



Mark Scheme (Results)

Summer 2012

IGCSE 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.

Question Number	Answer	Mark
1(a)(i)	Demand curve and supply curve correctly labelled, 1 mark.	(1)

Question Number	Answer	Mark
1(a)(ii)	Equilibrium price correctly labelled, 1 mark	(1)

Question Number	Answer	Mark
1(a)(iii)	New supply curve, S_1 , to left of S , 1 mark Supply curve must be perfectly inelastic	(1)

Question Number	Answer	Mark
1(a)(iv)	New equilibrium price correctly labelled, 1 mark	(1)

Question Number	Answer	Mark
1(a)(v)	Perfectly inelastic (1 mark)	(1)

Question Number	Answer	Mark
1(a)(vi)	Growing wheat for flour (1 mark)	(1)

Question Number	Answer	Mark
1(b)(i)	Correct definition, 2 marks: Change in price leads to a less than proportionate change in quantity demanded. Vague definition 1 mark Reference to total revenue 2 marks: As price rises TR rises, as price falls TR falls. Also accept "price and TR move in the same direction" for 2 marks. If only mention price rise or fall and TR then 1 mark	(4)

Question Number	Answer	Mark
1(b)(ii)	Reason and explanation why demand for flour is inelastic e.g. flour makes bread which is a necessity, 2 marks. Credit responses which argue that flour is not a necessity in some countries e.g. Bangladesh Reason and explanation why demand for	

	chocolate is elastic e.g. Luxury goods we can live without, 2 marks. Must have both sides of the argument (refer to both flour and chocolate) for 4 marks One sided responses maximum 3 marks. Must have evaluation/argument contradicting statement for 5 – 6 marks. E.g. substitutes for flour e.g. rice, might make it more elastic but it is still likely to be less elastic than chocolate which also has substitutes.	(6)
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Question Number	Answer	Mark
1(c)(i)	1 mark for original equilibrium wage rate 1 mark for minimum wage rate (higher than equilibrium) 1 mark for original number of workers employed 1 mark for new number employed (lower than original)	(4)

Question Number	Answer	Mark
1(c)(ii)	Trade Union: organisation of workers/members (1 mark) to improve their pay and conditions (1 mark). Also accept collective bargaining (1 mark)	(2)

Question Number	Answer	Mark
1(c)(iii)	Mixed economy: Resources are allocated through price mechanism (1 mark) and the state (1 mark). Also accept resources owned by private and public sectors for 2 marks	(2)

Question Number	Answer	Mark
1(c)(iv)	Reasons why TU's can increase wages and protect employment 1 mark for reason up to 2 reasons, 1mark for development e.g. strength of TU (1 mark) which depends on the % of workers who are members (1 mark). Reasons why TU's can't increase wages and protect employment 1 mark for reason up to 2 reasons, 1mark for development. e.g. ease with which workers can be replaced with machines (1 mark). If machines can easily replace workers and will prove cheaper in the	

	long run then workers will lose their jobs (1 mark) Must have both sides of the argument for 4 marks One sided responses maximum 3 marks. Must have evaluation/reasoned judgement for 5 – 6 marks. e.g. The state of the economy can outweigh the strengths of the TU and their weaknesses. If economy in recession then difficult for TU's to protect jobs let alone increase wages. If candidates only refer to methods of achieving increased wage rates for workers max 1 mark e.g. industrial action (1 mark).	(6)
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Question Number	Answer	Mark
2(a)(i)	Developing country (1 mark)	(1)

Question Number	Answer	Mark
2(a)(ii)	Reference to changes between 2000 – 2009 up to 2 marks. E.g. • Fall in % contributed by primary sector • Rise in % contributed by secondary sector • Rise in % contributed by tertiary sector Need at least one numerical example for 3 marks e.g. primary sector fell by almost 5%.	(3)

Question Number	Answer	Mark
2(a)(iii)	Primary: accept relevant example (farming, fishing, mining, forestry). 1 mark	(1)

Question Number	Answer	Mark
2(a)(iv)	Secondary: accept relevant example (any occupation from manufacturing industry). 1 mark	(1)

Question Number	Answer	Mark
2(a)(v)	Tertiary : accept relevant example (any occupation from service industry). 1 mark	(1)

Question Number	Answer	Mark
2(b)(i)	Accept definition: the amount produced by a unit of labour, 2 marks Also accept: amount produced / number of workers, 2 marks. 1 mark for vague definition. No marks for reference to "total production"	(2)

Question Number	Answer	Mark
2(b)(ii)	Primary, (1 mark)	(1)

Question Number	Answer	Mark
2(b)(iii)	Explanation with reference to primary sector = 2 marks e.g. % of GDP contributed by primary sector = 20% but % employed in the sector was 50% Need reference to other sectors for additional 2 marks e.g. in both other sectors % contribution to GDP greater than % employed, 1mark. Reference to data 1 mark e.g. Secondary 40% of GDP but only 20% employed.	(4)

Question Number	Answer	Mark
2(b)(iv)	1 mark for method of increasing productivity in secondary sector, 1 mark for development. e.g. increased use of machinery which can be used 24 hours a day. 1 mark for method of increasing production in primary sector, 1 mark for development. e.g. use of fertilisers, increases yield For 4 marks must have 2 different methods (one method in each) i.e. only up to 3 marks if give same method e.g. introduce new technology. Need evaluation/justified argument for or	

	against statement for 5 to 6 marks. 1. Can argue that statement is correct e.g. increasing productivity is limited as output limited by scarce resources e.g. land and can be affected by factors outside control of man. 2. Can argue that it is incorrect e.g. primary has access to same methods as secondary e.g. machines, training and so can increase productivity to the same extent.	(6)
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Question Number	Answer	Mark
2(c)(i)	Answer = the state, (1 mark)	(1)

Question Number	Answer	Mark
2(c)(ii)	Answer = revenue, (1 mark)	(1)

Question Number	Answer	Mark
2(c)(iii)	Answer = shareholders, (1 mark)	(1)

Question Number	Answer	Mark
2(c)(iv)	Answer = make profits, (1 mark)	(1)

Question Number	Answer	Mark
2(c)(v)	Advantage of monopoly identified, 1 mark maximum 2 Development 1 mark. e.g. prices may be lower (1 mark) due to economies of scale (1 mark) Disadvantage of monopoly identified, 1 mark maximum 2 Development 1 mark. e.g. prices may be higher (1 mark) due to lack of competition (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. Government interference to curb the bad aspects of monopoly (1 mark) e.g. regulate the price, can make monopolies good for consumers.	(6)

Question Number	Answer	Mark
3(a)(i)	It falls (1 mark)	(1)

Question Number	Answer	Mark
3(a)(ii)	2009 (1 mark)	(1)

Question Number	Answer	Mark
3(a)(iii)	Explanation = Economic growth (1 mark) was negative (1 mark) at -2.8% (1 mark) GDP fell = 1 mark	(3)

Question Number	Answer	Mark
3(a)(iv)	Cyclical (1 mark)	(1)

Question Number	Answer	Mark
3(a)(v)	Problem identified, 1 mark. E.g. fall in standard of living, bankruptcies. Development, 2 marks e.g. low incomes due to unemployment leads to fall in consumption of goods and services.	(3)

Question Number	Answer	Mark
3(b)(i)	Fiscal policy (1 mark)	(1)

Question Number	Answer	Mark
3(b)(ii)	Direct taxes = taxes on income and wealth, 1 mark. e.g. income tax, corporation tax, capital gains tax, 1 mark Indirect taxes = taxes on expenditure, 1 mark. e.g. VAT, 1 mark	(4)

Question Number	Answer	Mark
3(b)(iii)	How reducing direct taxes increase demand = 2 marks e.g. workers left with more disposable income (1 mark) as less income tax taken from wages (1 mark). How reducing indirect taxes increase demand = 2 marks e.g. prices fall (1 mark)	

	so consumer can buy more with his/her income (1 mark). Need reasoned judgement for 5-6 marks. When left with more disposable income workers may decide to save more and not increase demand (1 mark). Lower prices due to lower indirect taxes may be more likely to stimulate demand as low prices appear to be a good deal (1 mark). Also accept in favour of direct taxes or a judgement that there is no difference between the two.	(6)
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Question Number	Answer	Mark
3(b)(iv)	Only accept <u>main</u> items. 1 mark for each correct item identified. E.g. education, health, social security (accept pensions as separate item), defence, infrastructure, law and order.	(2)

Question Number	Answer	Mark
3(b)(v)	Each reason why increased government expenditure does reduce unemployment, 1 mark, maximum 2 marks. E.g. some government expenditure e.g. road building creates jobs directly Each reason why it may not reduce unemployment 1 mark, maximum 2 marks. E.g if expenditure is on imported goods like defence then no jobs are created.	

	Maximum for 1 sided arguments = 3 marks Maximum for both sides = 4 marks Need reasoned conclusion/judgement for 5-6 marks. Government expenditure e.g. depends on type of expenditure and state of the economy e.g. spending on re-training will only reduce unemployment if there are jobs available.	(6)
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Question Number	Answer	Mark
3(b)(vi)	Each supply side policy identified, 1 mark. e.g. education, training, deregulation.	(2)

Question Number	Answer	Mark
4(a)(i)	Group of countries (1 mark) which have a free trade agreement between themselves (1 mark).	(2)

Question Number	Answer	Mark
4(a)(ii)	Each advantage identified, 1 mark. E.g. more variety, cheaper.	(2)

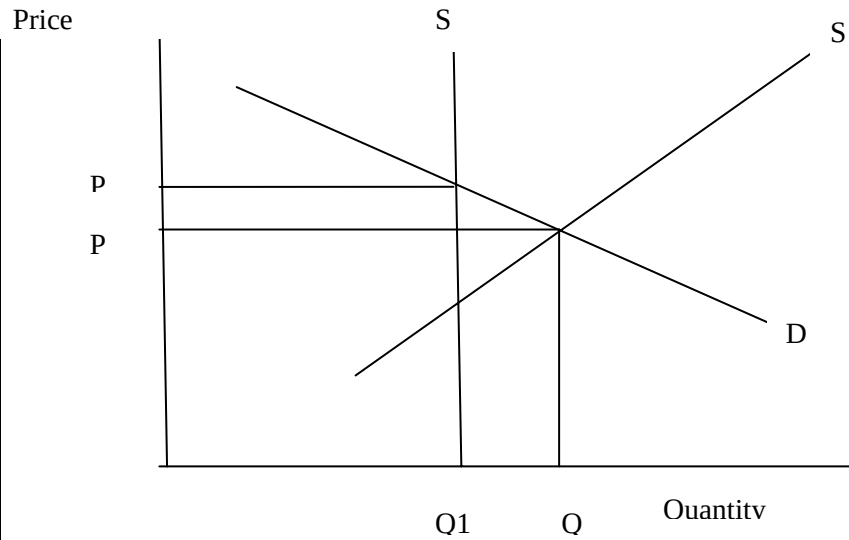
Question Number	Answer	Mark
4(a)(iii)	Each advantage identified, 1 mark up to 2. Each advantage of trading bloc to firm identified, 1 mark maximum 2 Development 1 mark. e.g. increased profits (1 mark) due to increased market (1 mark)	

	Disadvantage of trading bloc identified, 1 mark maximum 2 Development 1 mark. e.g. greater competition (1 mark) so may reduce sales (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. Depends if firm adjusts to competition or is forced to close down. If it becomes more efficient then markets outside the bloc may also become available.	(6)
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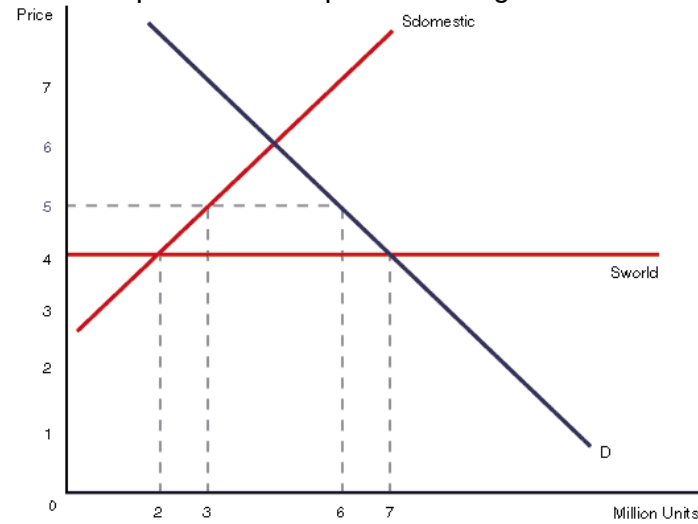
Question Number	Answer	Mark
4(a)(iv)	Each function identified, 1 mark. Development, 1 mark. e.g. to reduce trade barriers (1 mark) via a series of meetings between countries called rounds (1 mark) To settle trade disputes/conflicts between countries (1 mark) by negotiations to reduce unfair trade barriers (1 mark) Also accept: To reduce trade barriers (1 mark) to encourage world trade (1 mark)	(4)

Question Number	Answer	Mark
4(b)(i)	Diagram only up to 4 marks • 1 mark for D and S curves • 1 mark for equilibrium price • 1 mark for perfectly inelastic supply curve and 1 mark for associated higher price	

Accept the following diagrams
Simple diagram, :



Also accept more complicated diagram :



Explanation only up to 2 marks e.g. limits supply (1 mark), price rises (1 mark)
Expect combination 4 +1 marks

Question Number	Answer	Mark
4(b)(ii)	B (1 mark)	(1)

Question Number	Answer	Mark
4(b)(iii)	A tariff is a tax/levy (1 mark) so supply	

	shifts to the left/falls (1 mark) and price is increased (1 mark)	(3)
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Question Number	Answer	Mark
4(b)(iv)	Each reason for success/failure 1 mark, max 2. e.g. Tariffs increase price but the import is still available (1 mark). Quotas are more successful because no matter how much people demand the import no more will be available because supply is limited (2 marks). Must have reference to both tariffs and quotas for 3 marks. Must have evaluation/judgement for 4-5 marks: • Credit reference to elasticity e.g. extent of change depends on elasticity of demand (up to 2 marks) • limits of both depend on the level of the tariff or the quota limit (up to 2 marks)	(5)

Question Number	Answer	Mark
4(b)(v)	Method identified, 1 mark. Development, 1 mark e.g. red tape (1 mark) governments place restriction of trade in the form of health and safety checks which take time and reduce supply to the market.	(2)

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