

Examiners' Report

June 2023

Int GCSE Economics 4EC1 02

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Introduction

Overall, candidates' performance showed a sound grasp of economic concepts. Answers suggested that candidates, on the whole, 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)

There were two parts to the explanation of exports and many candidates were able to provide both parts to gain 2 marks. Examiners were looking for some indication of the sale of goods or services to another country to award both marks.

Marks were not awarded marks for the use of examples. Any other appropriate responses were also credited.

(c) What is meant by the term exports?

(2)

Goods and services brought in sold overseas.



ResultsPlus
Examiner Comments

This response scored 2 marks for a correct definition. It has two parts and is precise enough for both marks.



ResultsPlus
Examiner Tip

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

Question 1 (d)

Again, there were two parts to the definition of globalisation and many candidates were able to provide both parts to gain 2 marks. Examiners were looking for some indication of the understanding it was the growing interconnection of the world's economies to award both marks. Responses were not awarded marks for the use of examples.

Any other appropriate responses were also credited such as the increased integration and interdependence between economies. Marks were not awarded for selling globally or trading between countries as this can be considered to be international trade.

(d) What is meant by the term globalisation?

(2)

Growing interconnections between
world's economies.



This response scored 2 marks for an accurate definition of globalisation.

Question 1 (e)

This was a simple calculation, but candidates could only be awarded 2 marks if the units were present. Many candidates could accurately calculate the average price level, but omitted the % sign therefore could only be awarded 1 mark. There were no marks for a formula or definition of average price level. The vast majority of candidates were able to achieve 1 or 2 marks 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.

The consumer price index (CPI) was 105.4 in 2021 and it was 100 in the base year 2018.

- (e) Calculate how much the **average price level** increased between 2018 and 2021.
You are advised to show your working.

(2)

difference $\times 100$
original

$$\frac{(105.4 - 100)}{100} \times 100$$

$$= 5.4\%$$



ResultsPlus
Examiner Comments

This response scored 2 marks for the correct answer of 5.4%. Workings are shown.



ResultsPlus
Examiner Tip

It is recommended that you always show your workings in calculate questions.

The consumer price index (CPI) was 105.4 in 2021 and it was 100 in the base year 2018.

- (e) Calculate how much the **average price level** increased between 2018 and 2021.
You are advised to show your working.

(2)

$$105.4 - 100 = 5.4$$



ResultsPlus
Examiner Comments

This response scored 1 mark for omitting the % sign.



ResultsPlus
Examiner Tip

There will always be some units required on Paper 2 for the calculation questions, so ensure you do use some appropriate units.

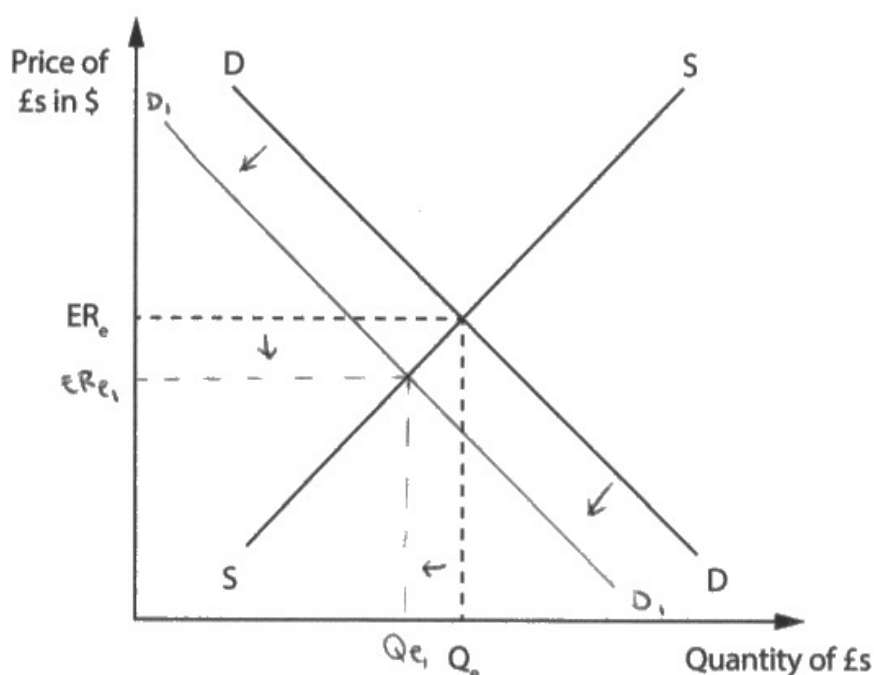
Question 1 (f)

Marks were awarded for the correct shift of the demand curve to show the impact 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 poorly answered by candidates with many incorrectly shifting the supply curve or the demand curve to the right.

Figure 1 shows the supply of and demand for UK pounds (£) in terms of US dollars (\$) and the equilibrium exchange rate.

- (f) Using the diagram below, draw the effects of a decrease in UK exports to the US on the equilibrium exchange rate of UK pounds (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)



ResultsPlus
Examiner Comments

This response scored 3 marks for a correct shift of the demand curve and labelling the new equilibrium price and quantity.



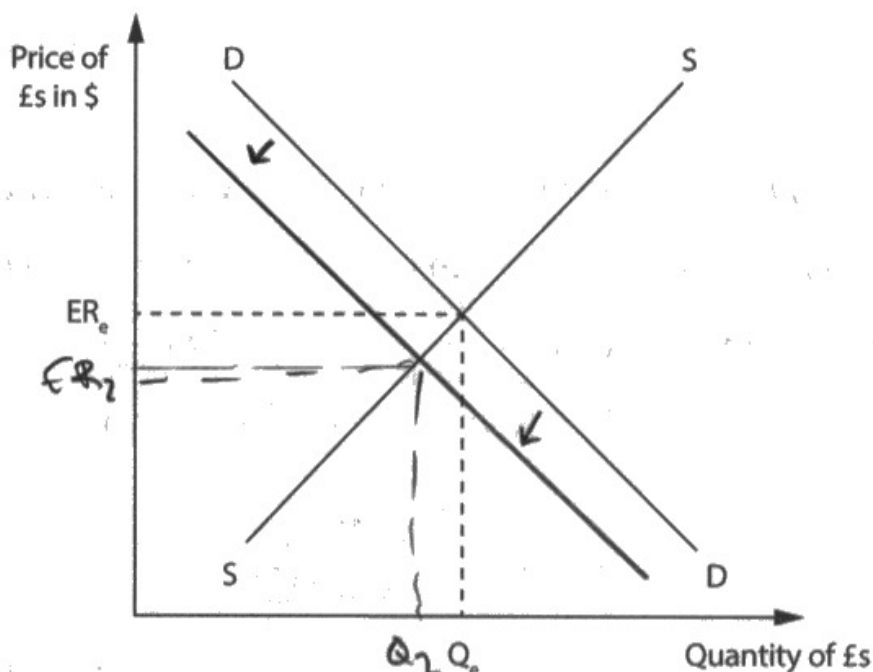
ResultsPlus
Examiner Tip

You will be required to only shift one curve, so do not shift both curves otherwise 0 marks will be awarded.

Figure 1 shows the supply of and demand for UK pounds (£) in terms of US dollars (\$) and the equilibrium exchange rate.

- (f) Using the diagram below, draw the effects of a decrease in UK exports to the US on the equilibrium exchange rate of UK pounds (£). Label the new curve, the new equilibrium exchange rate and the new equilibrium quantity.

(3)



ResultsPlus
Examiner Comments

This response scored 2 marks. It was not awarded the mark for the new curve because this was not labelled.



ResultsPlus
Examiner Tip

Make sure you label the new curve rather than just use arrows. The new curve **must** be labelled to be awarded the mark.

Question 1 (g)

Some candidates did not receive all 3 marks because they defined 'menu costs' rather than explaining an effect on menu costs from rising inflation. Only one mark was available for an effect (an increase in menu costs), marks two and three are for using context and for a cause/consequence of the effect. Just copying out the information given is not considered to be context and for this to be rewarded, it must be **used** in the response to support the explanation and the development of the effect.

All 3 marks can be gained by a detailed explanation of the economic theory rather than using context.

The UK's annual inflation rate was 5.1% in December 2021, its highest rate in a decade. The rise was due to higher prices for transport, food, clothing and footwear.

(g) Explain **one** effect of rising inflation on menu costs in the UK.

(3)

Menu costs will increase as menu costs are the cost to a firm of constantly changing prices during inflation. If inflation increases a firm will have to increase its prices to maintain ^{profit} and consequently will have to ~~it~~ spend time and money informing consumers, staff and printing ^{updated} new pricing.



This response scored 3 marks by fully explaining the effect of rising inflation on menu costs without using context in the traditional way. There is no mention of 5.1% or transport, food, clothing and footwear in the response, but it still achieves all 3 marks for using economic theory.

Menu costs increase **(1 mark: definition is not rewarded)**. If inflation increases a firm will have to increase its prices to maintain profit **(1 mark: consequence/development)** and consequently will have to spend time and money informing consumers, staff and printing updated pricing **(1 mark: consequence/development)**.



Try to fully explain your reason/impact/effect 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 like this response has done.

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. 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 benefits were rewarded with many candidates able to explain how the quotas might help protect domestic farmers from cheaper imports of rice. Better responses analysed the benefits and fully explained them rather than providing a long list of undeveloped benefits.

In 2022, Columbia maintained its current import quotas for rice. Rice is a staple food in Columbia and many domestic farmers rely on its production.

(h) Analyse the possible benefits for Columbia of having import quotas.

(6)

Quotas are physical limitations that limit the amount of imports that can go into a country. ~~They can bring many benefits~~ Having import quotas can bring many benefits for Columbia.

Firstly, it protects ~~domestic~~ domestic farmers. If there were no quotas ~~and~~ and rice could be freely imported into Columbia this could have a very negative effect on domestic farmers as they may not have the ~~extra~~ necessary resources to compete with foreign rice farmers importing rice into Columbia. ~~This might force this rice-free~~ Unlimited foreign competition might have forced many domestic farmers to stop their work as it would not be profitable, leaving them unemployed. This would reduce their income therefore it would ~~also~~ worsen their standard of living.

If domestic farmers were forced to shut down, it would also mean less economic growth. On the other hand, with ~~quotas~~ ~~Columbia~~ import quotas on rice, Columbia can benefit from more economic growth, as it is a staple food, implying demand is ^{relatively} inelastic. This means people will keep buying rice from domestic ~~farmers~~ farmers, therefore the farmers will have more income (and more disposable income) so aggregate demand will rise, leading to economic growth. Finally, having import quotas on rice prevent foreign rice

producers from dumping. Dumping is when foreign countries sell imports ~~at~~ at a ~~lower~~ lower cost than production costs, ~~thereby~~ increasing their demand, and consequently decreasing the demand for, in this case, ~~domestic~~ rice from domestic farmers, as it might be more expensive. ^{import quotas} ~~Quotas~~ prevent dumping from ~~happendi~~ happening, ~~so~~ ensuring demand for ^{rice} ~~it~~ from domestic farmers who rely on its production ^{keep on} ~~maintain~~ being high.



ResultsPlus
Examiner Comments

This response scored 6 marks. The candidate clearly understands that quotas and benefits include protecting domestic farmers and why this would occur. Quotas are linked to economic growth and preventing dumping. There is a thorough analysis of the issues and matches the level descriptor for Level 3, so is awarded at the top of the level.



ResultsPlus
Examiner Tip

For the 6-mark questions, examiners are looking for the quality of the analysis rather than counting the number of benefits. A list of benefits 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. The mark scheme had a wide range of examples that candidates could use to show a role of a central bank and other appropriate answers were also accepted. The role had to be for a central bank and not a high street bank, so responses regarding lending money to individuals were not rewarded.

(c) State **one** role of a central bank.

⁽¹⁾
~~The~~ The principal role of a central bank is to regulate the banking system



ResultsPlus
Examiner Comments

This response scored 1 mark for identifying a suitable role of a central bank.



ResultsPlus
Examiner Tip

There is only one 'state' question on the paper and the response does not need to be detailed.

(c) State **one** role of a central bank.

(1)

control inflation



ResultsPlus
Examiner Comments

This response scored 1 mark and illustrates that the answer does not need to be very detailed to gain the mark.

Question 2 (d)

This was the third definition question on the paper and many candidates were able to score at least 1 mark for some understanding of a current account surplus. To gain both marks, candidates had to refer to the **value** of exports being greater than the **value** of imports. Candidates who simply said exports were greater than import could only score 1 mark as this is not an accurate definition of the economic term. Responses were not awarded marks for the use of examples. Any other appropriate responses were also credited.

(d) What is meant by the term current account surplus?

(2)

Current account surplus is when ^{the} quantity of exports is larger than the quantity of imports.



ResultsPlus
Examiner Comments

This scored 1 mark. It is imprecise, but it does have some basic understanding in terms of exports and imports.



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 current account surplus?

(2)

current account surplus: occurs when the value of exports exceeds the value of imports.



ResultsPlus
Examiner Comments

This response scored 2 marks and is an accurate definition of a current account surplus.

Question 2 (e)

This was a popular question with many candidates able to access all 3 marks. Examiners saw some very detailed responses as to why education and training might reduce poverty and inequality. In order to access all 3 marks, candidates did have to make some sort of reference to poverty and inequality decreasing or falling.

Erasmus is an organisation that provides education and training for young people in Europe. In 2020, it funded over 640,000 educational experiences.

(e) Explain **one** impact education and training may have on inequality and poverty.

(3)

By funding on education and training, more workers will become more skilled and occupationally mobile. This means that they will be able to carry out tasks more effectively and efficiently. Therefore, it will be more likely for them to find a better paid job. As a result, inequality and poverty is reduced as people have more disposable income.



ResultsPlus
Examiner Comments

This response scored 3 marks. The impact on inequality and poverty (reduced) comes at the end of the 4th sentence and it does not matter where this comes in the response, so long as there is an impact identified. The response states workers become more skilled (1 mark) and then explains how this may lead to a better paid job (1 mark).



ResultsPlus
Examiner Tip

Ideally try to structure your response so that the reason/impact/effect comes at the beginning of the response as this makes the rest of the explanation follow on much more fluently.

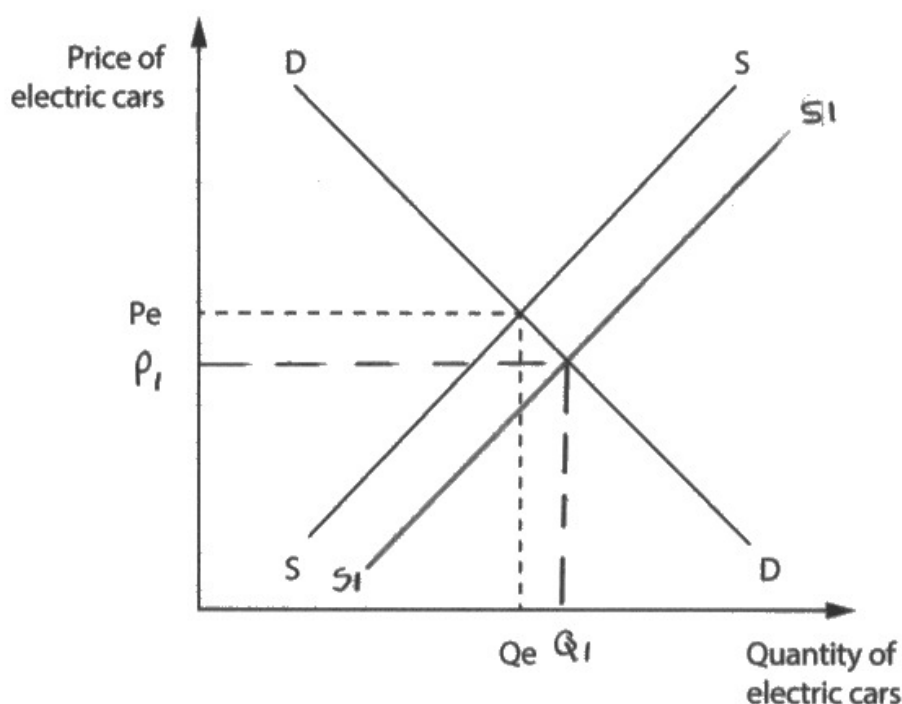
Question 2 (f)

Marks were awarded for the correct right shift of the supply curve to show the introduction of a subsidy 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).

In 2021, the Canadian Government introduced subsidies for the purchase of electric vehicles.

- (f) Using the diagram below, draw the effects of the introduction of a subsidy on the equilibrium price and quantity of electric vehicles. Label the new curve, the new equilibrium price and new equilibrium quantity.

(3)



ResultsPlus
Examiner Comments

This response scored 3 marks for the correct shift of the supply curve to the right and correct labelling of the new equilibrium price and quantity.



ResultsPlus
Examiner Tip

Try and use a ruler to draw the new curve and ensure your labels are appropriately labelled.

Question 2 (g)

This was the first 9-mark levels-based question on the examination paper. Many candidates were able to use the information provided effectively to help give benefits of infrastructure spending on the productive potential. Better responses were able to use the information provided to contextualise the benefits and disadvantages in a balanced way. However, some responses simply repeated the information provided rather than using it to answer the question. A conclusion is not required for the 9-mark 'Assess' questions.

In 2022, the UK Government announced plans to spend over £130bn to improve the economic infrastructure of the country. This included £5.7bn for eight city regions in order to improve transport links between the cities. In addition, £5bn has been allocated to provide super-fast broadband in hard-to-reach areas of the UK.

(Source: <https://www.gov.uk/government/news/levelling-up-boost-for-yorkshire-as-new-national-infrastructure-commission-site-announced-in-leeds>)

- (g) With reference to the data above and your knowledge of economics, assess the impact of infrastructure spending on the productive potential of a country such as the UK.

(9)

The UK government is investing on infrastructure to increase the aggregate supply in the economy, so it can be classified as a supply-side policy.

As the UK government plans to spend £5.7bn for eight city regions in order to improve transport links between the cities, it means that more workers will become more geographically mobile, so it will be easier for those unemployed people to find a job. Once employment rate increases, the productive potential of the UK may rise as the level of output rises.

Furthermore, investment in the transport system also means that products produced by the can be delivered more quickly to other regions. This not only means that the firms can transport their products to consumers faster, but also means that they will have more access to more factors of production, such as natural resources. As a result, the productive potential can be increased.

However, it can be argued that spending too much on infrastructure is an opportunity cost. The UK Government could have used the £130bn spent on infrastructure to improve education and healthcare, which can improve the labour's quality and skills in long term. As a result, investment in ~~infrastructure~~ infrastructure may not be the most effective way to increase the productive ~~poten~~ potential.

Moreover, investing in infrastructure usually takes a long time for it to become effective. Therefore, there will be a time lag between the government expenditure and when does it become effective. As a result, the productive potential won't be increased until the transport system is improved.

in short
run



ResultsPlus
Examiner Comments

This response scored 9 marks. It is an excellent response that links spending on infrastructure to the productive potential throughout and evaluates both the disadvantages of spending on infrastructure (cost and time lags) and suggests alternative ways (education and healthcare) as better ways to increase the productive potential. There is use of economic concepts and use of context.

The last paragraph is really perceptive and matches everything in the Level 3 descriptor. What more can be expected in the time given!



ResultsPlus
Examiner Tip

The 9-mark 'Assess' questions require a balanced, two-sided argument which is applied to the data presented. A conclusion is not required, so do not waste time writing one.

Question 3 (c)

Many candidates simply repeated the information given rather than explain why the quality of foreign goods would negatively affect the current account of the US. Marks were awarded for references to the impact on demand for import, exports or both. Definitions are not rewarded for the 3-mark questions.

In December 2021, the US current account deficit increased to \$214.8bn. This was the largest deficit since 2006.

- (c) Explain **one** reason why an increase in the quality of foreign goods may have resulted in a negative impact on the US current account.

(3)

other countries would have bought foreign goods instead of US goods because they were of better quality. This means that there is a decrease in US exports. Also, US consumers will prefer to buy foreign goods instead of domestic goods because they have better quality so will cause an increase in imports. A decrease in exports and an increase in imports causes a negative current account deficit because more money flows out of the country than into the country.



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Examiner Comments

This response scored 3 marks and identifies a reason for 1 mark (decrease in US exports). It then fully explains why there would also be a decrease in imports (1 mark) and that there would be more money flowing out of the country (1 mark).



ResultsPlus
Examiner Tip

Do not simply repeat parts of the question – this will not score any marks. For the 'Explain' questions, examiners are looking for developed reasons.

Question 3 (d)

Many candidates did not read the question carefully and instead gave the negative impact on the UK economy rather than the impact on UK firms so could not access any marks.

Examiners were looking for references to greater competition, decrease in demand for domestically produced goods, lower revenues and profits and UK firms having to innovate and lower prices to compete. Many candidates gave a list of disadvantages rather than providing developed analysis, which therefore restricted the mark awarded to Level 1.

Developed explanations were required for the higher levels. Again, no marks are available for evaluation.

In December 2021, the UK and Australia signed a free trade agreement. The agreement will remove 99% of the tariffs on imports from Australia.

(d) With reference to the data above and your knowledge of economics, analyse the disadvantages of free trade for UK firms.

(6)

Free trade is when countries can trade freely amongst ~~the~~ them with no trade ~~and~~ barriers, such as tariffs or quotas, or in this case, a very minimal tariff.

Free trade could bring disadvantages to UK firms.

Firstly, Australia might do dumping, as they only have to ~~pay~~ pay 1% of the tariff, when ~~they~~ exporting goods to the UK. This is where ~~foreign~~ countries sell exports at a ~~lower~~ cost much lower than the production cost to increase demand. As demand for Australian goods will ~~rise~~ rise, demand for domestic, British goods will most likely decrease. This is negative for UK firms as it means ~~that~~ their profit will most likely decrease.

Another negative impact is that imports from Australia bring a new competition for ~~the~~ UK firms. As there is more competition, it means that UK firms must become more efficient, produce goods with a greater quality, and ~~possibly~~ possibly even lower their prices, to survive and maximise their profit. However, to do this, they must spend money on improvements, ~~which~~ which increases their costs and decreases their profit.

Lastly, free trade might be negative for UK firms, as

since the UK government is not receiving as much tax revenue from Australian imports, and it is only receiving 11. ~~11.1%~~ the government has less money to spend. This reduces the chances of the ~~UK~~ UK government subsidising UK firms in order to increase their supply.



ResultsPlus
Examiner Comments

This response scored 6 marks. It is an excellent response which analyses 3 negative impacts on UK firms and does fully explain them in terms of the impact. There is a thorough analysis and therefore matches the level descriptor for Level 3.



ResultsPlus
Examiner Tip

Many candidates often start the 'Analyse' questions with a definition of the key economic term in the question and this is not necessary as there are no knowledge marks available.

Question 3 (e)

This question had a performance to the earlier 9-mark question. Better responses were able to provide a two-sided response which used economic theory rather than just paraphrasing the information given. Simple unsupported assertions or paraphrasing the information provided is likely to be placed in Level 1 only at best.

The Shetland Islands are part of Scotland. Shetland College is the only Further Education college located in the Shetland Islands. It was privatised in August 2021. The managers at the college claim privatisation will improve educational and training opportunities on the Shetland Islands.

Critics claim it could negatively impact staff contracts and working conditions. It may reduce the number of courses available to students and allow managers at the college to award themselves much higher levels of pay.

monopoly
cost ↑

(Source: <https://www.thenational.scot/news/19483135.campaigners-unions-issue-warning-shetland-college-privatisation/>)

(e) With reference to the data above and your knowledge of economics, assess the possible benefits of privatising the college.

(9)

Privatisation is the process of selling assets, institutions, firms etc that were previously run by the government, to private investors.

In this case Shetland college was privatised in August 2021.

When firms/institutions are privatized, they are open to competition, and are no longer subsidized by the government.

This means they are driven to innovate and become more efficient, eg. in their use of teaching resources.

The quality of the products offered (learning courses) will rise, and consumers (students) will have a greater choice of subjects and be offered better/fairer prices— else the firm will lose profit and go out of business.

The managers of the institution claim privatisation will improve educational and training opportunities, and if there is fair competition, this is likely to be the case.

Also, new firms may be encouraged to enter the industry, which will increase competition, consumer choice and drive further innovation to keep costs low.

However, the Shetland College is the only provider of further education in the Shetland Isles. This means that it happens to have a monopoly. As

As there is no competition, the Shetland college does not need to keep its prices low – it can raise its fees to ^(maximise) make more profit and exploit consumers.

Also, it may limit the choice of ^(courses) subjects available to students to reduce costs.

Additionally, the college ~~may~~ could keep its obligations to its staff at a minimum, paying them poorly / the lowest ~~the~~ amount possible (minimum wage) and providing poor working conditions.

Its service may also worsen, for example the college may keep the heating low/off.

Furthermore, the college's managers may award themselves higher wages, which means they can 'justify' raising the college fees etc.

In conclusion, I believe the privatisation of the college will only be most beneficial when there is more competition. Until then, there will also be negatives to its privatisation.



ResultsPlus
Examiner Comments

This response scored 9 marks. It is an excellent response with well-developed benefits applied to the college. The counter argument is even stronger and considers the impact on the number of courses available and that the college will end up with a monopoly on the island. It used plenty of economic concepts throughout.



Try and provide a balanced evaluation with developed reasoning on both sides of the argument.

Question 4 (a)

This calculation proved more challenging than Q1(e) with many candidates unable to calculate the percentage change in the fiscal deficit. Some candidates did not give the response to two decimal places or omitted the % sign, so could only be awarded for 1 mark for the correct workings.

4 Figure 3 shows the fiscal deficit (€bn) for Spain in 2019 and 2020.

	2019	2020
Fiscal deficit	-€35.64bn	-€123.07bn

Figure 3

(Source: <https://www.statista.com/statistics/270401/budget-balance-in-spain/>)

(a) Calculate, to two decimal places, **the percentage change** in the fiscal deficit for Spain between 2019 and 2020. You are advised to show your working.

(2)

$$\left(\frac{N_1 - N_0}{N_0} \right) \times 100 \Rightarrow \left(\frac{-123.07 - (-35.64)}{-35.64} \right) \times 100$$
$$\Rightarrow (2.453142536) \times 100$$
$$\Rightarrow 245.3142536 \quad \boxed{= 245.31\%}$$



ResultsPlus
Examiner Comments

This response scored 2 marks for the correct answer of 245.31%. Working is shown and the answer is given to two decimal places with the % sign.



ResultsPlus
Examiner Tip

Check your calculations several times to ensure you have correctly inputted the data into your calculator. There are no marks available for the formula but do show your working as 1 mark can be awarded for this if it is correct.

Question 4 (b)

This question required a one-sided argument. Some candidates were able to show the impact of a fiscal deficit for Spain in terms of debt, reduced spending on public services, higher rates of taxation and how this could impact on the living standards of the country. The question did ask for the impact, so responses that gave positive impacts of a fiscal deficit were also rewarded. Application could be gained from the use of data or application of economic concepts and theories. Unfortunately, some candidates did confuse a fiscal deficit with a current account deficit so did not achieve any marks on this question. Many candidates again evaluated, which was not required for this type of question.

One of Spain's main macroeconomic objectives is to reduce its fiscal deficit.

(b) With reference to the data in Figure 3 and your knowledge of economics, analyse the impact of a fiscal deficit for a country such as Spain.

(6)

Fiscal deficit is when government ~~the~~ spending exceeds the value of government revenue. When ~~there is~~ there is a fiscal deficit, the government won't be able to spend in the economy for the provision of services, for example, which will worsen the public services of Spain. Moreover, it may have to end up borrowing to pay wages, payment benefits, investment, etc., which on the long term will lead to national debt, and the debt owed will ~~also~~ continue increasing due to interest rates, as is happened from 2019 to 2020. First, the deficit was of -€35.64, but in one year it ~~was~~ became ~~worse~~ significantly worse. Also, national debt will have an impact on future generations, people who are not even born will suffer it. As a result of not enough government spending because of a fiscal deficit, poor services in education and health care will take place as well, which may worsen people's health and skills in Spain, leading to slower economic growth and lower living standards in the country. They won't be able to redistribute income by benefit ^{or} payments ^{without borrowing} ~~to~~ ^{or} ~~pay~~ either, which may increase poverty.



This response scored 6 marks. This is an excellent response that has thorough analysis in terms of the impact on public services. It fully matches the level descriptor for Level 3.



Use the data provided to contextualise your response and remember, with the levels-based questions (6, 9 and 12), to ensure you are not making unsupported assertions. Examiners reward according to the quality of the response rather than the number of points being made.

Question 4 (c)

This was the highest mark question on the paper. Many candidates were able to explain the benefits of subsidies to protect the environment. Many commented on how subsidies could help to lower costs of production enabling more people to use renewable energy rather than fossil fuels. The counter-argument was not as well-developed and focused on the opportunity cost of the subsidies, the speed of implementing them and alternatives such as pollution permits, fines and regulation which might be more effective in protecting the environment compared to subsidies. Better responses used the information provided to help contextualise the answer rather than just paraphrasing it.

It is important to note that to access the higher marks, candidates **must** evaluate the economic concept in the question set **before** suggesting alternative methods otherwise this just becomes a list of methods, rather than an evaluation of the area being examined. Alternative methods are not required to access Level 4 and full marks can be achieved by only evaluating the economic concept in the question (in this case, subsidies). A conclusion was required for this question and this was often lacking or was just a repeat of the points made previously.

Wind power became Spain's main energy source in 2021. Renewable energy sources such as wind and solar contributed to almost 47% of the country's energy, compared to 30% in 2011. This has helped to reduce Spain's use of fossil fuels.

"Wind power is going to dominate the Spanish electricity supply for a long time. Spain has it all: we have more wind and more sun than practically any other European country," says Francisco Valverde, an energy consultant.

The Spanish Government is giving €6.9bn in subsidies for renewable energy between 2022 and 2023. These subsidies will help create over 280,000 jobs in the Spanish economy. Over 60% of solar and 90% of wind energy equipment is manufactured in Spain.

(Source: <https://english.elpais.com/economy-and-business/2021-12-14/wind-power-becomes-spains-leading-energy-source-for-2021.html>)

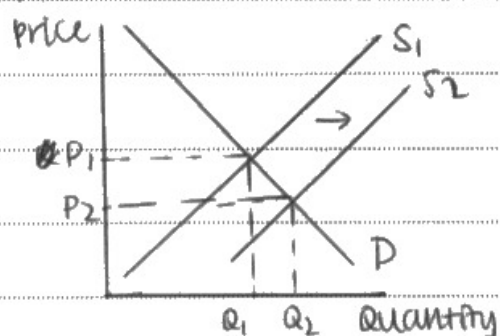
- (c) With reference to the data above and your knowledge of economics, evaluate how effective subsidies are in protecting the environment in a country such as Spain.

(12)

Subsidies are a grant or payment given to a firm by the government to increase output and decrease costs of production. In 2022 to 2023, the Spanish government subsidised renewable energy with €6.9 billion.

Subsidies are very effective in protecting the environment in countries such as Spain. This is because subsidies will help firms produce more sources to extract renewable energy such as solar panels and windmills. As a result of increased output, this means there will also be ~~an increase in~~ improved environment. Renewable energy will contribute to more of ~~the country~~ Spain's energy, as it went from 30% in 2011 to 47% in 2021. By subsidising renewable energy,

there will be an increase in supply (shift to right in supply curve) which means



that there will also be a decrease in price for those who buy the energy equipment. Since Spain produces 60% of

solar equipment & 90% wind equipment, other countries can also buy the equipment to also improve their environment, thus subsidising renewable energy is very efficient in improving the environment.

However, subsidies may not be the most efficient in protecting the environment. This is because the €6.9 billion subsidising energy creates an opportunity cost for the Spanish government, where the tax revenue could be used for other things such as healthcare and education. Additionally, energy is not the only bad thing contributing to worsening the environment. Pollution from CO₂ emissions from factories and cars may be a major resource as to how bad the Spain environment is. Instead, the Spanish Government could use other policies such as pollution permits, fines, and regulation which not only be more useful, would also be less ~~expensive~~ financial burden on

the Spanish government. This way the increase in tax revenue from those policies could be used to invest in other resources that help the environment. If subsidies were used in conjunction with these other policies it would be more effective as the increase in tax revenue can be used to subsidise the renewable energy.

In conclusion, to the extent which subsidising renewable energy is effective in protecting the environment depends on the causes of the environmental damage. Subsidies are not effective as other factors such as pollution may be causing more harm than energy use, and other policies such as fines may be more effective.



ResultsPlus
Examiner Comments

This response scored 10 marks and accessed Level 3. The response does provide a detailed two-sided argument and uses the context well to link subsidies to protecting the environment. It considers the cost of the subsidies and alternatives such as pollution permits and fines which might give additional tax revenue. There is an attempt at a conclusion.



ResultsPlus
Examiner Tip

Make sure you have plenty of time to answer the 12-mark question. Often, candidates leave this to last minute and end up rushing this question when it represents a large percentage of the total marks available. For your conclusion, do not just repeat earlier points and instead come to a judgement as to whether an economic concept is effective or what else does it depend on.

Paper Summary

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 information provided.
- 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 require a reason/impact/effect otherwise marks cannot be awarded for the remaining 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 information provided or using examples provided by the candidate themselves. The information is there for a reason – so use it.
- 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>

