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Mark Scheme (Results)

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Pearson Edexcel International GCSE Economics (4EC0) Paper 01

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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 Number	Answer	Mark
1(a)(i)	Substitutes	**(1)**

Question Number	Answer	Mark
1(a)(ii) A	Price	**(1)**

Question Number	Answer	Mark
1(a)(ii) B	Supply	**(1)**

Question Number	Answer	Mark
1(a)(ii) C	Demand	**(1)**

Question Number	Answer	Mark
1(a)(ii) D	Quantity	**(1)**

Question Number	Answer	Mark
1(a)(iii)	1 mark shift of demand curve to the left 1 mark for new lower price indicated(eg P1) on vertical axis 1 mark for new lower quantity indicated (eg Q1) on the horizontal axis	**(3)**

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Question Number	Answer	Mark
1(b)(i)	Definition: Accept for 2 marks either • average age of the population is increasing or • birth rate less than death rate Vague definition, 1 mark e.g. more old people than young people. **Do not allow: People getting older**	**(2)**

Question Number	Answer	Mark
1(b)(ii)	Norway	**(1)**

Question Number	Answer	Mark
1(b)(iii)	Each argument in support of the population determining demand, up to 2 marks. Development, up to 2 marks. e.g. an increase in population will increase demand for all products (1 mark). A change in age distribution (1 mark) will change the demand for particular products (1 mark). Other factors identified 1 mark each, up to 2 marks. e.g. change in incomes, fashion/trends. Development up to 2 marks. e.g. an increase in incomes (1 mark) will lead to more disposable income (1 mark). • Maximum for 1 sided arguments = 3 marks • Maximum for both sides = 4 marks Need reasoned conclusion/judgement for 5-6 marks. e.g population increase alone will not necessarily increase demand for phones - it depends on the ability to pay; fashion/trends might be the most important factor because of influence of advertising; availability of other technologies could make phones outdated eg tablets	**(6)**

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Question Number	Answer	Mark
1(c)(i)	B 3.2 million private sector workers earned less than 900 ringgit per month	**(1)**

Question Number	Answer	Mark
1(c)(ii)	Private sector workers: workers who work in that part of the economy owned by private individuals/firms (1 mark). E.g.(1 mark) people who work for HSBC (accept any feasible example) Public sector workers: workers who work in that part of the economy owned by the state (1 mark).E.g.(1 mark) policemen. 2 + 2 marks	**(4)**

Question Number	Answer	Mark
1(c)(iii)	Reason identified 1 mark, development 1 mark eg • low level of skill required (1) therefore government has set minimum wage lower (1); • shortage of labour in the city (1) therefore government have set a higher minimum wage to attract labour from rural areas(1); • surplus of labour in rural area relative to demand (1) therefore government has set minimum wage lower (1);	**(2)**

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Question Number	Answer	Mark
1(c)(iv)	Each advantage of MWR, 1 mark each up to 2 e.g. increase demand, increase standard of living/reduces poverty, decrease voluntary unemployment, reduces gender inequality Development, up to 2 marks e.g. low paid workers have more disposable income so will spend more and stimulate economy. Women are often the largest group to benefit Each disadvantage of MWR, 1 mark each up to 2 e.g. increase costs, reduce international competitiveness Development, up to 2 marks e.g. firms will face increase in costs which may lead to unemployment. The increase in costs may be passed on to consumers so inflation will occur. • Maximum for 1 sided arguments = 3 marks • Maximum for both sides = 4 marks Credit use of diagram up to 3 marks if no written explanations given but it must show the change in employment. Need reasoned conclusion/judgement for 5-6 marks. eg depends on: • where minimum wage is set (ie above or below the equilibrium wage); • what happens to productivity • reaction of firms eg how it effects demand for labour	**(6)**

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Question Number	Answer	Mark
2(a)(i)	Total costs = €1300 No. of kilos = 130 Average cost per kilo = €1300/130 = €10 1 mark for €10 1 mark for calculation or formula.	**(2)**

Question Number	Answer	Mark
2(a)(ii)	Total Revenue (TR)= 130 x €30 = €3900 Total cost (TC) = €1300 Profit (TP or P)= €3900 -€1300 = €2600 1 mark for €2600 1 mark for calculation or formula.	**(2)**

Question Number	Answer	Mark
2(a)(iii)	B Variable costs	**(1)**

Question Number	Answer	Mark
2(a)(iv)	1 mark for definition: Variable costs change as production changes 1 mark for reference to sugar: more needed as more sweets produced. **NB: if no marks are awarded for 2aiii then zero**	**(2)**

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Question Number	Answer	Mark
2(a)(v)	Fixed costs = rent + insurance = €500 + €50 = €550 1 mark for €550 1 mark for calculation or formula. Alternatively accept when candidate includes heating and lighting <u>but</u> this must be explained in (vi) as a fixed cost 1 mark for €650 1 mark for calculation or formula	**(2)**

Question Number	Answer	Mark
2(a)(vi)	1 mark =Variable costs are excluded 2 marks = Variable costs vary with output so when output is zero no variable costs are incurred.. NB: if candidate only explains why only fixed cost are included award (1)	**(2)**

Question Number	Answer	Mark
2(a)(vii)	Each argument justifying why lack of (internal or external) finance will constrain growth (output and/or market share) • inability to finance expansion in scale of output • inability to grow market share or expand into other markets Each argument supporting other limitations to growth 1 mark, up to 2. e.g. lack of demand (local market/niche market), owner may not want to expand, availability of other factors of production • Maximum for 1 sided arguments = 3 marks • Maximum for both sides = 4 marks Need reasoned conclusion/judgement for 5-6 marks. e.g. Even if finance is available and affordable other factors may prevent or not justify growth.	**(6)**

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Question Number	Answer	Mark
2(b)(i)	C As output increases long run average costs fall	**(1)**

Question Number	Answer	Mark
2(b)(ii)	Each reason identified, 1 mark each. Development, 1 mark each • they can buy in bulk so sell sweets more cheaply than small firms. • employ specialists who can determine best place to place sweets in order to maximise sales. • use cost advantages of economies of scale to lower prices and/or improve quality or service levels 2+2 marks	**(4)**

Question Number	Answer	Mark
2(b)(iii)	Each example of non-price competition identified, 1 mark e.g. advertising, loyalty cards, free gifts, product differentiation, customer care, quality of good, Do not accept BOGOF or money off vouchers	**(2)**

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Question Number	Answer	Mark
2(b)(iv)	Each argument supporting statement, 1 mark, up to 2. Development up to 2 marks e.g. only a few large firms in the industry (1 mark) so consumer choice is limited. Sometimes the oligopolies produce identical goods/services (1 mark) e.g. petrol so there is no substitute so little choice (1 mark). Also accept reference to cartels limiting choice. Each argument against statement, 1 mark, up to 2. Development up to 2 marks e.g. most oligopolies may increase choice if they focus on non-price competition eg product differentiation (1) similar products with range of features/brands e.g. additives to petrol to keep engine clean, make it more economical (1 mark). • Maximum for 1 sided arguments = 3 marks • Maximum for both sides = 4 marks Need reasoned conclusion/judgement for 5-6 marks. Accept reference to type of oligopoly/type of product. Credit good examples. e.g. Choice will be limited as number of producers is small but they can act in different ways depending on the product. In petrol market choice is limited but in soap powder market a few firms produce many differentiated products.	**(6)**

Question Number	Answer	Mark
3(a)(i)	Nigeria	**(1)**

Question Number	Answer	Mark
3(a)(ii)	Negative economic growth, reduction in real GDP or output, economy has contracted/shrunk 1 mark Reference to data (1) accept anything in range -6.1 to -7.9) 1 mark	**(2)**

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Question Number	Answer	Mark
3(a)(iii)	1 mark for rate of interest should be lowered 1 mark for way in which it works e.g. makes loans cheaper so firms may invest in new machinery 1 mark for development e.g. new machinery may increase output leading to increased economic growth Also accept impact through consumption (ie saving rates are lower therefore encouraged to spend rather than save) or encourage to get a bank loan to finance spending as now cheaper etc	**(3)**

Question Number	Answer	Mark
3(a)(iv)	1 mark for government expenditure should be increased 1 mark for way in which it works e.g. increases demand 1 mark for development e.g. leads to more employment. Also accept development of specific types of government expenditure. e.g. spending on infrastructure may increase employment or attract FDI, grants to firms	**(3)**

Question Number	Answer	Mark
3(a)(v)	Supply measure identified, 1 mark. e.g. privatisation, training, education, deregulation. Explanation, 1 mark e.g. privatisation can increase competition and efficiency leading to increase in economic growth.	**(2)**

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Question Number	Answer	Mark
3(a)(vi)	Disadvantage identified, 1 mark Development 1 mark. e.g. for privatisation in (v) disadvantage = private monopoly may be formed (1 mark). This might lead to less competition and less efficiency (1 mark). e.g. training in (v) disadvantage = takes time and money (1 mark), other measures might be more effective in the short run (1 mark). **NB: if no marks are awarded for 3av then zero**	**(2)**

Question Number	Answer	Mark
3(a)(vii)	Each advantage identified, 1 mark, up to 2. E.g. higher incomes, more goods and services available. Development up to 2 marks e.g. more people will be employed so the standard of living will rise due to higher income. Each disadvantage identified, 1 mark, up to 2. E.g. pollution, risk of inflation, benefits of growth are not equally distributed, Development up to 2 marks e.g. external costs of growth eg pollution may occur which will destroy the environment. This may cause health problems e.g. respiratory infections. • Maximum for 1 sided arguments = 3 marks • Maximum for both sides = 4 marks Need reasoned conclusion/judgement for 5-6 marks. Depends how growth has been achieved eg increase in defence spending, depletion of natural resources; reaction of governments to limit the disadvantages eg to achieve more sustainable growth;	**(6)**

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Question Number	Answer	Mark
3(b)(i)	1 mark = 2009 1 mark for definition: deficit = government revenue < government expenditure 1 mark for reference to data deficit = €36.05bn OR 1 mark = 2009 2 marks for equation €124.65-€88.60 = €36.05bn Also accept €124.65>€88.60 for 2 marks.	**(3)**

Question Number	Answer	Mark
3(b)(ii)	Item identified, 1 mark e.g. tax, direct tax and indirect tax, income tax, corporate tax, VAT, tariff, revenue from state owned industries	**(1)**

Question Number	Answer	Mark
3(b)(iii)	Item identified, 1 mark e.g. health, education, infrastructure, welfare benefits, debt servicing, grants and subsidies	**(1)**

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Question Number	Answer	Mark
3(b)(iv)	Each reason why reducing budget deficit will lead to unemployment, 1 mark, up to 2. Development up to 2 marks. e.g. if the government reduces expenditure (1 mark) on benefits (1 mark) then people will have less money to spend (1 mark) and this will decrease demand and lead to unemployment. Each reason why it would not lead to unemployment, 1 mark, up to 2. Development up to 2 marks. e.g. if expenditure is cut on goods and services the government imports from abroad e.g. defence goods then this will not lead to unemployment in the domestic economy. Also accept cuts in benefits may act as an incentive for people to seek work and reduce unemployment. • Maximum for 1 sided arguments = 3 marks • Maximum for both sides = 4 marks Need reasoned conclusion/judgement for 5-6 marks. e.g. Increase in unemployment will depend on how deficit is decreased. If expenditure is cut then it depends what is cut and by how much, similarly if revenue is increased it depends who bears the burden.	**(6)**

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Question Number	Answer	Mark
4(a)(i)	1 mark: % for developing countries increased **or** 1 mark: % for developed countries decreased. 2 marks for relevant data from either developing or developed or combination of data from both: • Relevant data for developing countries: 28.5% (29%) to 41.2% (41%) (1 mark); change of 12.7% (1 mark) • Relevant data for developed countries: 71.5% (72%) to 58.8% (59%) (1 mark); change of 12.7% (1 mark) e.g. It decreased for developed countries (1) by 12.7%(1) and for developing countries it rose by 12.7%(1) e.g. It decreased for developed countries (1) from 71.5% (72%) to 58.8% (59%) (1) which is 12.7% (1) e.g. It decreased for developed countries (1) from 72% to 59% (1) but rose in developing countries by 12.7% (1) e.g. It decreased for developing countries (1) from 71.5% to 58.8% (1) but rose in developing countries from 28.5% to 41.2% (1) 1 mark for developed countries still have a higher % than developing countries	**(4)**

Question Number	Answer	Mark
4(a)(ii)	Each benefit identified, 1 mark e.g. encourages trade liberalisation/free trade, resolve trade disputes, trade negotiations, monitors the trade rules Development, 1 mark. e.g. no tariffs makes goods cheaper, economic growth increases standard of living, specialisation 2+2 NB: benefits and development are interchangeable	**(4)**

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Question Number	Answer	Mark
4(a)(iii)	1 mark for explanation of non-tariff = a trade barrier other than a tax on imports Each example, 1 mark. e.g. quota, red tape, administrative barriers eg labelling requirements	**(3)**

Question Number	Answer	Mark
4(a)(iv)	Each effect of <u>non tariff</u> barriers on imports, 1 mark, up to 2. e.g can restrict supply or makes importing more difficult (due to regulations) Development up to 2 marks. e.g. can reduce imports to zero, non-tariff barriers easier to implement, restricting supply will raise price, range of non-tariff barriers. Each effect of <u>tariff</u> barriers on imports, 1 mark, up to 2 e.g Tariffs raise price Development up to 2 marks. e.g. give domestic goods an advantage • Maximum for 1 sided arguments = 3 marks • Maximum for both sides = 4 marks Need reasoned conclusion/judgement for 5-6 marks. • Reference to PED e.g. if inelastic then total import spending increases so tariffs ineffective • Depends on how consumer change spending patterns, could switch to other imports • The possible response of the WTO and other countries (retaliation) could limit the success of both • Non-tariff barriers might be more effective as their use is harder for WTO to prove.	**(6)**

Question Number	Answer	Mark
4(b)(i)	Definition: the price at which one currency can be exchange for another. Vague definition, 1 mark	**(2)**

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Question Number	Answer	Mark
4(b)(ii)	Euro	**(1)**

Question Number	Answer	Mark
4(b)(iii)	1 mark for more money transfers out of the country (hot money) 2 marks for increase in supply of currency (1 mark) leads to a new lower "price" / exchange rate equilibrium (1 mark). or 1 mark for less money transfers to country (hot money) 2 marks for decrease demand for currency (1 mark) leads to new lower “price”/exchange rate equilibrium (1 mark) credit use of a diagram up to 3 marks, but must show new lower equilibrium exchange rate. If no explanation max of 2 marks for diagram.	**(3)**

Question Number	Answer	Mark
4(b)(iv)	C (Visible exports+ invisible exports) – (visible imports + invisible imports)	**(1)**

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Question Number	Answer	Mark
4(b)(v)	1 mark for exports cheaper 1 mark for imports more expensive For the additional 4 marks (up to 2+2) • price elasticity of demand • non-price factors (eg quality of exports, inability to produce domestic alternatives) • still import raw materials to produce domestic produced goods • even if exports rise we may have had to import components to manufacture the final product • time lag issues may delay improvement in current account • depends on what is happening to other currencies • depends on relative inflation rates, relative unit labour cost	**(6)**

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