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Pearson Edexcel
International GCSE

Centre Number | | | | | |

Candidate Number | | | | |

Economics

Paper 1

Friday 23 May 2014 – Afternoon
Time: 2 hours 30 minutes

Paper Reference
4EC0/01R

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.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- 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 Figure 1a below represents the world market for natural rubber.

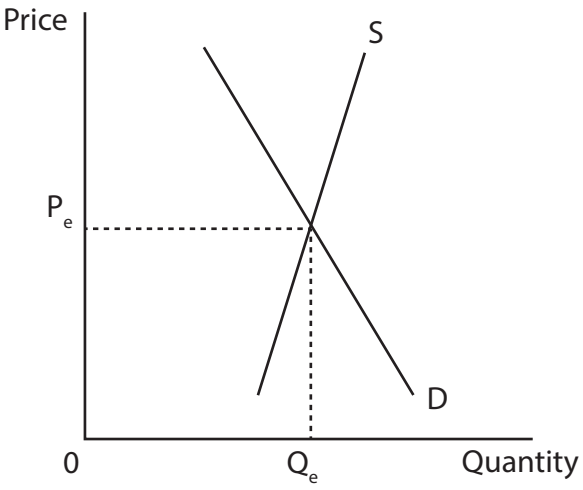


Figure 1a

Between October 2011 and October 2012 the price of natural rubber decreased by 21%. This fall in price was due to a decrease in world demand for natural rubber.

(a) (i) On Figure 1a, draw a new demand curve, D_1, to show the decrease in world demand for natural rubber.

(1)

(ii) On Figure 1a, label the new equilibrium price P_1 and quantity Q_1.

(2)

(iii) Identify and briefly explain **two** factors which may have led to a decrease in the world demand for natural rubber.

(4)

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(iv) What is meant by 'price elasticity of supply'?

(2)

Natural rubber is made from the juices inside rubber trees, grown mainly in three Asian countries that have a suitable wet and warm climate: Thailand, Indonesia and Malaysia. It takes seven years for the trees to mature before the juices can be turned into rubber. Rubber supply from plantations in South America has been reduced because many of the trees are diseased.

(v) This information shows that the supply of natural rubber is always price inelastic. Do you agree with this statement? Give reasons for your answer.

(6)

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Production of natural rubber in India is dominated by small firms where there is little division of labour.

(b) (i) Briefly explain **one** reason why small firms do not employ division of labour.

(2)

(ii) Identify **two** advantages of division of labour.

(2)

Figure 1b shows the demand and supply of natural rubber in India. In 2012 the government of India proposed to give a subsidy to farmers producing natural rubber.

(iii) On Figure 1b, illustrate the long run effect of this subsidy for natural rubber on price and output.

(3)

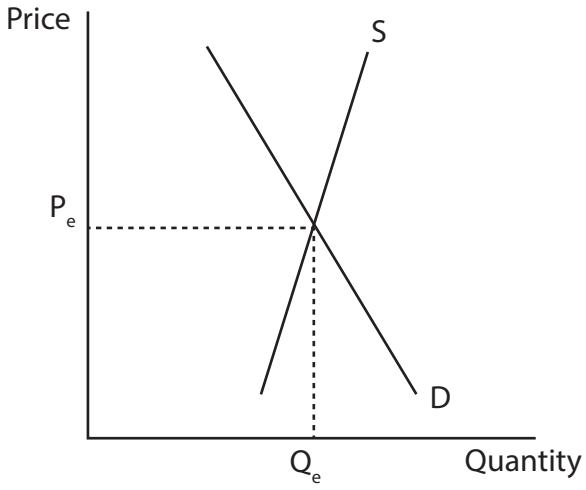


Figure 1b

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(iv) What is meant by 'opportunity cost'?

(2)

(v) The government subsidy for Indian farmers of natural rubber is a misuse of government money. Do you agree with this statement? Explain your answer.

(6)

(Total for Question 1 = 30 marks)

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2 Figure 2a shows grocery food market shares in the UK in 2012.

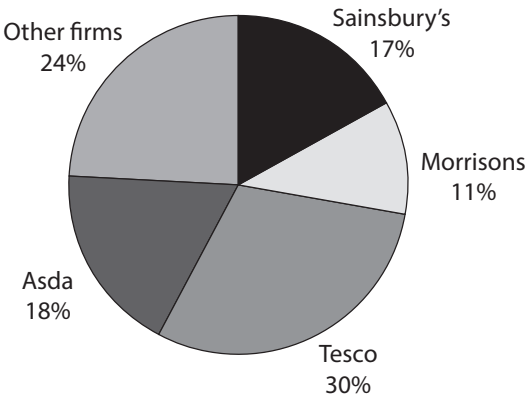


Figure 2a

(a) (i) Calculate the combined market share of the four largest grocery firms shown in Figure 2a.

(1)

.....

(ii) The grocery food market is described as an oligopoly in the UK. What is meant by the term 'oligopoly'?

(2)

.....

.....

.....

(iii) Identify and briefly explain **one** type of price competition and **one** type of non-price competition that a firm in an oligopoly market might use to increase market share.

(4)

Price competition: .....

.....

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.....

Non-price competition: .....

.....

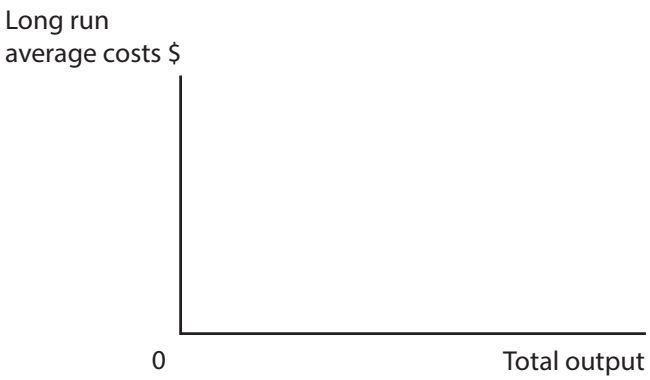
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(iv) Firms in an oligopoly market often achieve economies of scale. Using the diagram below, draw a curve to illustrate economies of scale.

(1)



(v) Briefly explain **one** type of economy of scale a firm in an oligopoly market might achieve.

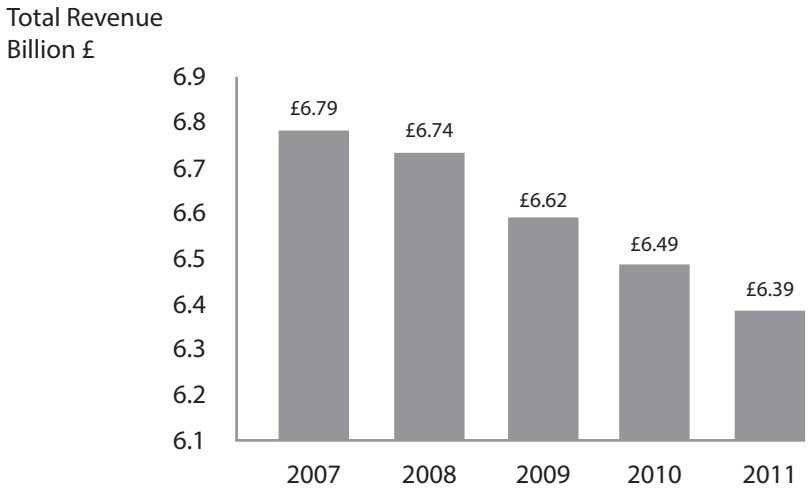
(2)

(vi) Diseconomies of scale and collusion show that consumers are always disadvantaged in an oligopoly market. Do you agree with this statement? Give reasons for your answer.

(6)

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Figure 2b shows the total revenue for Royal Mail between 2007 and 2011. Royal Mail is a company in the UK, which delivers letters and parcels.



(Source: The Times, 30th April 2012)

Figure 2b

(b) (i) Identify the trend in Royal Mail's total revenue.

(1)

.....

(ii) Explain **two** possible reasons for the trend in Royal Mail's total revenue shown in Figure 2b.

(4)

.....

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(iii) Royal Mail controls 99% of the letter delivery market in the UK. Royal Mail can best be described as

(1)

- ☒ a monopoly.
- ☒ an oligopoly.
- ☒ a conglomerate.
- ☒ a primary producer.

(iv) In 2013 Royal Mail was privatised. What is meant by the term 'privatisation'?

(2)

(v) Discuss the effects of privatisation on consumers and workers.

(6)

(Total for Question 2 = 30 marks)

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3 Table 3a shows economic data on Spain.

	2010	2011	2012
Economic growth	–0.3%	0.4%	–1.4%
ILO* measure of unemployment	20.1%	23.1%	26.6%

*ILO = International Labour Organisation

Table 3a

(a) (i) What is meant by the term 'economic growth'?

(2)

(ii) In which year was the economic growth in Spain greatest?

(1)

(iii) Briefly explain how economic growth might improve government finances.

(3)

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(iv) To what extent might expansionary fiscal policy reduce unemployment in a developed country such as Spain?

(6)

Table 3b shows the rate of inflation in Spain between 2010 and 2012.

Year	**2010**	**2011**	**2012**
CPI* inflation rate	1.8%	3.2%	2.4%

*CPI = Consumer Price Index

Table 3b

(b) (i) What happened to the price level between 2011 and 2012?

(1)

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(ii) An increase in world oil prices caused an increase in inflation in 2011. This type of inflation is best described as

(1)

- ☒ demand pull inflation.
- ☒ monetary inflation.
- ☒ cost push inflation.
- ☒ fiscal inflation.

(iii) Briefly explain the possible effects of rising inflation on savings and wages.

(4)

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Figure 3c shows the balance of payments on current account for Spain from 2010 to 2012.

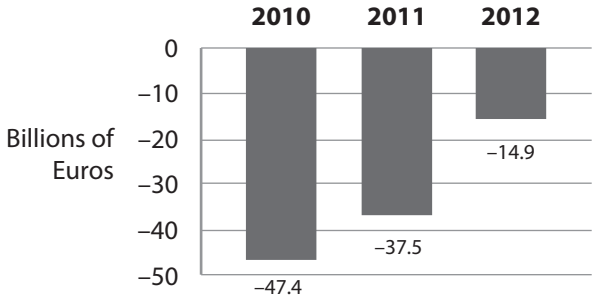


Figure 3c

(c) (i) Using the data in Figure 3c, describe what happened to the balance of payments on current account from 2010 to 2012.

(2)

(ii) The balance of payments on a country's current account includes visible trade and invisible trade. Explain the difference between visible trade and invisible trade.

(2)

(iii) What is meant by 'government supply side policy'?

(2)

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(iv) Supply side policies improve a country's economic growth. Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 3 = 30 marks)

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Question 4 is on the next page

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4 (a) (i) Xstrata is one of the world's largest mining companies, producing seven major commodities, including coal, copper, nickel and zinc. It operates in more than 20 countries, many of which are developing countries.

Xstrata is best described as a

(1)

- ☒ trade bloc.
- ☒ nationalised corporation.
- ☒ foreign aid donor.
- ☒ multinational company.

Table 4a shows information on Xstrata's business operations in 2011.

Total revenue $m	33 871
Taxes paid to governments $m	3 508
Total profit $m	8 431
Total investment $m	8 165
Number of employees	77 140

(Source: Xstrata.com)

Table 4a

(ii) Using the information in Table 4a, explain **two** likely benefits for the countries where Xstrata has its mining operations.

(4)

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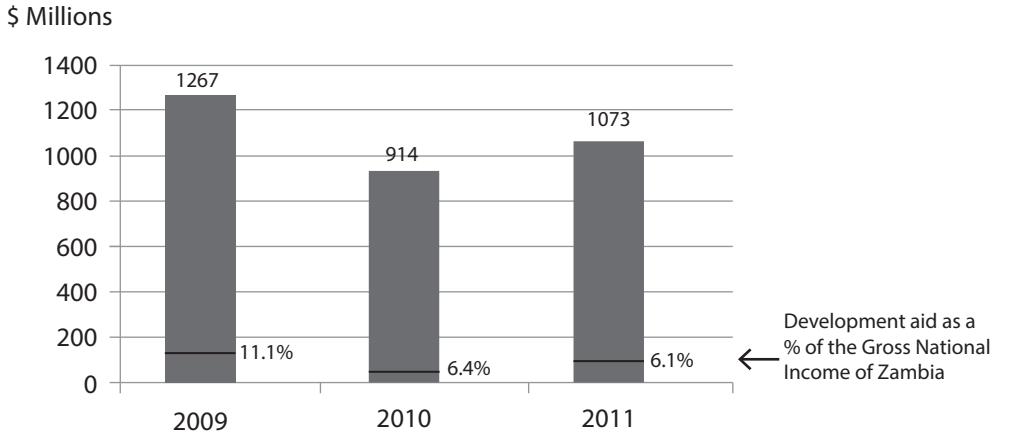
(iii) Identify and briefly explain **one** possible disadvantage for the countries where Xstrata has its mining operations.

(2)

(iv) Briefly explain **one** possible reason why Xstrata made high profits in the mining of commodities.

(2)

Figure 4b shows development aid flows to Zambia between 2009 and 2011.



(Source: UNDR 2012)

Figure 4b

(v) What is meant by 'development aid'?

(2)

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(vi) To what extent does development aid help to increase living standards in developing countries such as Zambia?

(6)

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Figure 4c shows the exchange rate of the US Dollar in terms of Japanese Yen from September 2012 to April 2013.



Figure 4c

(b) (i) In which month could 1 US Dollar be exchanged for 84 Yen?

(1)

.....

(ii) Which currency appreciated from October 2012 to March 2013?

(1)

☒ US Dollar

☒ Japanese Yen

(iii) In December 2012 the Japanese government decided to deliberately reduce the value of its currency in the foreign exchange market.

The effect of the change in the exchange rate was for Japanese

(1)

☒ import prices and export prices to both rise.

☒ import prices to rise and export prices to fall.

☒ import and export prices to both fall.

☒ import prices to fall and export prices to rise.

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(iv) Briefly explain why the Japanese government's action over its currency was criticised by the US government and European Union.

(2)

(v) What is meant by a 'trade bloc'?

(2)

(vi) Japan is developing closer links with the ASEAN trade bloc. The advantages for a country of being a member of a trade bloc exceed the disadvantages. Do you agree with this statement? Give reasons for your answer.

(6)

(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS