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Mark Scheme (Results)

January 2018

Pearson Edexcel International GCSE In Economics (4EC0) Paper 01

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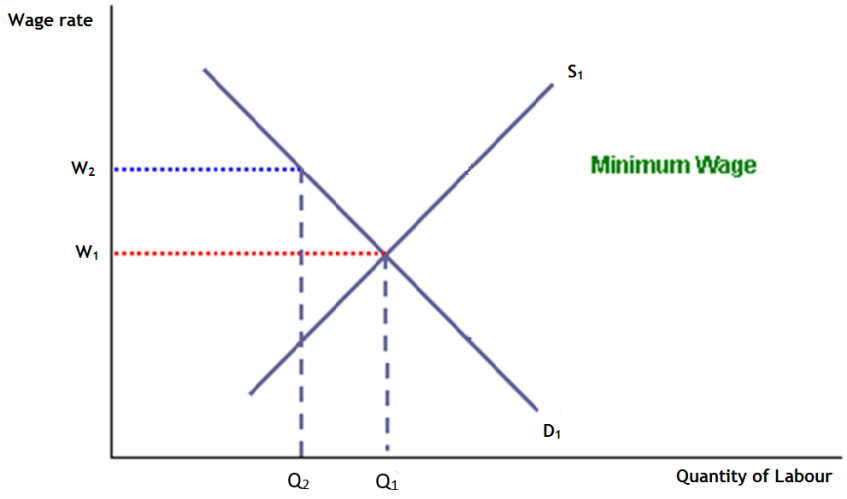
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General Marking Guidance

- 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.

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Question 1

Question Number	On Figure 1a, draw a new line to show the higher minimum wage rate.	Mark
1(a)(i)	 **N.B. If either curve is shifted 0 marks**	**(1)**

Question Number	On Figure 1a, label the new equilibrium wage rate W_2 and quantity of labour employed Q_2.	Mark
1(a)(ii)	1 mark for new equilibrium wage W_2 1 mark for new equilibrium quantity of labour employed Q_2 **N.B. If either curve is shifted 0 marks**	**(2)**

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Question Number	Assess the impact of minimum wage legislation on the Chinese economy.	Mark
1(a)(iii)	Arguments suggesting impact is negative (1 mark) with development (up to 2 marks) The impact of minimum wage legislation will be negative because: • Workers become more expensive • This increases average costs and employment will fall as will output • Unemployment reduces the tax revenue for government but increases the need for benefit Arguments suggesting impact is positive (1 mark) with development (up to 2 marks) The impact of minimum wage legislation will be positive because: • Workers will have higher wages and therefore better living standards • Consumption will rise, replacing some of the fall in export demand. • The government will receive more tax revenue Further guidance • Maximum for 1 sided argument (3 marks) • Maximum for both sides (4 marks) To reach 5 – 6 marks needs a reasoned judgement or conclusion. E.g. • Depends on the size of increase in minimum wage • Depends on whether employers can absorb or pass on increased costs	**(6)**

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Question Number	It is estimated that 80% of all toys in the world are made in China. There are over 7,200 toy manufacturing businesses in China employing 620,000 workers. Explain **two** factors that might affect the supply of labour in China.	Mark
1(b)	Identification of a factor (1 mark) with explanation (1 mark) e.g. Demographic changes **(BR/DR) (1)** the supply of labour may well reduce in China as a result of the 'one child' process **(1)**. e.g. amount of women **(1)** society has changed so more women join the workforce increasing the supply of labour **(1)**.	**(4)**

Question Number	What is meant by price elasticity of supply?	Mark
1(c)(i)	The extent to which quantity supplied changes **(1)** in response to a change in price **(1)** **Also accept formula 2 marks**	**(2)**

Question Number	In China the price elasticity of supply for toys is more elastic than the price elasticity of supply for rice. Suggest two possible reasons why this might be the case.	Mark
1(c)(ii)	1 mark for reason, 1 mark for development E.g. • Production time **(1)** Rice takes a long time to grow but toys can be produced more rapidly using machines/overtime **(1)** • Storage **(1)** Toys can be stored easily and for long periods of time whereas rice is a perishable good and not easily stored **(1)**	**(4)**

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Question Number	Xinyou wooden toys in Zheijan province, make over 1000 different wooden toys and games which are exported all over the world. Apart from price, explain two factors that might affect the demand for wooden toys.	Mark
1(c)(iii)	1 mark for factor, 1 mark for development E.g. • Income **(1)** as incomes rise more may be spent on toys increasing the demand **(1)** • Price of substitutes **(1)** if plastic toys decrease in price the demand for wooden toys may fall **(1)**	**(4)**

Question Number	In China the public sector now accounts for over 60% of GDP and creates 80% of jobs. The public sector is	Mark
1(d)	D - The provision of goods and services by the state	**(1)**

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Question Number	The All-China Federation of Trade Unions (ACFTU) is the largest trade union in the world with 134 million members. Evaluate the extent to which trade unions will always benefit their members.	Mark
1(e)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Trade unions will always benefit their members because… • Can secure wage increases for their members • Provide legal protection • Lobby the government to improve legislation Arguments not supporting the statement (1 mark) with development (up to 2 marks) Trade unions will not always benefit their members because… • Higher wages may lead to job losses • Higher wages may lead to increased costs and loss of competitiveness • Which can limit expansion and future job creation Further guidance • Maximum for 1 sided argument (3 marks) • Maximum for both sides (4 marks) To reach 5 – 6 marks needs a reasoned judgement or conclusion E.g. • depends if labour productivity rises with wages • depends if increased costs can be passed on via increased prices • depends on power of trade unions	**(6)**

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Question 2

Question Number	What is the combined market share of the four largest telecommunications firms shown in Figure 2a?	Mark
2(a)(i)	70%	**(1)**

Question Number	The Indian telecommunications market is best described as	Mark
2(a)(ii)	C – an oligopoly	**(1)**

Question Number	Explain the reasons for your answer to (a) (ii) with reference to the data in Figure 2a.	Mark
2(a)(iii)	• An oligopoly is dominated by several large firms **(1)** • The Indian telecommunications market is dominated by a few large firms such as Bharti (21%) and Vodafone (19%) **(1)** • Five firms have over 80% of the market therefore this is an oligopoly **(1)**	**(3)**

Question Number	MTNL, a small telecommunications firm has only a 1% share in the Indian telecommunications market. Explain **two** reasons why small firms can exist alongside much larger ones	Mark
2(a)(iv)	1 mark for reason, 1 mark for development e.g. niche provider **(1)** means that they can offer a specialised good/service that the bigger firms cannot **(1)** e.g. flexibility **(1)** ability to cope with special or unusual orders **(1)**	**(4)**

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Question Number	Many small Indian firms struggle to find suitable finance to aid expansion. To what extent do you think a lack of finance is the main limitation on the growth of small firms.	Mark
2(b)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Lack of finance is the main problem because • Small businesses are often considered to be too risky an investment • Small businesses often lack security to attract finance • This is a particular problem in a developing country like India Arguments not supporting the statement (1 mark) with development (up to 2 marks) Lack of finance is not the main problem because • There are other limitations as well • Competition particularly amongst small businesses can restrict growth • The market may be limited such as a small shop in a village Further guidance • Maximum for 1 sided argument (3 marks) • Maximum for both sides (4 marks) To reach 5 – 6 marks needs a reasoned judgement or conclusion. E.g. • depends on the business itself and its potential • depends on the economic conditions prevalent at the time such as a recession	**(6)**

Question Number	Adil Fashions, a small company, make Banarasi silk saris in Varanasi, Uttar Pradesh. Adil Fashions operates in	Mark
2(c)(i)	**B** – secondary sector	**(1)**

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Question Number	Give **one** example of a fixed cost and **one** example of a variable cost that Adil Fashions may incur.	Mark
2(c)(ii)	Fixed cost e.g. rent for the factory premises **(1)** Variable cost e.g. raw materials such as silk for the saris **(1)**	**(2)**

Question Number	Calculate the change in total costs in rupees (Rs) between 2015 and 2016. You are advised to show your workings.	Mark
2(c)(iii)	TC for 2015 = 500 x 3,000 Rs = 1,500,000 Rs **(1)** TC for 2016 = 800 x 2,500 Rs = 2,000,000 Rs **(1)** Difference in TC = 2,000,000 Rs – 1,500,000Rs = 500,000 Rs **(1)** **N.B. If answer just 500,000 Rs, award 3 marks.** **If answer just 500,000, award 2 marks.**	**(3)**

Question Number	In 2016, Adil Fashions sold saris for 3,500 rupees (Rs) each. Calculate the weekly profit in 2016 assuming that all saris are sold. You are advised to show your workings.	Mark
2(c)(iv)	Profit = TR – TC **(1)** TR = 800 x 3,500 Rs = 2,800,000 Rs **(1)** TC = 2,000,000 Rs Profit = 2,800,000 Rs - 2,000,000 Rs = 800,000 Rs **(1)** **N.B. If answer just 800,000 Rs, award 3 marks.** **If answer just 800,000, award 2 marks.**	**(3)**

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Question Number	In 2016, the World Health Organisation (WHO), identified Delhi as the world's most polluted city. The Indian government has brought in new regulations to enforce stricter emissions for all new cars. Government regulation is the best way to deal with externalities such as pollution. Do you agree with this statement? Explain your answer.	Mark
2(d)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Government regulation is the best way to deal with externalities because • Only the government can introduce legislation to force firms to comply • Standards are clear and everyone is aware • It is faster at changing behaviour than other methods such as taxation Arguments not supporting the statement (1 mark) with development (up to 2 marks) Government regulation is not the best way to deal with externalities because • Regulation has to be enforced • This can be time consuming and expensive • Firms may find ways to evade regulation or ignore it (e.g. Volkswagen!) Further guidance • Maximum for 1 sided argument (3 marks) • Maximum for both sides (4 marks) To reach 5 – 6 marks needs a reasoned judgement or conclusion. E.g. • depends on how well/efficiently regulation is enforced • depends on what other measures are also used e.g. taxation	**(6)**

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Question 3

Question Number	What was Chile's economic growth rate in 2010?	Mark
3(a)(i)	6% Accept 5.8% to 6.2%	(1)

Question Number	Using figure 3a describe what has happened to Chile's economic growth rate between 2009 and 2016.	Mark
3(a)(ii)	GDP growth rate increased sharply between 2009 and 2010, before declining/negative in 2009 but positive in 2016 **(1)** Use of figures to support description **(1)**	**(2)**

Question Number	In 2009 Chile experienced a recession. With reference to the data in Figure 3a explain this statement.	Mark
3(a)(iii)	A recession is a period of negative GDP/economic growth **(1)** In 2009 the growth rate was below zero reaching minus 1% **(1)**	**(2)**

Question Number	Identify and explain **two** limitations of using GDP as a measure of economic growth for Chile.	Mark
3(a)(iv)	1 mark for limitation, 1 mark for development e.g. Inflation **(1)** if prices rise it can appear as if GDP has also risen **(1)** e.g. the hidden economy **(1)** GDP does not take into account unrecorded economic activity and therefore undervalues real GDP **(1)**	**(4)**

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Question Number	The Chilean government wants to return to the high economic growth rates of 2004 and 2005. To what extent is high economic growth always desirable?	Mark
3(a)(v)	Arguments supporting the statement (1 mark) with development (up to 2 marks) High economic growth is always desirable because • Leads to increased incomes, this will mostly be spent • Lifestyles improve as people can afford better quality • The demand for goods and services increases • Further economic growth will follow Arguments not supporting the statement (1 mark) with development (up to 2 marks) High economic growth is not always desirable because • Too much growth can cause externalities such as pollution • Can be unsustainable and use non-renewable resources • May increase demand too much and cause inflation • Controlling inflation may slow economic growth Further guidance • Maximum for 1 sided argument (3 marks) • Maximum for both sides (4 marks) To reach 5 – 6 marks needs a reasoned judgement or conclusion. E.g. • Depends if economy has spare capacity. • Depends on how high a growth rate	**(6)**

Question Number	In June 2016 unemployment in Chile increased to 6.8%. Much of this increase was in the declining copper mining industry. This is an example of	Mark
3(b)(i)	B – Structural unemployment **(1)**	**(1)**

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Question Number	Explain **one** possible financial cost to the Chilean economy of this increase in unemployment.	Mark
3(b)(ii)	1 mark for cost, 1 mark for development Government expenditure increases **(1)** as they provide more unemployment benefits **(1)**	**(2)**

Question Number	Consider **one** policy the Chilean government could use to reduce unemployment in the copper mining industry. How effective might this policy be?	Mark
3(b)(iii)	1 mark for identifying government policy e.g. supply side policy **(1)** Up to 3 marks for how policy can reduce unemployment e.g. • government provides funding for re-training **(1)** • This provides new skills for unemployed miners **(1)** • Leading to greater chances of employment in other lines of work **(1)** Evaluation 1 mark for making a judgement on likely effectiveness of policy e.g. will only be effective if other work is available in copper mining areas **(1)**	**(5)**

Question Number	Using the information in Figure 3b calculate the balance of payments on the current account for Chile in 2014.	Mark
3(c)(i)	C - +$2,527m	**(1)**

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Question Number	In late 2015 the rate of interest set by the Central Bank of Chile was increased to 3.5%. A rise in interest rates will always worsen the balance of payments on the current account. Do you agree with this statement? Explain your reasons.	Mark
3(c)(ii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) A rise in interest rates will always worsen the current balance because • Higher interest rates might increase costs of firms which might lead to increased export prices • Less investment by domestic firms, so less competitive than foreign firms. Imports increase • May lead to rise in exchange rate, making exports more expensive, and imports cheaper Arguments not supporting the statement (1 mark) with development (up to 2 marks) A rise in interest rates will not always worsen the current balance because • Increased interest rates can reduce demand in the economy, as borrowing will become more expensive. This can reduce the demand for imports. • The effect of an increase in exchange rates will depend on PED for imports and exports. If price inelastic there may be little change. Further guidance • Maximum for 1 sided argument (3 marks) • Maximum for both sides (4 marks) To reach 5 – 6 marks needs a reasoned judgement or conclusion. E.g. • Depends on size and duration of interest rate increase • It depends on strength of link between interest rates and exchange rates	**(6)**

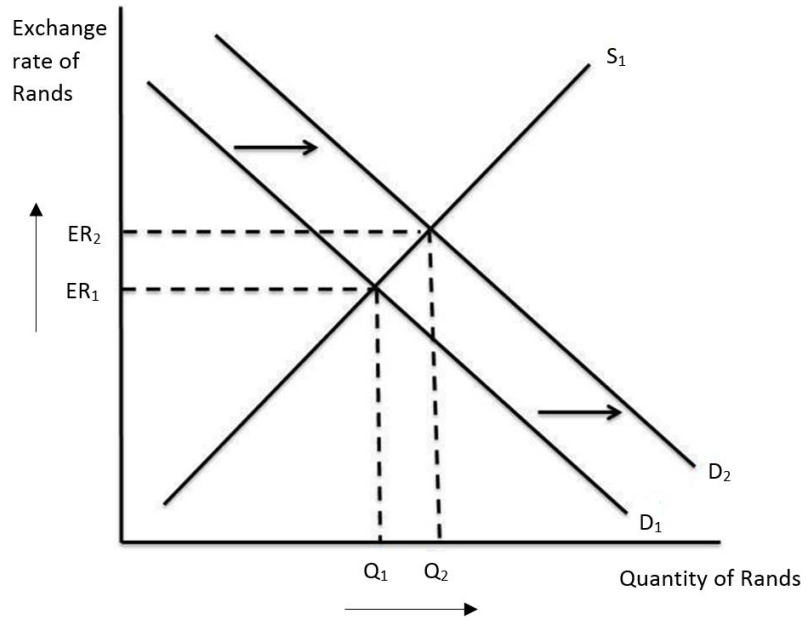
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Question 4

Question Number	Between June 2014 and Jan 2016, the value of the Rand in terms of the Pound.	Mark
4(a)(i)	C - depreciated	(1)

Question Number	In 2015 Jun the exchange rate was R15 to £1. Calculate the price in Rands of a Stella McCartney designer dress priced at £400.	Mark
4(a)(ii)	R15 x 400 **(1)** = R6,000 **(1)** **N.B. If answer just R6,000 2 marks** **If answer just 6,000 1 mark**	(2)

Question Number	Using diagram 4b show the likely effect on the exchange rate of Rands. Show the new equilibrium exchange rate ER2 and new quantity traded Q2.	Mark
(a)(iii)	 Shift of D curve to the right **(1)** Correct placement of ER2 **(1)** Correct placement of Q2 **(1)** **N.B. If wrong shift of curve 0 marks**	(3)

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Question Number	South Africa has been a World Trade Organisation (WTO) member since 1 January 1995. Explain **two** functions of the WTO.	**Mark**
4(b)	1 mark for function, 1 mark for development E.g. • Encouraging free trade **(1)** by reducing trade barriers via rounds of discussions such as the Doha round where all countries reach an agreement**(1)** • Settling trade disputes **(1)** acting as a negotiator between disputing countries to reach a solution **(1)**	**(4)**
Question Number	State **one** financial incentive and **one** non-financial incentive the South African government might offer to foreign companies.	**Mark**
4(c)(i)	A financial incentive e.g. tax concession or interest free loans **(1)** A non-financial incentive e.g. relaxing regulations or providing infrastructure **(1)**	**(2)**

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Question Number	Unilever, took advantage of the South African government's incentive schemes and recently opened the first phase of a 600 million Rand investment: its first ice cream factory in Africa. When multinational companies move into a country they always bring benefits to that country. Do you agree with this statement? Explain your reasons.	Mark
4(c)(ii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Multinational companies will always bring benefits to a country when they move in because • Jobs are created lowering unemployment • Incomes rise creating economic growth • Ideas and technology may be exchanged • Tax revenues increase Arguments not supporting the statement (1 mark) with development (up to 2 marks) Multinational companies will not always bring benefits to a country when they move in because • Workforce may be exploited • Pollution and destruction of habitat • Profits repatriated and taxes avoided • Local businesses driven out Further guidance • Maximum for 1 sided argument (3 marks) • Maximum for both sides (4 marks) To reach 5 – 6 marks needs a reasoned judgement or conclusion. E.g. • Depends on ethics/CSR of the MNC • Depends on ability of host country to influence MNC	**(6)**
Question Number	What is meant by 'development aid'?	**Mark**
4(d)(i)	Development aid is money/assistance given to one country by another country **(1)** to help long term growth **(1)**	**(2)**

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Question Number	Explain **two** ways development aid encourages globalisation.	Mark
4(d)(ii)	e.g. Improves infrastructure (1) This makes the country more attractive as a market and destination for FDI and it becomes more open (1) e.g. Improved education and healthcare (1) leads to a more productive and competitive workforce, increasing prospects of trade with other countries (1)	**(4)**

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Question Number	In 2016 the unemployment rate in South Africa was 26.6%. Protectionism rather than free trade is the best way to prevent unemployment rising in South Africa. Do you agree with this statement? Explain your reasons.	Mark
4(e)	Arguments supporting protectionism (1 mark) with development (up to 2 marks) Protectionism is the best way to prevent unemployment rising because • Without it foreign competition may be more efficient and/or cheaper • Which will cause demand for domestic goods and services to decrease • Leading to higher unemployment if domestic firms cannot compete Arguments supporting free trade (1 mark) with development (up to 2 marks) Free trade is the best way to prevent unemployment rising because • Free trade will enable domestic firms to reach overseas markets • This will increase demand leading to increased production • Which will lead to more employment Further guidance • Maximum for 1 sided argument (3 marks) • Maximum for both sides (4 marks) To reach 5 – 6 marks needs a reasoned judgement or conclusion. E.g. • Depends on whether gains from free trade compensate for unemployment in some sectors • Depends on whether protectionist measures are permanent or not	**(6)**