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Write your name here

Surname	Other names

Edexcel
International GCSE

Centre Number | | | | | |

Candidate Number | | | | |

Economics

Paper 1

Friday 18 May 2012 – Afternoon
Time: 2 hours 30 minutes

Paper Reference
4EC0/01

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **all** questions.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 120.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*

Advice

- Read each question carefully before you start to answer it.
- Write your answers neatly and in good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ▶

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Answer ALL questions.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 The price of wheat increased from $2 per tonne in June 2009 to $3 per tonne in September 2010. One reason for this change was a drought in Russia, a major wheat producing country.

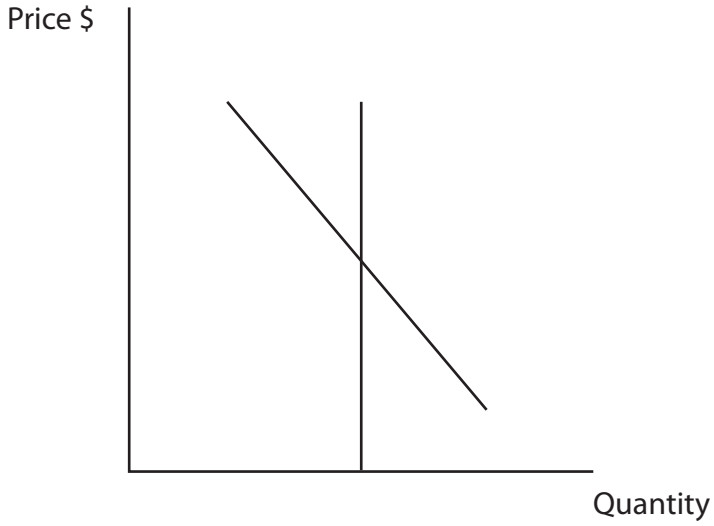


Figure 1a The wheat market in Russia

On Figure 1a

(a) (i) Label the demand curve D and the supply curve S.

(1)

(ii) Label the equilibrium price P.

(1)

(iii) Show the effect of a drought in Russia on the supply of wheat. Label the new supply curve S_1.

(1)

(iv) Label the new equilibrium price P_1.

(1)

(v) In Figure 1a the price elasticity of supply of wheat is

(1)

☒ perfectly elastic

☒ perfectly inelastic

☒ unit elasticity

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(vi) Wheat can be used to make flour or biofuels. If a farmer decides to use his land for growing wheat for biofuels the opportunity cost is

(1)

- ☒ the revenue he receives
- ☒ growing wheat for flour
- ☒ the cost of fertiliser
- ☒ there is no opportunity cost

(b) (i) With reference to total revenue, explain what is meant by a *price inelastic demand curve*.

(4)

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(ii) The demand for flour is price inelastic whereas the demand for chocolate is price elastic. Do you agree with this statement? Give reasons for your answer.

(6)

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(c) (i) In an attempt to improve the standard of living in the agricultural industry a government introduces a minimum wage rate. Show the effect of the introduction of this minimum wage rate on wages and employment in the industry on the diagram below.

(4)

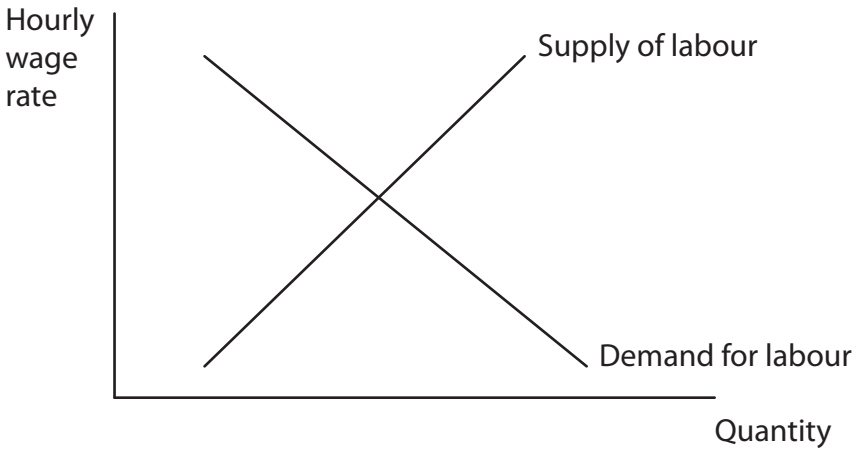


Figure 1b Agricultural industry labour market

Define the following terms:

(ii) trade union

(2)

.....

.....

.....

.....

(iii) mixed economy.

(2)

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(iv) How far is it possible for trade unions in a mixed economy to increase wages and protect the employment of their members? Give reasons for your answer.

(6)

(Total for Question 1 = 30 marks)

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2 Figure 2a shows the percentage contributed to Gross Domestic Product by each sector of the Vietnamese economy in 2000 and 2009.

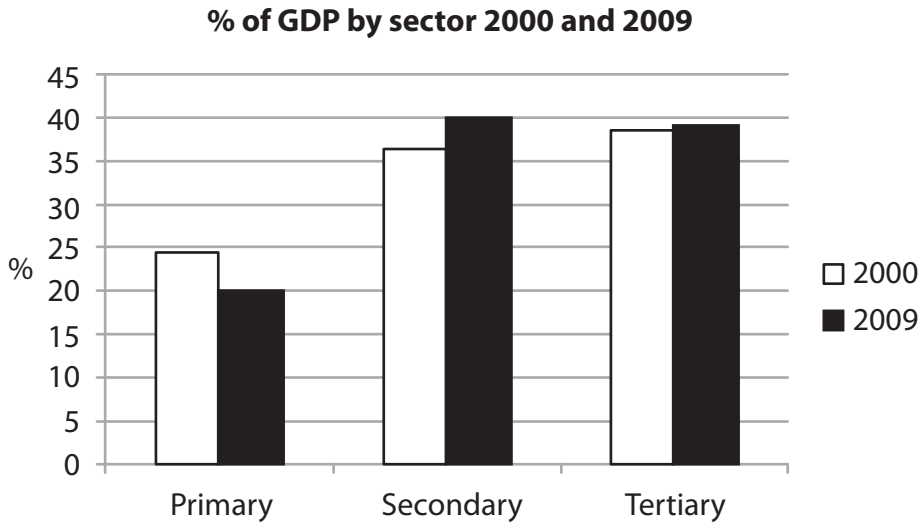


Figure 2a

Study Figure 2a

(a) (i) The data in Figure 2a indicates that Vietnam can be described as a

(1)

☒ Developing country

☒ Developed country

(ii) Explain your answer to (a)(i) with reference to the data in Figure 2a.

(3)

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Give an example of an occupation in each of the following sectors:

(iii) Primary

(1)

.....

(iv) Secondary

(1)

.....

(v) Tertiary

(1)

.....

(b) (i) What is meant by *productivity of labour*?

(2)

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.....

.....

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Figure 2b shows the percentage of the workforce employed in each sector in Vietnam and the percentage contribution to Gross Domestic Product (GDP) of each of the sectors.

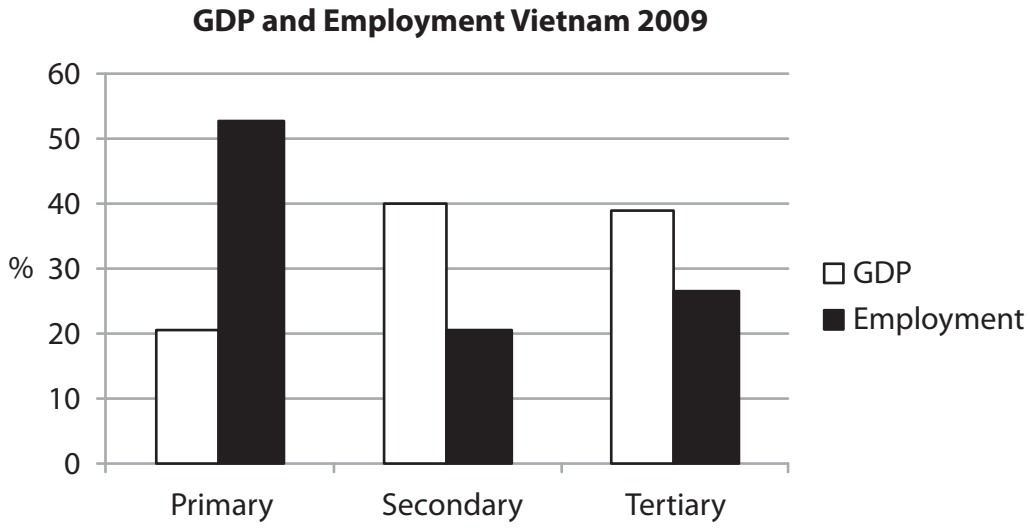


Figure 2b

(ii) Study Figure 2b. In which sector is labour productivity lowest?

(1)

- ☒ Primary sector
- ☒ Secondary sector
- ☒ Tertiary sector

(iii) Explain your answer to (b)(ii) using the data in Figure 2b.

(4)

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(iv) It is easier for firms in the secondary sector to increase productivity of labour than firms in the primary sector. Do you agree with this statement? Justify your answer.

(6)

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(c) In 1990 the telephone industry in Mexico was privatised. Now Telcel, a public limited company, is Mexico's largest mobile phone operator with about 75% of all mobile phone subscriptions.

Complete the sentences below from the following list.

shareholders	make profits
provide welfare benefits	the state
customers	revenue

(i) Before 1990 the telephone industry in Mexico was owned

by .....

(1)

(ii) Privatisation raises ..... for the government.

(1)

(iii) Since 1990 the public limited company Telcel has been owned

by .....

(1)

(iv) The main aim of a public limited company is to .....

(1)

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(v) Monopolies, like Telcel, are always bad for consumers. Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 2 = 30 marks)

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3 (a) (i) What happens to Gross Domestic Product when an economy is in recession?

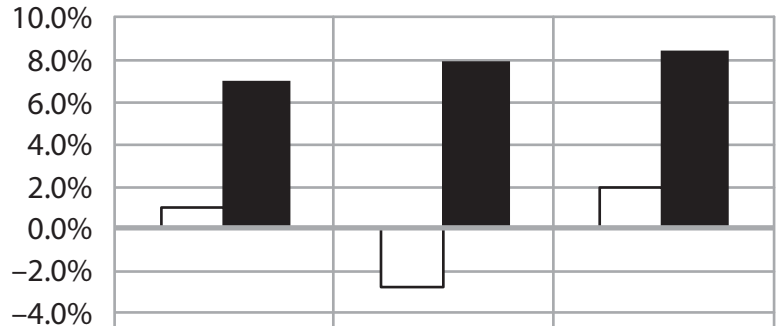
(1)

☒ It rises

☒ It falls

☒ It stays the same

Economic growth and unemployment in Belgium 2008–2010



	2008	2009	2010
□ Economic growth	1.0%	–2.8%	2.0%
■ Unemployment	7.0%	7.9%	8.4%

Figure 3a

Study Figure 3a.

(ii) In which year was the Belgian economy in recession?

(1)

.....

(iii) With reference to the data in Figure 3a, explain your answer.

(3)

.....

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.....

.....

.....

.....

.....

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(iv) Due to the recession the rate of unemployment in Belgium increased from 2008 to 2009. What is the name given to this type of unemployment?

(1)

- ☒ Frictional
- ☒ Seasonal
- ☒ Cyclical

(v) Identify and briefly explain **one** other economic problem, apart from unemployment, associated with recession.

(3)

(b) (i) A government's use of taxation and government expenditure to achieve economic objectives is called

(1)

- ☒ Fiscal policy
- ☒ Monetary policy
- ☒ Supply side policy

(ii) With the aid of examples distinguish between direct and indirect taxation.

(4)

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(iii) To increase total demand in the economy a government should reduce direct taxes rather than reducing indirect taxes. Do you agree with this statement? Give reasons for your answer.

(6)

(iv) Identify **two** main items of government expenditure.

(2)

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(v) To what extent does an increase in government expenditure reduce unemployment in a country? Give reasons for your answer.

(6)

(vi) Identify **two** supply side policies a government may use to reduce unemployment in an economy.

(2)

(Total for Question 3 = 30 marks)

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4 The East African Community (EAC) is a trading bloc which includes Burundi, Kenya, Rwanda, Tanzania and Uganda. The population of the bloc is over 124 million.

(a) (i) What is meant by a *trading bloc*?

(2)

(ii) Identify **two** advantages to consumers when their country joins a trading bloc.

(2)

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(iii) Do the advantages of a trading bloc outweigh the disadvantages for firms within the bloc? Justify your answer.

(6)

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(iv) Briefly describe **two** functions of the World Trade Organisation.

(4)

(b) (i) With the aid of a diagram on figure 4a, explain what is meant by a quota.

(5)



Figure 4a Quota diagram

Explanation:

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(ii) Study the following diagrams.

Diagram A

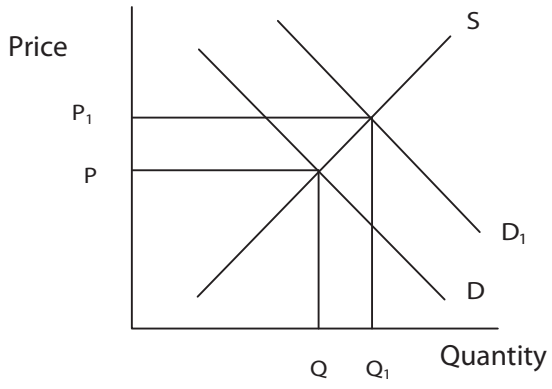


Diagram B

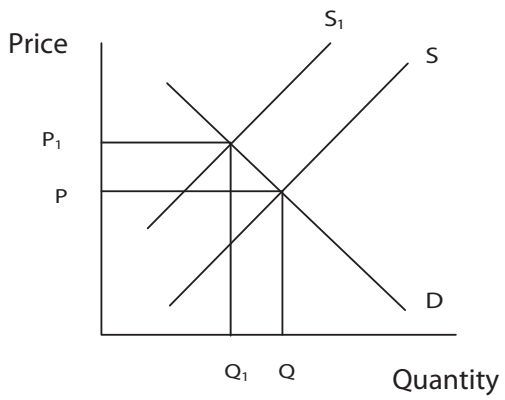


Diagram C

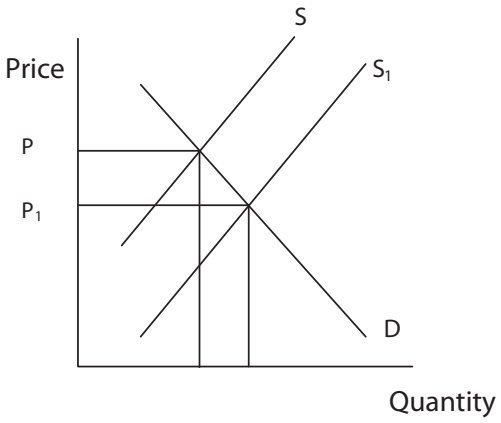
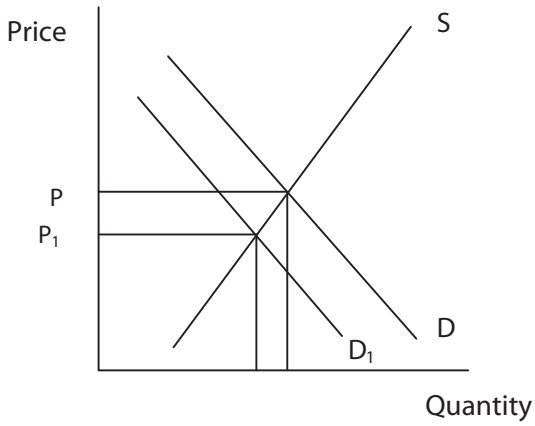


Diagram D



Which of the above diagrams, A, B, C or D, shows the effects of a tariff on imports?

(1)

- ☒ Diagram A
- ☒ Diagram B
- ☒ Diagram C
- ☒ Diagram D

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(iii) Explain your answer to (b)(ii).

(3)

(iv) Are quotas more effective than tariffs in reducing imports? Justify your answer.

(5)

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(v) Briefly explain **one** other way, apart from quotas and tariffs, in which a government can reduce imports.

(2)

.....

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.....

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(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS

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