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# Examiners' Report
# June 2023

## Int GCSE Economics 4EC1 02R

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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 imports and many candidates were able to provide both parts to gain 2 marks. Examiners were looking for some indication of the purchase of goods or services from another country to award both marks. Responses were not awarded marks for the use of examples. Any other appropriate responses were also credited.

(c) What is meant by the term imports?

(2)

*The term imports means buying goods from 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)

This was the only 'Describe' question on the paper with many candidates incorrectly stating that demand for a currency would decrease due to an increase in interest rates, consequently not scoring any marks. Higher rates of interest in one country may result in an inflow of investment from other countries or foreign investors to take advantage of the higher rates of interest, therefore increasing demand for the currency – often referred to as hot money.

(d) Describe the impact on the demand for a currency after an increase in interest rates.

(2)

The demand for a currency will increase because not only local people but also the foreigners want to buy the currency because higher interest rates can let them get more money if they store money in local blank

**ResultsPlus Examiner Comments**

This response scored 2 marks. It is clear that the candidate understands that foreign savers will want to buy the currency to receive more money than if they used a local bank.

**ResultsPlus Examiner Tip**

There must be a correct impact or a reason given to be able to access the second mark. The development (second) mark is for describing why the impact occurs.

# 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 current account, but omitted the CAD$ and therefore could only be awarded 1 mark. There were no marks for a formula or definition of current account. The vast majority of candidates were able to achieve at least 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.

Figure 1 shows Canada's imports and exports for the year ending 2020.

|  | CAD$bn |
|---|---|
| Imports | 561 |
| Exports | 524 |
| Total Trade | 1 085 |

Figure 1

(Source: https://www150.statcan.gc.ca/n1/daily-quotidien/210414/dq210414a-eng.htm)

(e) Using the data in Figure 1, calculate in CAD$bn the **current account** for Canada for the year ending 2020. You are advised to show your working.

(2)

561 − 524
= 37

5̶2̶4̶ ̶−̶ ̶5̶6̶1̶
$̶ ̶3̶7̶ ̶C̶D̶L̶

524 − 561
= CAD $ − 37 bn

5̶2̶4̶ ̶−̶ ̶5̶6̶1̶ ̶ ̶4̶

**ResultsPlus**
Examiner Comments

This scored 2 marks for a correct answer. Working is shown and the working does not need to use the CAD$bn. This is only required in the final answer.

**ResultsPlus**
Examiner Tip

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.

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**Figure 1**

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(e) Using the data in Figure 1, calculate in CAD$bn the **current account** for Canada for the year ending 2020. You are advised to show your working.

(2)

$~~~~~~~~$ $561 $~~~~~$ 524 − 561

$~~~~~~~~~~~~~~~~~~~~$ = $37

**ResultsPlus**
**Examiner Comments**

This scored 1 mark only for not including the full units in the answer. It was missing the bn.

**ResultsPlus**
**Examiner Tip**

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

Figure 1 shows Canada's imports and exports for the year ending 2020.

|  | CAD$bn |
|---|---|
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**Figure 1**

(Source: https://www150.statcan.gc.ca/n1/daily-quotidien/210414/dq210414a-eng.htm)

(e) Using the data in Figure 1, calculate in CAD$bn the **current account** for Canada for the year ending 2020. You are advised to show your working.

(2)

561 − 524 = 37  CAD$bn

**ResultsPlus**
**Examiner Comments**

This scored 0 marks for imports – exports.
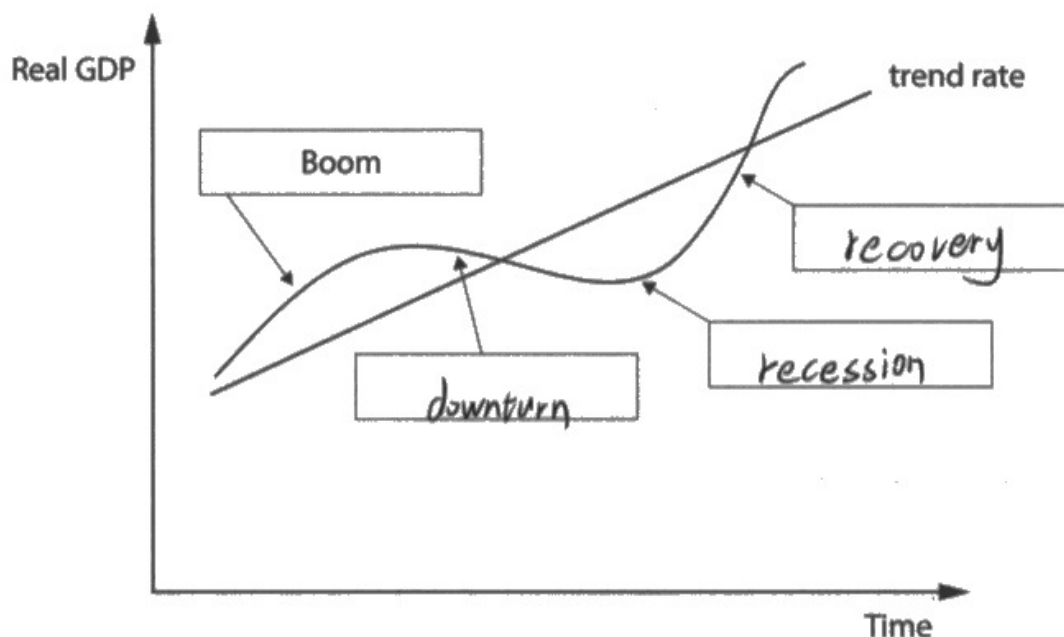
**ResultsPlus**
**Examiner Tip**

It is essential when calculating current accounts and fiscal deficits/surpluses that you have the figures the correct way, otherwise you will score 0 marks. Learn the formulas for these calculations.

# Question 1 (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. Examiners did accept depression or slump in place of recession. However, the other stages must be labelled downturn or recovery.

(f) Label the boxes in the diagram below with the three remaining stages of the economic cycle.

(3)



This scored 3 marks for correct labelling of the remaining stages of the economic cycle.

Examiners will accept depression or slump in place of recession, but the other stages must be labelled downturn and recovery.

## Question 1 (g)

Some candidates did not receive all 3 marks because they defined 'benefit payments' rather than explaining a reason these are given by governments. Only one mark was available for a reason (many reasons were accepted), marks two and three were for using context and for a cause/consequence of the reason. 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 Scottish Government is introducing a new benefit payment that will give 400,000 low income households £50 every winter towards their energy bills.

(g) Explain **one** reason why the Scottish Government gives benefit payments.

(3)

To meet people's basic meets. Low income houlds may deprive shelter and food. When Scottish Government gives benefits to them, they can ~~hay~~ have money to afford these. Therefore, they can survive and get away from absolute poverty.

# 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 limitations were rewarded such as inflation distorting the figures, hidden economy, population changes, statistical error, value of DIY/home produced goods and the external costs such as pollution not being taken into account. Better responses analysed the limitations and fully explained them rather than providing a long list of undeveloped limitations.

Singapore's gross domestic product (GDP) increased to 7.2% in 2021. This was mainly due to increased exports and an increase in consumer spending.

(h) With reference to the data above and your knowledge of economics, analyse the limitations of using GDP as a measure of economic growth for a country such as Singapore.

(6)

GDP is the total value of all known ~~earning~~ profits added together, of a country. However there are some limitations of using GDP as a measure of economic growth. One example is that it doesn't take inflation into account. When inflation rises, prices rise. This theoretically means that more is being spent. If inflation in Singapore was also 7.2%, the net growth would be zero.

Another limitation of using GDP as a measure of economic growth is that GDP does not mean that living standards are also rising. GDP might have increased because people work more and spend more, but the profits made might not be re-invested into the economy. There are more exports and an increase in consumer spending in Singapore. But the companies might keep all the extra revenue for themselves instead of investing in better working conditions or a pay raise for example. GDP doesn't mean that it is earned fairly.

This response scored 6 marks.

The candidate explains why inflation might distort the measure of economic growth (analysed very well) and how living standards might not be increasing if firms keep all the profits. Matches the Level 3 descriptor, so is awarded full marks.

For the 6-mark questions, examiners are looking for the quality of the analysis rather than counting the number of limitations. A list of limitations 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 main trade-off used by candidates was inflation.

(c) State **one** possible trade-off with economic growth.

(1)

Possible ~~etr~~ Inflation could increase due to demand-pull-inflation

**ResultsPlus**
**Examiner Comments**

This scored 1 mark for correctly stating inflation would increase.

**ResultsPlus**
**Examiner Tip**

The 'state' questions often require one or two word responses (depending on the question) and, for this particular question, it was enough just to state inflation to gain the mark.

(c) State **one** possible trade-off with economic growth.

(1)

There may be ~~xxxxxx~~ environmental issues from growth in industries.

**ResultsPlus**
**Examiner Comments**

This response scored 1 mark and was another popular answer given for this question.

## Question 2 (d)

This was the second definition question on the paper and many candidates gave a definition of depreciation rather than devaluation. There had to be some understanding that the lower exchange rate was due to some sort of government intervention to be able to access any marks. Responses were not awarded marks for the use of examples. Any other appropriate responses were also credited.

(d) What is meant by the term devaluation?

(2)

*Devalution is the decrease in currency rates or values caused by government interferance.*

**ResultsPlus**
**Examiner Comments**

This response scored 2 marks for a correct definition of devaluation. It clearly demonstrates this is due to the government rather than supply and demand factors.

**ResultsPlus**
**Examiner Tip**

Often, there are many ways to define a key economic term and examiners will accept a range of alternatives.

# 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 how infrastructure spending might benefit an economy. In order to access all 3 marks, candidates did have to make some sort of reference to a way it would benefit the US economy. Many different ways were rewarded by examiners such as more efficient transfer of resources, greater communication, lower unemployment, attracting FDI, improving the productive potential and creating jobs.

US President Joe Biden recently signed a deal to fund 32,000 kilometres of new roads and 10,000 new bridges to improve the US infrastructure.

(e) Explain **one** way government spending on infrastructure can benefit an economy such as the US.

(3)

By spending on infrastructure, the U.S can decrease unemployment levels. This is because in order to build the ~~most amount of arts of~~ 10,000 new bridges and 32,000 km of road, a lot of labour is necessary. As demand for labour increases, more unemployed people will be hired to build these new roads / businesses, thus increasing employment levels.

**ResultsPlus**
**Examiner Comments**

This response scored 3 marks and focused on decrease unemployment levels as the way infrastructure could benefit the US economy. There is a full explanation of why this would occur to gain all the marks available.

**ResultsPlus**
**Examiner Tip**

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

US President Joe Biden recently signed a deal to fund 32,000 kilometres of new roads and 10,000 new bridges to improve the US infrastructure.

(e) Explain **one** way government spending on infrastructure can benefit an economy such as the US.

(3)

The US economy can ~~attract~~ increase ~~efficiency of transporting goods~~ attraction of FDI. If foreign companies see the benefits of the new roads and bridges, they may ~~move the~~ invest in the US and therefore increase ~~labor~~ employment and profitibility in the US. This is because infrastructure increases efficiency therefore minimising cost

# Question 2 (f)

This diagram was much more challenging than Q1(f) with many candidates shifting the quota to the left rather than the right. As usual, there were some candidates who did correctly shift the quota curve to the right, but did not label the new curve so could not be awarded this mark. It would help examiners if a ruler was used to draw the new curve.

In 2021, the UK and Norway agreed to increase fishing quotas by 20% for 2022.

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

(3)
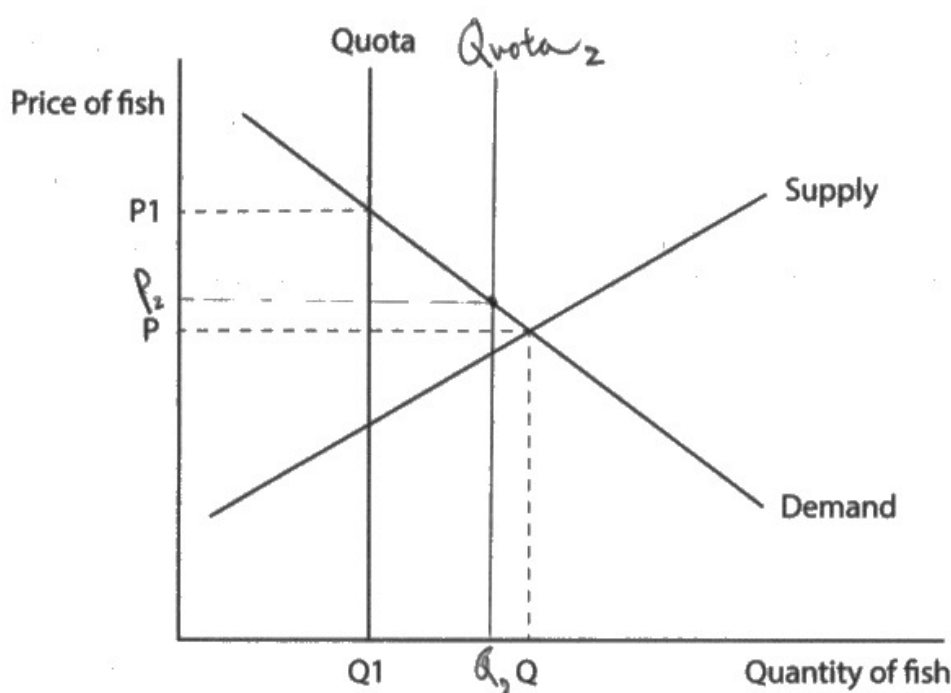


### ResultsPlus Examiner Comments

This scored 3 marks for a correct shift to the right and labelling of the new price and quantity.
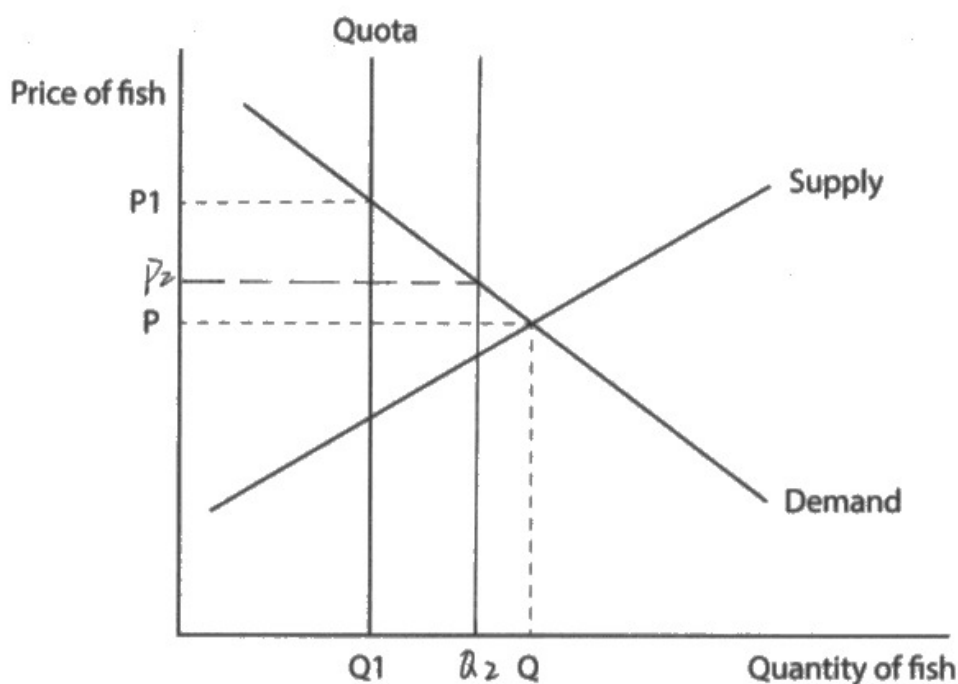
### ResultsPlus Examiner Tip

Quota diagrams are more tricky and ensure that the new price and new quantity is on the demand, and not the supply curve.

In 2021, the UK and Norway agreed to increase fishing quotas by 20% for 2022.

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

(3)



ResultsPlus
Examiner Comments

This scored 2 marks. This candidate does draw a new quota curve, but this is not labelled so cannot be awarded this mark.

ResultsPlus
Examiner Tip

Make sure you fully label your new curve otherwise you will lose a mark even though you have correctly shifted the curve.

## 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 assess the benefits of a fiscal surplus. 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.

San Francisco, a city in the US, raises its own taxes and plans its own spending. It expects its budget to have a fiscal surplus for the first time since 1998. The city is expecting this surplus to be $108m.

"Over the last two years, while we have invested heavily in key priorities like homelessness and mental health, we have also made smart budgeting decisions, and this surplus is a result of that work," said the Mayor of San Francisco.

The Mayor has not decided where to spend the surplus, but this week called for more funding for police and to improve public safety.

(Source: https://www.sfchronicle.com/sf/article/S-F-expects-first-budget-surplus-in-over-20-16705136.php)

(g) With reference to the data above and your knowledge of economics, assess the benefits of having a fiscal surplus for a city such as San Francisco.

(9)

Fiscal surplus is when government revenue is greater than government expenditure. A benefit of having a fiscal surplus for a city such as San Francisco is that the government has more money to spend on things that may improve the standard of living in the city, such as funding for police in order to improve public safety, as mentioned in the data above. The government could also use the $108m surplus to improve other aspects in the economy, such as high inequality, which can be countered with benefit payments.

However a ~~to~~ negative effect of having a fiscal surplus for a city such as San Francisco is that ~~people~~ taxes had to be raised in order to reach a fiscal surplus of $108m. Increased taxes can have negative effects towards an economy, such as people having less disposable income of which they could have used to spend on things that would increase

their standards of living. A greater financial burden is also placed on the citizens of the city, as they need to pay a greater amount of money in taxes, to the government. This may create problems with people being able to meet basic financial needs, such as buying food or paying rent, which is a negative effect to the economy as Aggregate demand decreases as people have less money to spend on goods & services, which decreased AD, therefore decreasing economic growth.

## Question 3 (c)

Many candidates simply repeated the information given rather than explain a possible reason for subsidies. Examiners rewarded many different reasons such as reducing the cost of production decreasing imports, increasing exports, protecting domestic firms and increase domestic manufacturing. Definitions are not rewarded for the 3-mark questions.

In 2021, the US Government introduced a subsidy of $500 for each car manufactured in the US with a US-made battery.

(c) Explain **one** possible reason why the US Government introduced this subsidy.

(3)

> One reason is to reduce cost of production for local firms. Since local firms received receive $500 for every car they manufacture, the average cost of production will decrease which may lead to firms lowering their products prices. This will increase demand for the product and make them more competitive with non-domestic goods.

**ResultsPlus**
**Examiner Comments**

This response scored 3 marks. The candidate gives a reason in terms of reducing cost of production for local firms and then fully explains how the lower prices (consequence/development) could increase demand by making them more competitive with non-domestic goods (consequence/development). There is a developed explanation and the response uses economic concepts to explain the use of subsidies.

**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.

In 2021, the US Government introduced a subsidy of $500 for each car manufactured in the US with a US-made battery.

(c) Explain **one** possible reason why the US Government introduced this subsidy.

(3)

One possible reason would be that this would decrease the cost of production for the US car manufacturers if they used US made car battery. this could help them to lower their price and sell them to other countries to increase exports and have a positive balance on current account. It ~~would also help to reduce pollution if US batteries are used~~.

## Question 3 (d)

Many candidates did not read the question carefully and instead gave the benefits for an economy rather than the benefits for domestic firms, so could not access any marks. Examiners were looking for references to access to wider markets, cheaper suppliers, being able to export with no quotas or tariffs and being able to increase market share and consequently revenue and profits. Many candidates gave a list of benefits 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.

The Regional Comprehensive Economic Partnership (RCEP) is the world's largest free trade agreement. It accounts for nearly 30% of global gross domestic product (GDP) and has 15 member countries.

(d) With reference to the data above and your knowledge of economics, analyse the benefits of free trade for domestic firms located within the RCEP.

(6)

Free trade is trade without any tarisss or quotas. ~~Firms~~ Countries in a trade bloc experience free trade and a number of benefits. Firstly, domestic firms have access to larger markets, and so can increase revenue (price x quantity), and so expand their businesses and grow. Also firms can exploit economies of scale as a result of growing due to free trade. Firms will also have cheaper raw materials, since imports have no tarissss, materials can be imported more easily and cheaply, so ~~th~~ less money is spent on materials, increasing the firms' profit. Since firms also have access to larger markets and resources, domestic firms would be incentivised to grow and diversisy products, in case one product does not work well, firms have lots of alternatives, increasing the firms' chances of surviving in a market. Domestic firms located near eachother in a trade bloc, also have fewer disputes as

they may work together more, and so would be less likely to ~~occur in~~ have ~~trade~~ price wars between eachother, and so maximising profits for both firms, without having to lower prices.

# Question 3 (e)

This question had a similar 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 repeating the information provided is likely to be placed in Level 1 only at best. For many candidates, the counter-argument was weaker and lacked the depth seen in the first part of the response. Plenty of candidates were able to go into great details about the negative consequences of rising unemployment, but struggled to consider the impact on labour costs, inflation or the type of unemployment being experienced.

Figures from the Office for National Statistics (ONS) showed that the unemployment rate in the North East of England increased to 5.3% in the three months to the end of October 2021.

Output fell significantly in this area of England and business confidence was severely harmed. There was some positive news with the number of people claiming unemployment benefits in the North East of England falling by around 3,500 to 87,780.

(Source: https://www.chroniclelive.co.uk/news/news-opinion/
unemployment-rises-north-east-concerns-22452309)

(e) With reference to the data above and your knowledge of economics, assess the impact of rising unemployment rates in the North East of England.
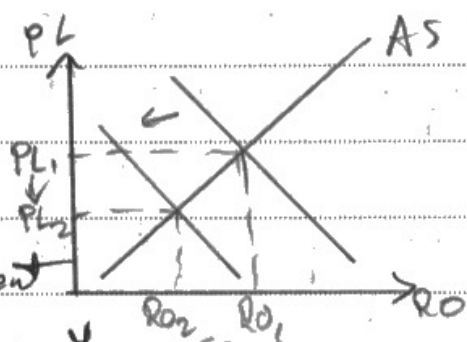
(9)

Unemployment is the state of actively seeking work whilst not having a job. An increase in unemployment rates to 5.3% in North East England could have a wide array of downsides. For instance, higher levels of unemployment would lead to less people receiving wages. This would lower average incomes, leading to a decreased quality of life as certain people cannot buy as many goods and services. Furthermore, the decrease in incomes would likely lead to a fall in direct tax revenue obtained from income tax and would also lead to a fall in indirect tax revenue, as people would likely be spending less with lower incomes. This therefore increases decreases the amount of revenue the government English government gets, which leaves the government with less money to spo spend on projects like education. Consumer confidence would also be severly harmed as people become worried if their job is next to go and business confidence also falls as they may worry that people do not

have enough money to buy their goods and services. This could lead to decreased investment as firms become more cautious.

However, a possible benefit of rising unemployment rates in the North-East of England is lower inflation. Since consumer spending (C) and investment (I) will likely decrease, this would lead to a fall in AD*¹ as shown to the right from AD₁ to AD₂, causing price levels to fall from PL₁ to PL₂, reducing inflation. Furthermore, higher unemployment means that firms would more easily have access to labor, as ~~less peop~~ more people would be available to take up a job. ~~That they lead~~ There may also be lower wage costs for firms which would reduce their production costs which may in turn lead to greater profit margins or lower prices if the firms decide to pass it on.

*¹ (C and I are components of AD)

# Question 4 (a)

This calculation proved more challenging than Q1(e) with many candidates unable to calculate the rate of unemployment. 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 4 shows data on the number of people in the labour force in the Netherlands in December 2021.

| Labour force | 9,210,000 |
| --- | --- |
| Unemployed | 251,000 |

**Figure 4**

(Source: https://tradingeconomics.com/netherlands/unemployment-rate)

(a) Calculate, to two decimal places, the **rate of unemployment** in the Netherlands in December 2021. You are advised to show your working.

(2)

rate of unemployment = $\frac{251000}{9210000}$

= 2.73%

**ResultsPlus**
**Examiner Comments**

This response scored 2 marks for a correct answer of 2.73%.

**ResultsPlus**
**Examiner Tip**

Always show your working as instructed in the question just in case you make an error.

You can be awarded 1 mark for correct workings.

4  Figure 4 shows data on the number of people in the labour force in the Netherlands in December 2021.

| Labour force | 9,210,000 |
|--------------|-----------|
| Unemployed   | 251,000   |

**Figure 4**

(Source: https://tradingeconomics.com/netherlands/unemployment-rate)

(a)  Calculate, to two decimal places, the **rate of unemployment** in the Netherlands in December 2021. You are advised to show your working.

(2)

$$\frac{251000}{9210000} \times 100$$

$$= 2.72$$

**ResultsPlus**
**Examiner Comments**

This response scored 1 mark only. The answer is not given to two decimal places and is missing the % sign. The 1 mark was awarded for the correct working only.

**ResultsPlus**
**Examiner Tip**

Always give your response to the correct decimal place as indicated in the question otherwise you cannot be awarded both marks. Check you have the correct units, otherwise this will result in only 1 mark being awarded.

4   Figure 4 shows data on the number of people in the labour force in the Netherlands in December 2021.

| Labour force | 9,210,000 |
|---|---|
| Unemployed | 251,000 |

**Figure 4**

(Source: https://tradingeconomics.com/netherlands/unemployment-rate)

(a) Calculate, to two decimal places, the **rate of unemployment** in the Netherlands in December 2021. You are advised to show your working.

(2)

$$\text{rate of unemployment} = \frac{\text{unemployed}}{\text{labour force}}$$

$$= \frac{251000}{9210000}$$

$$= 0.03$$

## Question 4 (b)

This question required a one-sided argument. Some candidates were able to show the impact of rising inflation on the demand for exports for the Netherlands. Application could be gained from the use of data or application of economic concepts and theories. Unfortunately, some candidates did not answer the question set and instead discussed why there could be rising inflation or ways to reduce inflation. Many candidates simply described the chart rather than answering the question set.

Figure 5 shows the rate of inflation (%) for the Netherlands from January 2021 until November 2021.
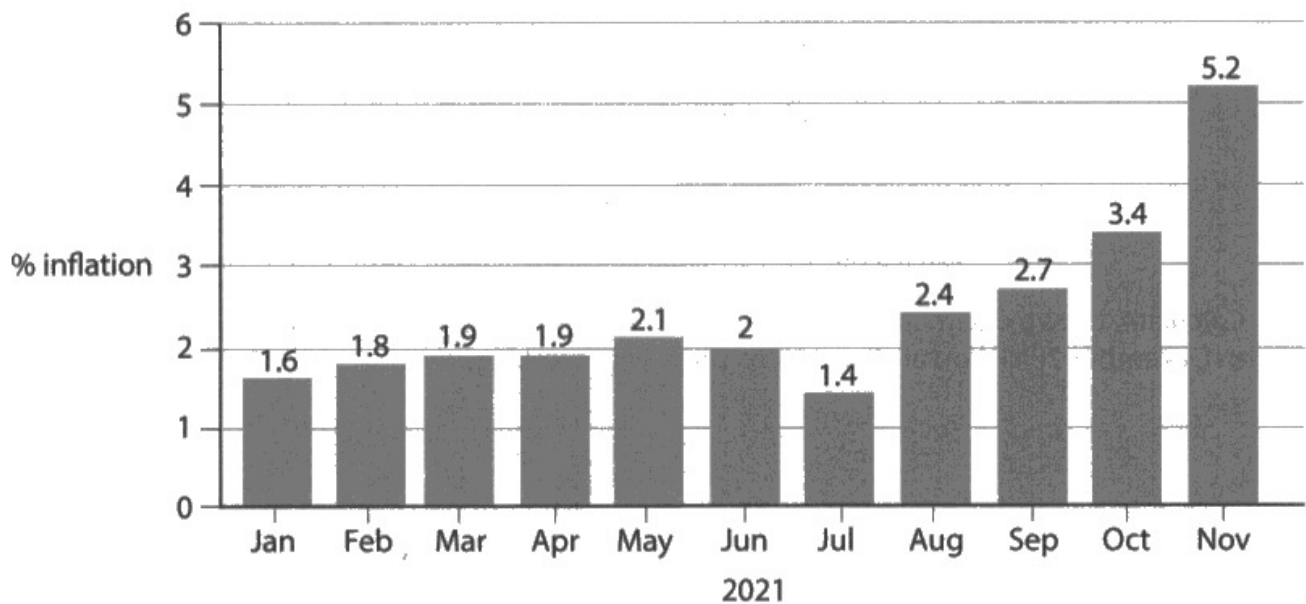


**Figure 5**

(Source: https://tradingeconomics.com/netherlands/inflation-cpi)

(b) With reference to the data above and your knowledge of economics, analyse the possible impact of rising inflation on exports for a country such as the Netherlands.

(6)

Inflation is a general rise in prices of goods and services in an economy. Higher inflation rates in Netherlands as shown above with inflation rates reaching 5.2% is likely to affect prices of Netherland's exports as well causing them to increase in price. Increased prices of Netherlands Dutch exports would mean they may be less competetive and more expensive than other exporters from different countries not suffering from as much inflation. As a result, countries may start switching from more expensive Dutch exports to other cheaper exporters

causing demand for Dutch exports to fall. As a result, Not the amount of goods / value of Dutch exports is likely to decrease, and so the current account of Netherlands is likely to worsen, as the current account is total exports - total imports. With less exports sold, total exports is to fall and so the current account of Netherlands is likely to worsen / enter a deficit.

**ResultsPlus**
**Examiner Comments**

This response scored 6 marks. The candidate really does analyse the impact on the demand for exports and considers other countries and their inflation rates in comparison to the Netherlands along with the impact on the current account. It matches the Level 3 descriptor, so is awarded full marks.

**ResultsPlus**
**Examiner Tip**

Use the data provided to contextualise your response and remember with the levels-based questions, (Q6, Q9 and Q12), 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 pollution permits to protect the environment. Many commented on how pollution permits could help to reduce the amount of emissions into the local area and generate revenue for the government to help to protect the environment. The counter-argument was not as well-developed and focused on the difficulties in issuing pollution permits and the size of Tata would mean that it could simply buy more permits if it needed to. Some candidates suggested alternative such as subsidies, fines and regulation which might be more effective in protecting the environment compared to pollution permits. 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 pollution permits). A conclusion was required for this question, and this was often lacking or was just a repeat of the points made previously.

The Tata Steel steelworks in IJmuiden, Netherlands, will have to meet tougher rules on pollution and will have extra checks to make sure it improves the air quality around the plant. These include reducing Tata Steel's current pollution permits and will require it to change some production processes.

The government made the decision following the publication of a report which concluded that dust in the IJmuiden region contained high levels of dangerous metals such as lead. An earlier report stated that air quality in the area was poor to inadequate.

Tata Steel in the Netherlands has a total workforce of 11,000 and indirectly provides work for thousands in the local economy.

(c) With reference to the data above and your knowledge of economics, evaluate the effectiveness of using pollution permits to protect the environment of a country such as the Netherlands.

(12)

Pollution permits are grants given to firms which allow a certain amount of harmful pollution to be released in production. These permits can be bought and sold between firms. The usage of pollution permits may be an effective way to protect the environment in the Netherlands or countries like it. By using pollution permits, firms may be incentivised to produce their goods and services in a more eco-friendly way without releasing as much pollution or simply produce less so that they can sell their permits for money and increase revenue. This may in turn decrease levels of pollution emitted by firms such as Tata Steel into the air, increasing air quality and thereby reducing damage to the environment and the external costs associated with damaging the environment. Furthermore, firms which exceed the amount of pollution allowed

by their permits may be subject to legal and financial penalties such as fines. This would disincentivise firms from polluting too much, as they would like to avoid these costs to maximise their costs profits, thus thereby, protecting the environment.

However, a possible disadvantage of pollution permits is that they are extremely hard to police, as it is difficult to gauge and measure exactly how much pollution a firm is producing. This means these the environment may still be subject to harm from the pollution of firms such as Tata Steel when they steelwork. Additionally, these pollution permits may cause many firms such as Tata Steel to cut production so that they do not release as much pollution. Considering that firms such as Tata Steel have a total workforce of 11,000 and indirectly provides work for thousands more in the local economy, this may lead to unemployment as these firms lay off redundant workers as they they cut capacity. This may in turn lead to a decreased quality of life for consumers in the Netherlands as less people would be receiving incomes, so they would not be able to buy as many goods and services.

Overall, using pollution permits would likely lead to a decrease in pollution and protect the environment despite potential job losses. However, other methods of protection such as taxation, fines, & subsidies and regulation should also be considered and possibly used in combination with the pollution permits. For instance, Netherlands' government could provide subsidies to firms which build recycling plants next to their factories.

## 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 candidates 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