evaluate the possible advantages of using education and training to reduce structural unemployment for a country such as Canada.

(12)

Education and training is one of the supply-side policies to improve the working conditions in the economy, leading to aggregate supply to increase. Structural unemployment is the long-term unemployment that occurs when the structure of an economy changes, leading to a permanent fall in demand of labour in the economy, of which in this case, it's the ~~low~~ low skilled jobs in the Canadian economy. Education and training helps improving skilled labour, where workers skills are learnt by improving their ~~foundation and low~~ digital skills. This provides the labour force an alternative for other types of jobs, hence improving the structural unemployment of 5% in ~~four~~ months. ~~It~~ Investing in education and training also promotes positive economic growth, where output of businesses can be increased. When workers are more educated or trained, they'll gain confidence as they'll know what to do and how to work. This increases the productivity of the production of goods and services, while the workers are skillful, thereby increase the efficiency

of the production. And as productivity increases, output increases, which also inevitably drives up the aggregate demand in the economy. This may suggest an increase in income ~~for~~ for workers, which also provides the motivation of the work. Education and training provides better ~~geographical~~ <sup>labour</sup> mobility as workers become more skilled, they will be able to move from one job to another easily decreasing the chances of being unemployed in a competitive market.

However, so the use of supply-side policies may create a greater time lag for it to affect the 5% of the unemployment rate as it takes an amount of time to apply to ~~the~~ the whole economy. There is also an opportunity cost in education and training as the amount of \$815m investment on it could be used ~~else~~ elsewhere more effectively, for example <sup>existing</sup> public services ~~the~~ health care or to pay off the national debts. Alongside \$595m investment in labour mobility improvements, there's also a chance that voluntary unemployment might happen when people choose not to work, but to live off unemployment benefits, so the investment might not be as effective. Also when people move between jobs, there'll be an increase in frictional unemployment, even though it's short-term, productivity will not be as effective in the economy. And especially there are one million job vacancies within Canada, government might end up in fiscal deficit when spent too much money on the training of the labour force, and that when the \$815m only covers up to 50% of training fees, government might even need to borrow <sup>or</sup> money to supply the costs.

There are other methods which could reduce structural unemployment, by using demand-side policies like fiscal and monetary policies to increase aggregate demand, thereby decrease unemployment rate. The overall decrease in the unemployment rate depends on the effectiveness of the entire economy and the policies, and the amount of education and training needed. The government can use more than one type of policies to improve unemployment in the economy.



**ResultsPlus**  
Examiner Comments

This response scored 12 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 benefits of using education and training to reduce structural unemployment.



**ResultsPlus**  
Examiner Tip

For evaluation, always evaluate the economic concept in the question first **BEFORE** considering alternative methods otherwise you are not really evaluating and will not be able to access the full range of marks available.

## 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>

