



Mark Scheme (Results)

Summer 2022

Pearson Edexcel GCE A Level in
In Economics B (9EB0)
Paper 2: Competing in the Global Economy

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Section A

Question Number	Using the data from Extract A calculate to two decimal places, the UK GDP per capita for 2017.	Mark
1(a)	<p>Knowledge/understanding 1, Application 3</p> <p>Knowledge/understanding: 1 mark for correct formula: Total GDP/Population = GDP per capita (1)</p> <p>Application: up to 3 marks for calculating: £2.12tn (1) / 66 million (1) = £32 121.21 (1)</p> <p>NB if no working is shown award marks as below:</p> <ul style="list-style-type: none"> • If the answer given is £32 121.21 award 4 marks. • If the answer given is 32 121.21 award 3 marks. 	(4)

Question Number	Calculate the median hourly wage for the service sector only. You are advised to show your workings	Mark
1(b)	<p>Knowledge/understanding 1, Application 3</p> <p>Knowledge/understanding: 1 mark for stating method for calculating the median:</p> <p>e.g. the median is the middle value in a sorted data set (1)</p> <p>Application: up to 3 marks are available:</p> <p>e.g.</p> <ul style="list-style-type: none"> • Correct service sector data selected from the source (1) • Correct sorting of data: • Descending order: £22.62 £18.83 £9.62 <p>OR</p> <ul style="list-style-type: none"> • Ascending order: £9.62 £18.83 £22.62 (1) • £18.83 per hour (1) <p>NB if no working is shown award marks as below:</p> <ul style="list-style-type: none"> • If the answer given is £18.83 award 4 marks. • If the answer given is 18.83 award 3 marks. 	(4)

Question Number	Using the data in Extract D, calculate the difference in the percentage change in labour productivity for the United Kingdom and Denmark between 2015 and 2018	Mark
1(c)	<p style="text-align: center;">Knowledge/understanding 1, Application 3</p> <p>Knowledge/understanding:</p> <p>value in 2018 - value in 2015 / value in 2015 x 100 (1)</p> <p>OR</p> <p>index for 2018 – index for the base year 2015 (1)</p> <p>Application: up to 3 marks for calculating:</p> <p>Denmark $\frac{105.4 - 100}{100} \times 100 = 5.4\%$ (1)</p> <p>UK $\frac{100.3 - 100}{100} \times 100 = 0.3\%$ (1)</p> <p>5.4% – 0.3% = 5.1% (1)</p> <p>OR</p> <p>Denmark 105.4 – 100 = 5.4% (1)</p> <p>UK 100.3 – 100 = 0.3% (1)</p> <p>5.4% – 0.3% = 5.1% (1)</p> <p>NB if no working is shown award marks as below:</p> <ul style="list-style-type: none"> • If the answer given is 5.1% award 4 marks. • If the answer given is 5.1 award 3 marks. 	(4)

Question Number	Analyse two factors influencing labour productivity in either Denmark or the UK.	
1(d)	<p align="center">Knowledge/understanding 2, Application 2, Analysis 2</p> <p>Knowledge: up to 2 marks for identifying a factor e.g. Income inequality (1) investment (1)</p> <p>Application: up to 2 marks e.g.</p> <ul style="list-style-type: none"> • In Denmark, more income is distributed to the bottom 60% of earners than in the UK (1) • Investment in Denmark is higher at 23% of GDP than in the UK at 17% of GDP, suggesting higher quantity and/or quality of capital (1) <p>Analysis: up to 2 marks e.g.</p> <ul style="list-style-type: none"> • More equal income distribution in Denmark may increase motivation among this 60% of earners and raise labour productivity (1) • Higher quantity/quality of capital increases the efficiency of labour and raises productivity (1) 	(6)

Question Number	Discuss the likely impact of low productivity on economic growth in the United Kingdom between 2015 and 2018.	Mark
1(e)	<p style="text-align: center;">Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Productivity measures the efficiency with which inputs are turned into outputs • Labour productivity measures output per worker in a given time period • Low productivity is associated with higher unit costs • UK productivity growth was very low between 2015 and 2018 (Extract D) • UK GDP growth and GDP per capita was also lower than in 13 neighbouring countries (Extract B) • Higher unit costs reduce aggregate supply and real output/economic growth • Low productivity is associated with low investment in capital equipment and in human capital • Low productivity and rising costs may also reduce international competitiveness, further reducing AD and future growth • However, the impact on economic growth will depend upon the level of aggregate demand • In the short term, if aggregate demand increases, through an increase in one or more of its components, then growth may be maintained or increased • In the long-term, low productivity may reduce the productive potential/capacity of the economy, negatively affecting future growth 	(8)

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

Demonstrating application (AO2) in responses

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

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

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Question Number	Assess the use of the GINI coefficient as a measure of absolute and relative poverty.	Mark
1(f)	<p>Knowledge/understanding 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> • Based on a Lorenz curve, the GINI coefficient (GC) uses a scale of 0 to 1 to derive deviation from perfect income equality e.g. in 2018, UK 0.36 and Denmark 0.28 • Absolute poverty is where an individual is unable to meet basic needs while relative poverty is related to income inequality (e.g. a less than 60% of the median income) • GC compares the actual distribution of income to perfect income equality thus may be seen to represent levels of relative and absolute poverty • Therefore, the higher the GC the higher the relative and absolute poverty • However, the GC is a relative measure that fails to capture absolute differences in income • Possible for the GC of a country to rise due to increasing income inequality while the number of people living in absolute poverty declines • A GC based on individual incomes is different to a GC based on household incomes for the same country, so data can be misleading • The informal/unofficial sector is excluded from the GC so may not accurately reflect absolute and relative poverty • Unlike the HDI, (UK 0.926 and Denmark 0.939) the GC does not capture social benefits or government interventions that reduce absolute poverty such as healthcare and education • Demographic changes are not reflected by the GC; high ratios of the elderly or students produce a high GC although absolute poverty may be low • Overall, the evidence suggests that a range of measures of absolute and relative poverty may be more useful than the GINI coefficient 	(10)

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

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Question Number	<p>The United Kingdom has a legal minimum wage. Denmark has no legal minimum wage.</p> <p>Assess the impact of a minimum wage on income inequality.</p>	Mark
1(g)	<p>Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • A minimum wage is a price floor; a minimum price for labour enforced by law • It is illegal for firms to pay workers below the legal minimum wage set by government • The aim of the minimum wage is to prevent people being paid very low levels of income and raise living standards for the lowest income groups • This reduces income inequality • Extract C shows that the lowest income quintile in the UK, which has a minimum wage, receives 2% less of the total than Denmark, which has no minimum wage • Extract C also shows that when the bottom two quintiles are included the difference is 5% • This may indicate that a minimum wage does not necessarily reduce income inequality • However, the impact will depend upon the level of the minimum wage • If the minimum wage is low e.g. well below the median wage then it is likely that the impact on income inequality will be minimal • If the minimum wage is set above the market equilibrium then the outcome might be unemployment in a sector • If the minimum wage is set above the market equilibrium then there may be a growth in the unofficial economy • It may be that Denmark has other effective policies to reduce income inequality in place other than a minimum wage 	(12)

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

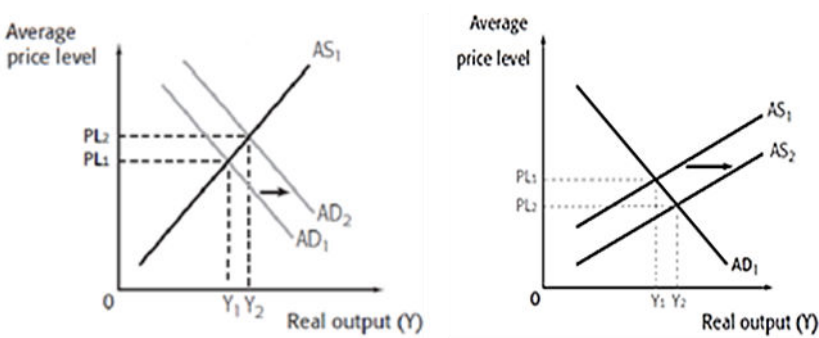
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Question Number	Using Extract B and a suitable diagram, assess the likely economic impact of the level of investment in Denmark.	Mark
1(h)	<p>Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> Investment is spending by firms and government on the capital stock in an economy Extract B shows that economic growth was higher in Denmark from 2016-2018 as was the level of investment Investment (I) is a component of AD, therefore the higher growth in Denmark may have been caused by this investment Suitable diagram may show increase in AD, with higher growth and inflation and/or an increase in AS, with higher growth and lower inflation <div style="display: flex; justify-content: space-around; align-items: center;">  </div> <ul style="list-style-type: none"> Extract D also shows higher productivity gains in Denmark than in the UK In the long run, investment may also increase the productive potential of an economy Increased productivity resulting from investment can reduce production costs and increase international competitiveness and reduce inflationary pressures However, higher growth might be associated with rising inflation which may lead to increasing inequality The impact of AD on growth will depend upon the size of the multiplier The impact on employment/unemployment will depend upon the extent to which investment in machinery replaces labour 	(12)

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

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Section B

Question Number	Evaluate the importance of wage costs in influencing the location of manufacturing firms.	Mark
2	<p>Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Wage costs are often a major cost for manufacturing firms • As wages differ between countries, firms often seek to minimise costs by locating production in low wage countries • Extract E shows that <i>Nabisco</i> has moved some of its production to Mexico over the last five years • Extract F shows that the minimum wage in Mexico is just \$1.05 compared to the US where it is \$7.25, a saving of \$6.20 on hourly wage costs • However, savings wage costs may not be the deciding factor when locating production, other variables may be more important • Skills and the availability of a labour force may be more important than the wage rate in the manufacture of high technology products • The infrastructure of the country may be more important if the product is to be successfully distributed • Location in trade bloc – Germany has free access to the EU trade bloc and access to a large consumer market • Government incentives – the USA and EU have a range of government subsidies for manufacturing firms • Ease of doing business – South Korea has a business environment which promotes and rewards enterprise and Mexico has relatively low levels of environmental regulation • Political stability – USA and EU have relatively stable political systems which create some level of certainty for firms looking to invest in manufacturing • However, costs of production can increase as wages are bid upwards by labour and skills shortages e.g. China • Much will depend upon the nature of the product being manufactured, <i>Nabisco</i> produces basic food products which are likely to use low skilled employees and therefore wage costs are important • Manufacturers such as <i>Rolls Royce</i> aero engines will require highly skilled employees who attract high wages and therefore will locate where an educated workforce is available 	(20)

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

Demonstrating application (AO2) in responses

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Section C

Question Number	Evaluate the impact of low or negative economic growth upon a developing economy such as Brazil.	Mark
3	<p>Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul style="list-style-type: none"> • Slower or negative growth means lower real GDP per capita. This may increase absolute poverty and inequality creating lower living standards. • Lower growth may worsen development outcomes causing a fall in HDI ranking • Increases in unemployment (13.67% in 2020 Extract H) may also occur with lower or negative growth. If such unemployment is sustained, income inequality may increase where inequality is already very high (Extract I) • Lower or negative economic growth (highest growth only 3% in 2013 Extract G) may decrease tax revenues and increase government spending on welfare benefits • This may increase the budget deficit and government debt (Extract I) • Slower or negative growth may postpone or permanently reduce new investment, for example in the car industry (Extract I) • Slower or negative growth may reduce foreign direct investment projects, especially if Brazil is the target market • However, lower or negative rates of GDP growth can bring about desirable environmental benefits such as reduced deforestation as Brazil has world's largest rainforest (Extract I) • Slower-growing AD may reduce demand-pull and cost-push inflation but inflation was 9% in 2015 although the economy was in recession (Extract G) • Slower or negative growth may reduce the current account deficit, as falling incomes reduce the demand for imports • Slower or negative growth reduces the risk of the unsustainable extraction of renewable resources such as timber and reduces the long-run depletion of natural resource such as iron and coal (Extract I) 	(20)

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