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Mark Scheme (Results)

June 2011

International GCSE

Economics 4EC0
Paper 01

PEARSON

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Question Number	Answer	Mark
1(a)(i)	Correct equilibrium price, P_1, 1 mark. Correct equilibrium quantity, Q_1, 1 mark.	**(2)**

Question Number	Answer	Mark
1(a)(ii)	New demand curve, D_2, to right of D_1.	**(1)**

Question Number	Answer	Mark
1(a)(iii)	Each factor identified, 1 mark. E.g. increase in incomes, population growth, advertising, consumer tastes/preferences for tea. Do not accept fall in price of tea	**(2)**

Question Number	Answer	Mark
1(a)(iv)	New supply curve, S_2, to left of S_1.	**(1)**

Question Number	Answer	Mark
1(a)(v)	New equilibrium price, P_2.	**(1)**

Question Number	Answer	Mark
1(a)(vi)	Each factor affecting supply of agricultural goods identified, 1 mark, development, 1 mark. E.g. growing period (1 mark) makes it difficult to increase supply in short run (1 mark). Each factor affecting supply of manufactured goods identified, 1 mark, development, 1 mark. E.g. if there are stocks of finished goods (1 mark) then supply can be easily increased (1 mark). Must have some evaluation/balanced argument for 5-6 marks. E.g. If the manufacturing industry is working at full capacity (1 mark) then it may be as difficult to increase supply of manufactured goods as agricultural goods (1 mark).	**(6)**

Question Number	Answer	Mark
1(b)(i)	Definition: Responsiveness of quantity demanded to a change in income. Also accept formula for 2 marks. Do not accept "increase in income leads to increase in demand".	**(2)**

Question Number	Answer	Mark
1(b)(ii)	C An Inferior good	**(1)**

Question Number	Answer	Mark
1(b)(iii)	Inferior good = Income falls/rises, demand increases/decreases (1 mark). Negative income elasticity of demand (1 mark). Normal good = Income falls/rises, demand falls/rises (1 mark). Positive income elasticity of demand. (1 mark)	**(4)**

Question Number	Answer	Mark
1(c)(i)	Average age (1 mark) of the population is increasing (1 mark). Reference to data, 1 mark. Also accept vague statement: More older people than younger people (1 mark). More detailed reference to data 2 marks i.e. giving percentages in age groups.	**(3)**

Question Number	Answer	Mark
1(c)(ii)	C = Government expenditure on health services will increase	**(1)**

Question Number	Answer	Mark
1(c)(iii)	Effects can refer to labour force, demand for products, taxation. Each effect identified supporting argument that ageing population causes problems for firms, 1 mark, development, 1 mark. Maximum 3 marks. E.g. lack of workers may increase wages. Demand may fall as older people rely only on pensions. Firms may face increased taxes on profits and expenditure to pay for increased dependent population. Each reason identified against argument that ageing population causes problems for firms, 1 mark, development, 1 mark. Maximum 3 marks. E.g. older workforce may be less likely to change jobs – less need to train new workers. **Must have both sides for 4 marks.** Evaluative statement/reasoned decision up to 2 marks. An ageing population may result in more changes for firms due to fall in the labour force. The extent of the problems caused can be limited by government policies e.g. raising the retirement age.	**(6)**

Question Number	Answer	Mark
2(a)(i)	02 = 1 mark It has 28%, 1 mark. Because of ambiguity in the question also accept Orange = 1 mark It has 22% 1 mark	**(2)**

Question Number	Answer	Mark
2(a)(ii)	1 mark for Orange plus T mobile have largest market share 1 mark for it increased to 37%	**(2)**

Question Number	Answer	Mark
2(a)(iii)	A = Horizontal merger	**(1)**

Question Number	Answer	Mark
2(a)(iv)	Rationalisation will occur (1 mark) as some jobs will be duplicated (1 mark) Also accept firm will not need the same number of managers or similar examples (1 mark)	**(2)**

Question Number	Answer	Mark
2(a)(v)	private	**(1)**

Question Number	Answer	Mark
2(a)(vi)	profits	**(1)**

Question Number	Answer	Mark
2(a)(vii)	Each benefit identified, 1 mark, maximum 2. Development 1 mark. e.g. Firms may become more efficient as they spend more on research and development and less on combating competition. Each disadvantage identified, 1 mark, maximum 2. Development 1 mark. Less competition in the market so prices may rise and there is less choice. Maximum for one sided argument 3 marks. For identifying benefits and disadvantages max 4 marks Must explain both advantages and disadvantages for 5 marks. One sided argument max 3 marks Must have advantages and disadvantages for 5 marks.	

	1 mark for evaluation/reasoned conclusion e.g. the benefits to consumers will depend on the number of firms in the industry after the merger. A resulting monopoly may lead to few benefits for consumers.	**(6)**

Question Number	Answer	Mark
2(b)(i)	Example identified, 1 mark. E.g. pollution, global warming.	**(1)**

Question Number	Answer	Mark
2(b)(ii)	Reason identified, 1 mark e.g. health problems of pollution. Development, 1 mark e.g. cost of treatment, work days lost.	**(2)**

Question Number	Answer	Mark
2(b)(iii)	Canadian government: State funded discount makes electric cars cheaper (1 mark) so increases demand (1 mark). Korean government: Injection into industry: improves technology (1 mark) making electric cars more attractive/efficient to consumers (1 mark).	**(4)**

Question Number	Answer	Mark
2(b)(iv)	Each method identified, 1 mark. E.g. increase tax on petrol/diesel cars. Increase price of petrol/diesel. Reduce pollution from petrol/diesel engines. Decrease cost of public transport. Congestion charge in city centres.	**(2)**

Question Number	Answer	Mark
2(b)(v)	Explanation or advantage or disadvantage of each method up to 3 marks. Must consider both methods for 4 marks. Must have some reasoned judgement for 5-6 marks. E.g. Methods: 1.increase tax on petrol 2.decrease cost of public transport. "Increasing the cost of petrol will make using cars more expensive (1 mark) so people will try to use them less thereby reducing pollution (1 mark). If public transport becomes cheaper people will use this rather than their cars (1 mark) but if the public transport is diesel buses there will still be pollution (1 mark). I think decreasing the cost of	**(6)**

	public transport is better because increasing the cost of petrol could lead to inflation (1 mark) which is bad for the economy (1 mark)."	

Question Number	Answer	Mark
3(a)(i)	Increase/change (1 mark) in a country's GDP/output (1 mark) over a period of time (1 mark).	**(3)**

Question Number	Answer	Mark
3(a)(ii)	Negative economic growth or fall in GDP (1mark). Reference to data 2 marks e.g. fall from 6% in 2007 to -3% in 2008.	**(3)**

Question Number	Answer	Mark
3(a)(iii)	Each reason, 1 mark. E.g. increase employment, increase standard of living, increase output.	**(2)**

Question Number	Answer	Mark
3(b)(i)	Government expenditure is greater than government revenue.	**(2)**

Question Number	Answer	Mark
3(b)(ii)	2008	**(1)**

Question Number	Answer	Mark
3(b)(iii)	C (Fiscal policy)	**(1)**

Question Number	Answer	Mark
3(b)(iv)	Reason identified (1 mark) e.g. unemployment high, lower demand Explanation (2 marks) e.g. less income (1 mark), less income tax revenue (1 mark). Less spending (1 mark) less indirect tax (1 mark).	**(3)**

Question Number	Answer	Mark
3(b)(v)	1 mark for identifying an increase in government expenditure can be used to increase economic growth 3 marks for development E.g. The government can increase (1 mark) its expenditure to increase economic growth. If it builds more roads (1 mark) then more people will	

	be employed (1 mark) and there will be more demand in the economy (1 mark). Evaluation/limitation/problems 2 marks. e.g. if demand increases imports it fails to increase economic growth. If income is saved to will fail to increase economic growth. Problem of government debt/opportunity cost – less to spend on health etc.	**(6)**

Question Number	Answer	Mark
3(c)(i)	Bulgaria	**(1)**

Question Number	Answer	Mark
3(c)(ii)	Income tax (1 mark) Explanation 1 mark. Direct taxes are taxes on income and wealth (1 mark)	**(2)**

Question Number	Answer	Mark
3(c)(iii)	Each advantage identified, 1 mark (up to 2), development, 1 mark Each disadvantage identified, 1 mark (up to 2), development, 1 mark One sided argument maximum 3 marks. Must have evaluation for 5 to 6 marks. E.g. Indirect taxes have an element of choice (1 mark) – buy the good pay the tax or don't buy it (1 mark). They are regressive (1 mark) as the poor pay the same tax on a good as the rich (1 mark). If the good is a necessity then the poor have no choice (1 mark), they have to pay the tax and so their living standards fall (1 mark). This shows that the disadvantages outweigh the advantages for the poor (1 mark).	**(6)**

Question Number	Answer	Mark
4(a)(i)	Accept: September 2009 or Sept 2009 or Sep 09 etc. Also accept September/Sept.	**(1)**

Question Number	Answer	Mark
4(a)(ii)	110 Kenyan Shillings	**(1)**

Question Number	Answer	Mark
4(a)(iii)	February 2009 or Feb 2009 etc Also accept February/Feb	**(1)**

Question	Answer	Mark

Number		
4(a)(iv)	Kenyan Shilling (KSH)	**(1)**

Question Number	Answer	Mark
4(a)(v)	Depreciate	**(1)**

Question Number	Answer	Mark
4(a)(vi)	Appreciate	**(1)**

Question Number	Answer	Mark
4(a)(vii)	Appreciate	**(1)**

Question Number	Answer	Mark
4(a)(viii)	Foreigners will want to put their savings into the banks in the country to earn a high rate of interest (1 mark) so will demand the currency (1 mark). Also accept reference to "hot money flows". (1 mark) "Hot money flows into the country (1 mark) so increasing demand for the currency (1 mark).	**(2)**

Question Number	Answer	Mark
4(b)(i)	Visible imports are greater than visible exports (3 marks) Imports greater than exports (2 marks)	**(3)**

Question Number	Answer	Mark
4(b)(ii)	Explanation of how depreciation improves the balance of trade = 4 marks. E.g. Depreciation will make imports more expensive (1 mark) so demand will fall in the country (1 mark) and exports cheaper (1 mark) so demand for the country's exports will rise (1 mark). Reference to elasticity of demand for imports and exports as limiting factor up to 2 marks.	**(6)**

Question Number	Answer	Mark
4(b)(iii)	Each method identified, 1 mark. Development, 1 mark E.g. subsidies: reduce costs of production Cheap loans to exporters, reduce costs. Information to exporters about foreign markets.	**(4)**

Question Number	Answer	Mark
4(c)(i)	Euro countries. Do NOT accept European countries	**(1)**

Question Number	Answer	Mark
4(c)(ii)	30bn KSH	**(1)**

Question Number	Answer	Mark
4(c)(iii)	Each argument for increasing standard of living, 1 mark (up to 2), development 1 mark. Each argument against increasing standard of living, 1 mark (up to 2), development 1 mark. One sided argument maximum 3 marks. Must have reasoned judgement for 5-6 marks. e.g. Governments can use the money borrowed to improve productivity in the country (1 mark) by investing in new agricultural machinery (1 mark). It can also improve the infrastructure which might attract multinationals (1 mark). If the money isn't spent wisely (1 mark) e.g. buying weapons then the standard of living will not rise (1 mark). An improvement in the standard of living therefore depends on the government and how it spends the money (1 mark).	**(6)**

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