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Mark Scheme (Results)

Summer 2017

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

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Summer 2017
Publications Code 4EC0_01_1706_MS
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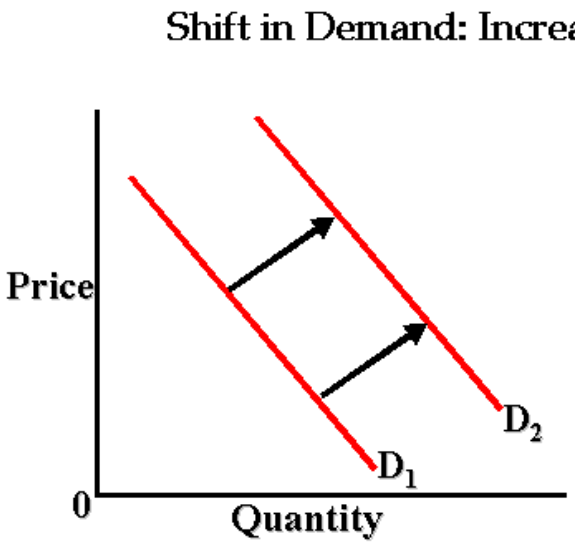
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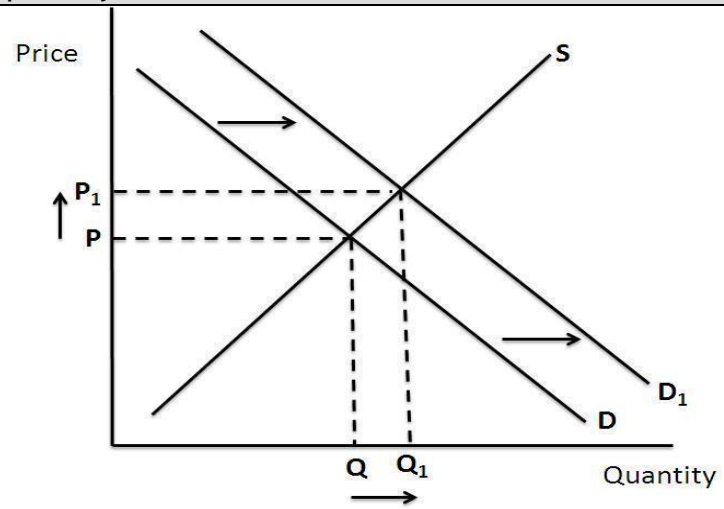
General Marking Guidance

- 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 1 draw a new curve to show the effect of increased coffee consumption in China.	Mark
1(a)(i)	1 mark for shift in demand to the right 	(1)

Question Number	On Figure 1 label the new equilibrium price P1 and quantity Q1.	Mark
1(a)(ii)	 1 mark for new equilibrium price P_1 drawn and labelled 1 mark for new equilibrium quantity Q_1 drawn and labelled If new P and Q drawn but not labelled maximum 1 mark	(2)

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Question Number	Identify and briefly explain **two** factors that may have led to the expected rise in coffee consumption in China.	Mark
1(a)(iii)	Identification of a factor (1 mark) with explanation (1 mark) Factors e.g. incomes, advertising, tastes and fashions Explanation of the factor e.g.… • Incomes rise **(1)** therefore demand rises **(1)** • Successful advertising campaigns **(1)** increase awareness and demand **(1)** • Tastes and preference **(1)** change following a report on the health benefits of drinking coffee **(1)**	**(4)**

Question Number	What is meant by 'price elasticity of demand'?	Mark
1(b)(i)	Price elasticity of demand measures the responsiveness of demand **(1)** to a change in price **(1)** **Also accept formula for 2 marks**	**(2)**

Question Number	Suggest two possible reasons why the global demand for coffee is price inelastic.	Mark
1(b)(ii)	Identification of a reason (1 mark) with explanation (1 mark) Reasons e.g. no substitute, small portion of income, necessity for some. Explanation of the reason e.g. • Coffee has no close substitutes **(1)** consumers like the taste and do not mind the price **(1)** • A small proportion of income **(1)** a cup of coffee is relatively inexpensive for most people **(1)** • Necessity **(1)** for some (caffeine addicts) coffee is an essential part of life and price is of secondary importance **(1)**	**(4)**

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Question Number	Briefly explain **two** factors that may affect the demand for labour on Brazilian coffee farms.	Mark
1(c)(i)	Identification of a factor (1 mark) with explanation (1 mark) Factor e.g. demand for final product, amount of machinery used, productivity of workers. Explanation of the reason e.g. • Demand for coffee **(1)** if it increases, more workers will be needed to grow more of it **(1)** • Amount of machinery **(1)** a new coffee harvesting machine means less labour is needed **(1)** • Productivity **(1)** the more productive a coffee worker, the fewer workers needed **(1)**	**(4)**

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Question Number	Firms will always benefit from division of labour. Discuss.	Mark
1(c)(ii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) The division of labour is efficient because it can lead to… • Workers become more skilled and specialised at their task (1) therefore productivity increases (1) • Fewer mistakes made (1) therefore costs are reduced (1) Arguments not supporting the statement (1 mark) with development (up to 2 marks) The division of labour is not efficient because it can lead to … • Lower motivation due to boring nature of work (1) so productivity falls (1) • Less care taken by demotivated workers (1) therefore more mistakes and wastage (1) 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 extent to which it is used (1) some variation in work alongside some specialisation probably best (1)	**(6)**

Question Number	Apart from seeking to increase wages, identify **one** other role of a trade union.	Mark
1(c)(iii)	Identification of a role of a trade union (1 mark) e.g. seeking better working conditions, legal protection and representation, political campaigning	**(1)**

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Question Number	An increase in wages will always cause a fall in employment. Do you agree with this statement? Explain your answer.	Mark
1(c)(iv)	Arguments supporting the statement (1 mark) with development (up to 2 marks) An increase in wages will cause a fall in employment because • Increasing labour costs will reduce profitability (1) therefore employment levels will fall (1) • An increase in wages may lead to a rise in price (1) demand will fall and lead to a fall in employment (1) Arguments not supporting the statement (1 mark) with development (up to 2 marks) Unemployment will not always rise because • Firms can raise prices to cover increased labour costs (1) so no need to lose workers (1) • Workers feel valued and work harder (1) which increases productivity (1) • A higher paid workforce spends more money (1) This boosts AD and creates more jobs (1) 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 extent to which prices can be increased (1) and also on the PED for the product (1)	**(6)**

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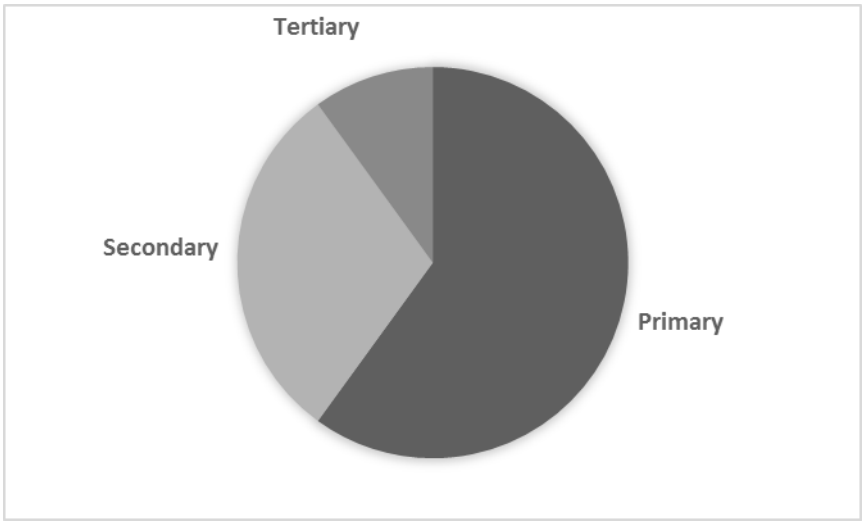
Question 2

Question Number	Briefly explain **one** reason why obesity can create an external cost.	Mark
2(a)(i)	Obesity can lead to health problems which require treatment **(1)** extra healthcare needs to be provided and funded by other taxpayers. **(1)** Other reasons might include – absenteeism from work, less able to work, extra cost in jet fuel!	**(2)**

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Question Number	Taxation is the best way to reduce an external costs. Do you agree with this statement? Give reasons for your answer.	Mark
2(a)(ii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Taxation reduces external costs by… • Increasing the price (1) law of demand leads to fall in Q (1) less consumption means less external costs (1) • Internalises the external costs (1) if the firm passes on the tax to the consumer (1) the consumer will reduce demand (1) Arguments not supporting the statement (1 mark) with development (up to 2 marks) Taxation is not the best way • Many consumers will just pay the extra and carry on producing the external costs (1) tax may reduce external costs but not by much (1) • Taxation has not been effective against alcohol and tobacco (1) therefore other methods such as regulation, legislation may be better suited (1) 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 the tax (1) and time scale/PED (1) e.g. taxation can be effective (1) if used alongside other methods such as education (1)	**(6)**

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Question Number	On the blank pie chart below, **draw** and **label** the approximate sizes of the primary (P), secondary (S) and tertiary (T) sectors for a country which is **less developed** than Mexico.	Mark
2(b)(i)	 Primary sector must clearly be the largest **(1)** Secondary sector must be bigger than tertiary sector **(1)** Tertiary sector must be the smallest **(1)**	**(3)**

Question Number	Give one example of the type of business activity that might be found in each of the three sectors of an economy.	Mark
2(b)(ii)	1 mark for each valid example **Primary** – mining/agriculture/fishing etc. **Secondary** – manufacturing/processing/construction etc. **Tertiary** – banking/tourism/IT etc.	**(3)**

Question Number	Which of the following describes the overall trend of labour productivity in Mexico shown in Figure2b?	Mark
2(c)(i)	**B** The overall trend is rising.	**(1)**

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Question Number	Briefly explain **one** possible reason for the trend identified in (c)(i).	Mark
2(c)(ii)	1 mark for reason, 1 mark for development e.g. Better education and training **(1)** means that labour is better at their job and more productive **(1)** e.g. better technology **(1)** means that labour has more efficient machinery/IT to use which increases productivity **(1)** e.g. higher wages **(1)** may lead to more motivation and increased productivity **(1)**	**(2)**

Question Number	America Movil is	Mark
2(d)(i)	**C** a monopoly	**(1)**

Question Number	Barriers to entry make it impossible for firms to enter the Mexican telecommunications market. Consider **one** policy a government can use to improve competition. How effective might this policy be in achieving an increase in competition in a market such as the Mexican telecommunications market?	Mark
2(d)(ii)	1 mark for identifying government policy e.g. subsidising smaller firms, regulation, other financial incentive e.g. cheap loans, grants Up to 2 marks for how this policy can improve competition e.g. With subsidies small firms can charge lower prices and be more competitive (1) this will take market share away from America Movil and increase competition (1) Evaluation up to 3 marks for reasons which may limit its success e.g. May not be effective given the size of America Movil and its likely economies of scale (1) and brand loyalty (1) Government may not be able to afford large amounts of subsidies (1)	**(6)**

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Question Number	Monopolies are always bad for the consumer. Do you agree with this statement? Give reasons for your answer.	Mark
2(d)(iii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Monopolies are always bad for the consumer because • less choice (1) less innovation (1) • higher prices than competitive market (1) Arguments not supporting the statement (1 mark) with development (up to 2 marks) Monopolies can be advantageous to the consumer because • Economies of scale (1) can reduce costs and prices (1) • Monopoly profits fund research (1) e.g drugs (1) • Natural monopolies are beneficial (1) leading to more efficient services for consumer (1) 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 monopoly exploits its power or not (1) Government regulation such as the CMA can maintain advantages of monopoly without drawbacks (1)	**(6)**

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Question 3

Question Number	Using the data in Table 3a, compare the GDP growth rate % of Australia and France between 2010 and 2015.	Mark
3(a)(i)	1 mark for a comment on the comparison between 2010 and 2015 e.g. Australia has had a consistently higher GDP growth rate than France **(1)** Up to 2 marks for using data in support e.g. Australian Growth rate has not dropped below 2.1% **(1)** France has struggled to get beyond 2% growth **(1)**	**(3)**

Question Number	Briefly explain **one** advantage of economic growth and **one** disadvantage.	Mark
3(a)(ii)	1 mark for advantage, 1 mark for development e.g. increased incomes **(1)** can buy more goods and services/enjoy better quality of life **(1)** 1 mark for disadvantage, 1 mark for development e.g. environmental damage/externalities **(1)** pollution and other externalities such as climate change lead to health problems and long-term damage to the environment which outweighs benefits **(1)**	**(4)**

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Question Number	Gross Domestic Product is a useful measure of economic growth in a country. Discuss.	Mark
3(a)(iii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) GDP is useful because • it measures increase in the value of all incomes and gives instant information (1) therefore it is easy to measure progress of economy over time (1) • it is simple to understand (1) and easy to compare with other countries (1) Arguments not supporting the statement (1 mark) with development (up to 2 marks) GDP is limited in use because • difficult to calculate accurately (1) does not include all transactions (hidden economy)/does not take into account population changes (1) • does not take into account distribution of GDP (1) • does not take into account inflation (1) 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. can be refined by looking at real GDP or GDP per capita (1) if limitations are acknowledged still a useful guide (1)	(6)

Question Number	Inflation can be defined as…	Mark
3(b)(i)	**C** general rise in the price level and a fall in the value of money	(1)

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Question Number	Briefly explain **two** reasons why inflation may be bad for businesses.	Mark
3(b)(ii)	1 mark for reason, 1 mark for development e.g. increased uncertainty **(1)** makes it hard to estimate future levels of costs and revenues **(1)** e.g. increased costs **(1)** can make business uncompetitive if cost increases cannot be passed on **(1)**	**(4)**

Question Number	Briefly explain **one** method the Australian government could use to reduce this level of pollution.	Mark
3(c)	1 mark for method, 1 mark for development e.g. Government regulation **(1)** place a limit on CO2 emissions and prosecute offenders **(1)**	**(2)**

Question Number	Explain why unemployment rates might vary between regions in Australia.	Mark
3(d)(i)	e.g. Unemployment rates vary because different regions have different industries **(1)** some may be in decline such as heavy engineering with falling demand and lead to structural unemployment **(1)** others may have more modern industries such as electronics and IT services which face growing demand **(1)** they will have lower levels of unemployment compared to other regions **(1)**	**(4)**

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Question Number	The most effective way to reduce unemployment in Australia is by fiscal policy. Do you agree with this statement? Give reasons for your answer.	Mark
3(d)(ii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Fiscal policy is effective because • by reducing taxes incomes are increased which is spent (1) increasing demand for goods and services so that more labour is needed to produce them (1) • by increasing government spending incomes are created (1) leading to further production and employment (1) Arguments not supporting the statement (1 mark) with development (up to 2 marks) Fiscal policy may not be effective because • may cause inflation (1) making exports less competitive and causing unemployment in export industries (1) • rising incomes may increase imports (1) and reduce demand for domestic products causing unemployment (1) 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 cause of the unemployment (1) structural unemployment will not be reduced by fiscal policy (1)	**(6)**

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Question 4

Question Number	Define FDI.	Mark
4(a)(i)	Money invested into a country **(1)** by an organisation from outside of that country **(1)**	**(2)**

Question Number	Explain why an MNC such as Samsung might want to invest in Vietnam.	Mark
4(a)(ii)	e.g. To save money **(1)** labour costs may be lower in Vietnam than elsewhere **(1)** assembling electronic devices is likely to use a lot of labour **(1)** reducing costs may enable Samsung to reduce price and gain a competitive advantage **(1)**	**(4)**

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Question Number	Increasing FDI will always benefit a developing economy such as Vietnam. To what extent do you agree with this statement?	Mark
4(a)(iii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) FDI will benefit a developing economy because • jobs are created (1) this means incomes are earned and spent on local businesses (1) • tax revenue earned by government (1) which can be spent on infrastructure/education/health (1) to aid economic growth (1) Arguments not supporting the statement (1 mark) with development (up to 2 marks) FDI may not benefit a developing economy because • jobs that are created may only be low paid (1) and may lead to exploitation of workers (1) • FDI may lead to environmental damage (1) this lowers the quality of life (1) • taxes may be avoided/profits repatriated (1) meaning there is little if any benefit to the host country (1) 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 nature of the FDI and the way the govt. regulates it (if possible) (1) not all FDI will be exploitative and will boost growth (1)	**(6)**

Question Number	Explain the term free trade.	Mark
4(b)(i)	Trade between countries **(1)** without any form of government restriction **(1)**	**(2)**

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Question Number	Briefly explain **two** reasons why a country imposes tariffs.	Mark
4(b)(ii)	1 mark for each reason, 1 mark for development e.g. to protect domestic industry **(1)** makes imports more expensive and so consumers buy cheaper domestic goods **(1)** e.g. raise revenue **(1)** tax revenue can be used by government to fund spending such as education, healthcare **(1)**	**(4)**

Question Number	Explain one way in which Vietnam might benefit from free trade.	Mark
4(b)(iii)	1 mark for reason, 2 marks for development e.g. reduces cost of imports **(1)** consumers get cheaper goods (1) and increase in real income/spending power **(1)** e.g. Vietnamese exports no longer face tariffs (1) price falls and demand rises (1) sales and profits increase for Vietnamese exporters (1)	**(3)**

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Question Number	With reference to Figure 4, between January 2013 and January 2016 which of these statements is true?	Mark
4(c)(i)	**B** The Vietnamese Dong depreciated against the dollar.	**(1)**

Question Number	With reference to Figure 4, explain your answer to (c)(i).	Mark
4(c)(ii)	In Jan 13 it took only 20,500 dong to buy a US dollar **(1)** but by Jan 16 it took 22,500 therefore the dong is worth less – depreciation **(1)**	**(2)**

Question Number	A fall in the exchange rate of the Vietnamese Dong will benefit Vietnamese firms. Do you agree with his statement? Give your reasons	Mark
4(c)(iii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Vietnamese firms will benefit because • depreciation will mean their exports will cost less in overseas markets (1) this should mean increased demand (1) and increased sales and profits (1) Arguments not supporting the statement (1 mark) with development (up to 2 marks) Vietnamese firms will not benefit because • imports of raw materials/components will increase in price (1) this increases costs and price may have to increase to compensate (1) demand falls (1) 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. impact depends on extent of depreciation (1) and also on the relative PED for imports and exports (1)	**(6)**

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