

Write your name here	
Surname	Other names
Pearson Edexcel	Centre Number
International GCSE	Candidate Number
Economics Paper 1	
Monday 6 June 2016 – 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.*
- 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 the 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 shows the market for coffee.

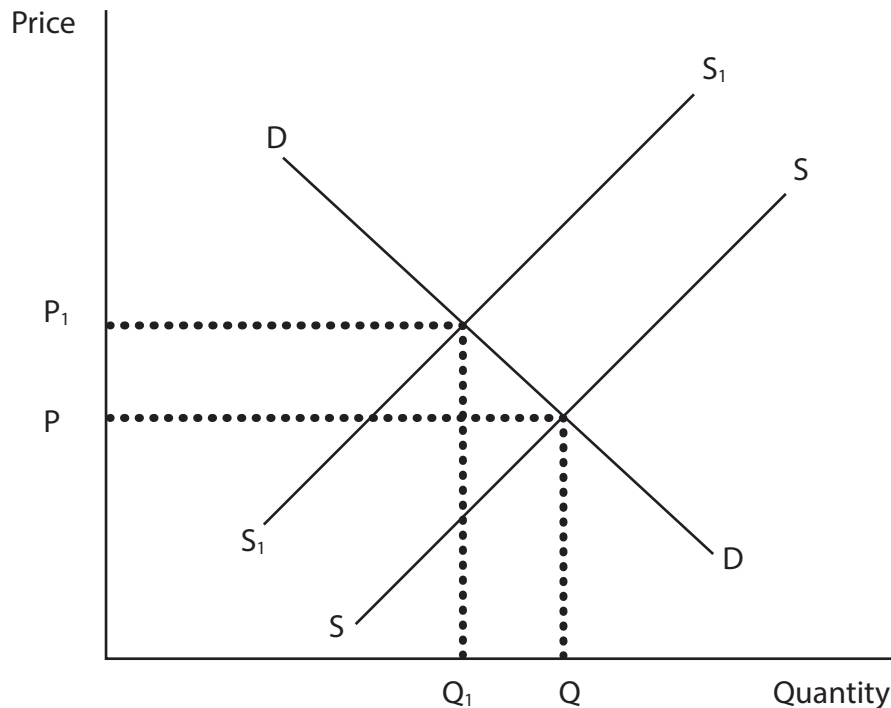


Figure 1a

(a) (i) In Figure 1a the shift in the supply curve from S to S_1 is most likely to have resulted from

(1)

- ☐ **A** an increased preference for coffee by consumers
- ☐ **B** improved technology in the coffee industry
- ☐ **C** an increase in the wages of coffee plantation workers
- ☐ **D** a fall in consumer incomes



Since October 2014 global coffee prices have been on a downward trend.

- (ii) Identify and briefly explain **one demand** factor which might have led to this **downward trend** in prices.

(2)

- (iii) Identify and briefly explain **one supply** factor which might have led to this **downward trend** in prices.

(2)

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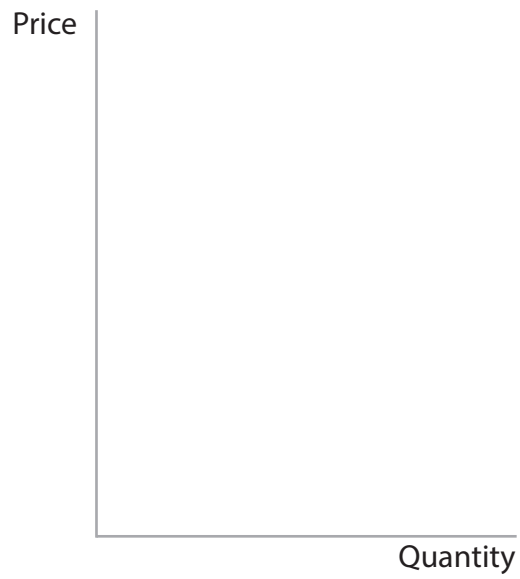
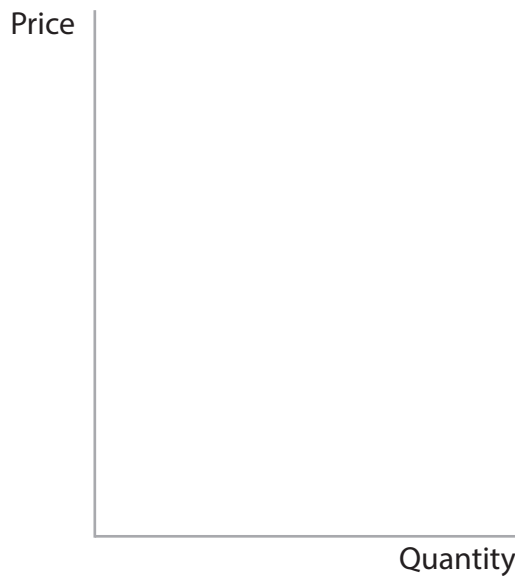
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- (iv) Explain the difference between price elastic and price inelastic supply. Use appropriate diagrams to illustrate your answer. Draw your diagrams in the space provided.

(5)



Explanation

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(b) (i) Briefly explain what is meant by the economic term scarcity.

(2)

(ii) The economic problem means decisions need to be made about:

(1)

- ☐ **A** What to produce, How to produce, For whom to produce
- ☐ **B** What to produce, When to produce, For whom to produce
- ☐ **C** What to produce, How to produce, Where to produce

The UK has recently discovered a new energy source called shale gas.

(iii) Annotate Figure 1b, the production possibility curve for the UK, to indicate the discovery of shale gas in the UK.

(1)

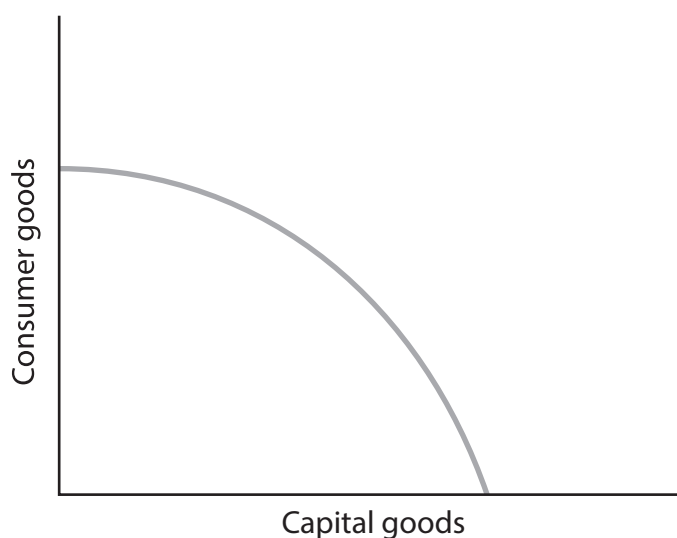


Figure 1b



(iv) Assess the likely effects on the UK economy of the discovery of shale gas.

(6)

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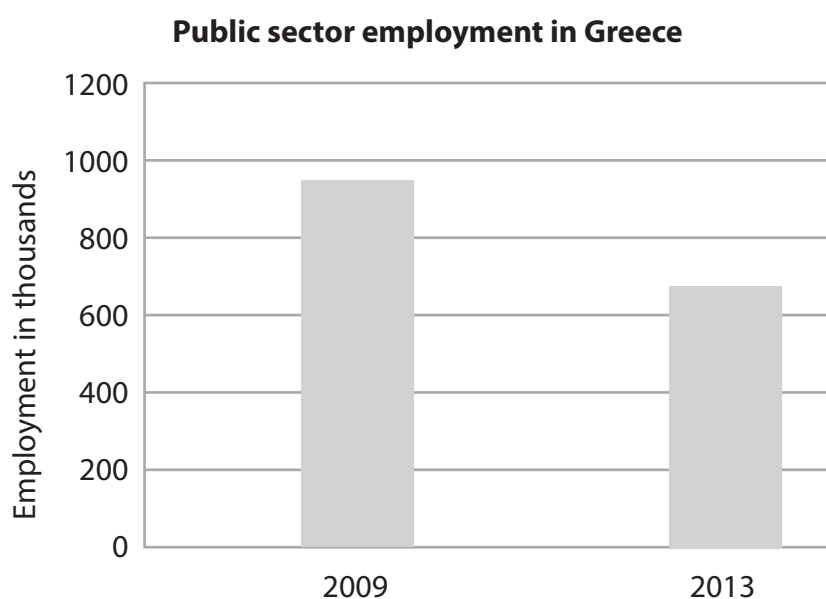
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(c) (i) Briefly explain what is meant by the public sector.

(2)

Figure 1c shows public sector employment in Greece in 2009 and 2013.



(Source: <http://greece.greekreporter.com>)

Figure 1c

(ii) Referring to the data in Figure 1c, describe what has happened to public sector employment in Greece.

(2)



In 2015, **public sector** bank workers in India called off a strike after a wage increase was agreed.

(Source: <http://www.financialexpress.com/article/industry/banking-finance/public-sector-bank-workers-call-off-strike-after-pay-deal/46485/>)

- (iii) A wage increase for **public sector** bank workers in India will lead to some public sector bank workers losing their jobs. Do you agree with this statement? Give reasons for your answer.

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(Total for Question 1 = 30 marks)



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2 (a) Table 2 shows costs for a taxi firm. Fill in the missing values in Table 2.

Output (number of journeys)	Total fixed costs £	Total variable costs £	Total cost £	Average total cost £
1 000	(i)	5 000	6 000	(ii)
2 000	1 000	9 000	(iii)	5

Table 2

(3)

Space for workings if required.

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(iv) Identify **one** possible example of a fixed cost for a taxi firm.

(1)

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(v) Explain why the example you have given in (a)(iv) can be considered a fixed cost.

(2)

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- (vi) The taxi firm charges an average of £11 per taxi journey. Calculate the expected total profit if the taxi firm makes 2,000 journeys in a year. Show your workings.

(2)

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- (b) (i) With the aid of a diagram, distinguish between **internal** economies and diseconomies of scale. Draw your diagram in the space provided.

(5)

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Explanation

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- (ii) Assess the importance of **external** economies of scale to firms. Illustrate your answer with examples.

(6)

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(c) (i) Social benefit is

(1)

- ☐ **A** social benefit = private costs + external costs
- ☐ **B** social benefit = private benefit – external benefit
- ☐ **C** social benefit = private benefit + external benefit

Crossrail will be a new railway line running across London from west to east. It is due to be completed by 2018.

(ii) Identify and briefly explain **one** possible **private** benefit of a transport project like Crossrail.

(2)

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(iii) Identify and briefly explain **one** possible **external** benefit of a transport project like Crossrail.

(2)

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The Chinese government wishes to discourage economic activity that results in external costs to society. Car pollution is a significant external cost in Beijing.

- (iv) Evaluate **two** measures the Chinese government could use to minimise the external costs resulting from car pollution in Beijing.

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(Total for Question 2 = 30 marks)



3 (a) (i) Define the term economic cycle.

(2)

Figure 3 shows Gross Domestic Product (GDP) quarterly growth rate in Spain from 2012 to 2015.



(Source: www.tradingeconomics.com / National Statistics Institute)

Figure 3

Between July 2012 and July 2013 Spain experienced a recession.

(ii) With reference to the data in Figure 3, explain what is meant by the term 'recession'.

(4)

(iii) Identify **one** characteristic of recession.

(1)

During 2013 the Spanish economy entered a period of positive economic growth as measured by GDP.

(iv) Identify and briefly explain **two** limitations of GDP as a measure of economic growth.

(4)

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- (v) Expansionary fiscal policy will always stimulate economic growth. Do you agree with this statement? Give reasons for your answer.

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(b) (i) Identify and explain **two** functions of money.

(4)

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(ii) What type of inflation is caused by a rise in oil prices?

(1)

- ☐ **A** Cost push
- ☐ **B** Demand pull
- ☐ **C** Money supply

(iii) Briefly explain how an increase in the money supply leads to inflation.

(2)

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(iv) Examine **two negative** consequences of a sustained period of inflation for the Spanish economy.

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(Total for Question 3 = 30 marks)



4 (a) (i) Briefly explain what is meant by currency speculation.

(2)

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Complete Table 4 below to indicate how each change is likely to affect the value of a currency in a country.

(3)

Changes affecting exchange rate	Appreciate	Depreciate
(ii) Interest rates in the country fall	☐	☐
(iii) Increase in foreign direct investment to the country	☐	☐
(iv) An increase in total amount spent on imports by the country	☐	☐

Table 4

(v) Briefly explain your answer to (a)(iii).

(2)

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(vi) Briefly explain the likely impact of an appreciation of a country's currency on its imports.

(3)

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(b) (i) Identify and briefly explain **two** activities of the World Trade Organisation.

(4)

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(ii) What is a trade bloc?

(2)

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In 2015, the Tripartite Free Trade Area (TFTA) was established in Africa. This trade bloc includes more than half of the countries in Africa.

(Source: <http://www.brookings.edu/blogs/africa-in-focus/posts/2015/06/17-tripartite-free-trade-area-andriamananjara>)

- (iii) The advantages of becoming a member of a trade bloc outweigh the disadvantages. Do you agree with this statement? Give reasons for your answer.

(6)

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(c) (i) What is meant by international debt?

(2)

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- (ii) To what extent is aid to a developing country likely to lead to an increase in that country's standard of living? Give reasons for your answer.

(6)

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(Total for Question 4 = 30 marks)

TOTAL FOR PAPER = 120 MARKS

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