

Please check the examination details below before entering your candidate information

Candidate surname					Other names				
Pearson Edexcel		Centre Number			Candidate Number				
International GCSE									
Friday 18 January 2019									
Morning (Time: 2 hours 30 minutes)					Paper Reference 4EC0/01				
Economics									
Paper 1									
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. Write your answers in the spaces provided.

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 represents the demand and supply of electric cars.

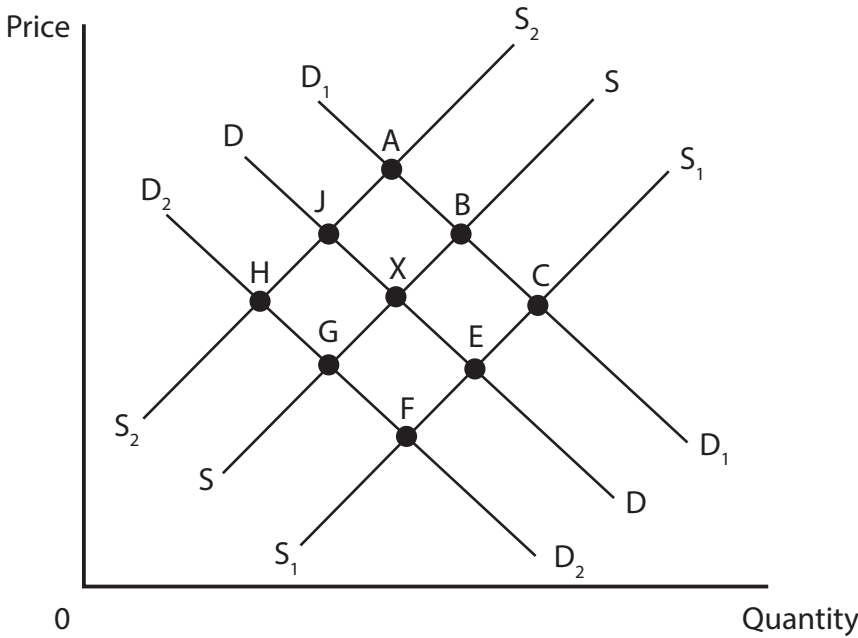


Figure 1a

(a) (i) The original equilibrium point is X. For each of the following changes, starting from X, identify the new equilibrium point in Table 1. Each letter may be used more than once.

(4)

Change	New equilibrium point
A rise in the wages of electric car production workers	
An advertising campaign for electric cars	
A fall in consumer incomes	
An increase in subsidies for electric cars and an increase in the tax on petrol cars	

Table 1



Electric cars require large amounts of copper. It is estimated that production of copper will need to be doubled over the next 20 years.

(ii) Explain why the supply of copper might be price inelastic in the short term.

(3)

It has been estimated that the price elasticity of demand for electric cars is price elastic.

(iii) An increase in the price of electric cars will therefore

(1)

- ☐ **A** increase total revenue
- ☐ **B** decrease total revenue
- ☐ **C** have no effect on total revenue

(iv) Identify and explain **two** factors that might make the demand for a product, such as electric cars, price elastic.

(4)

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In 2017 car production workers in the USA earned an average of \$25.58 per hour.

- (v) The demand for labour is more important in determining wage rates than the supply of labour. Do you agree with this statement? Explain your reasons.

(6)

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Figure 1b represents a production possibility curve for a country.

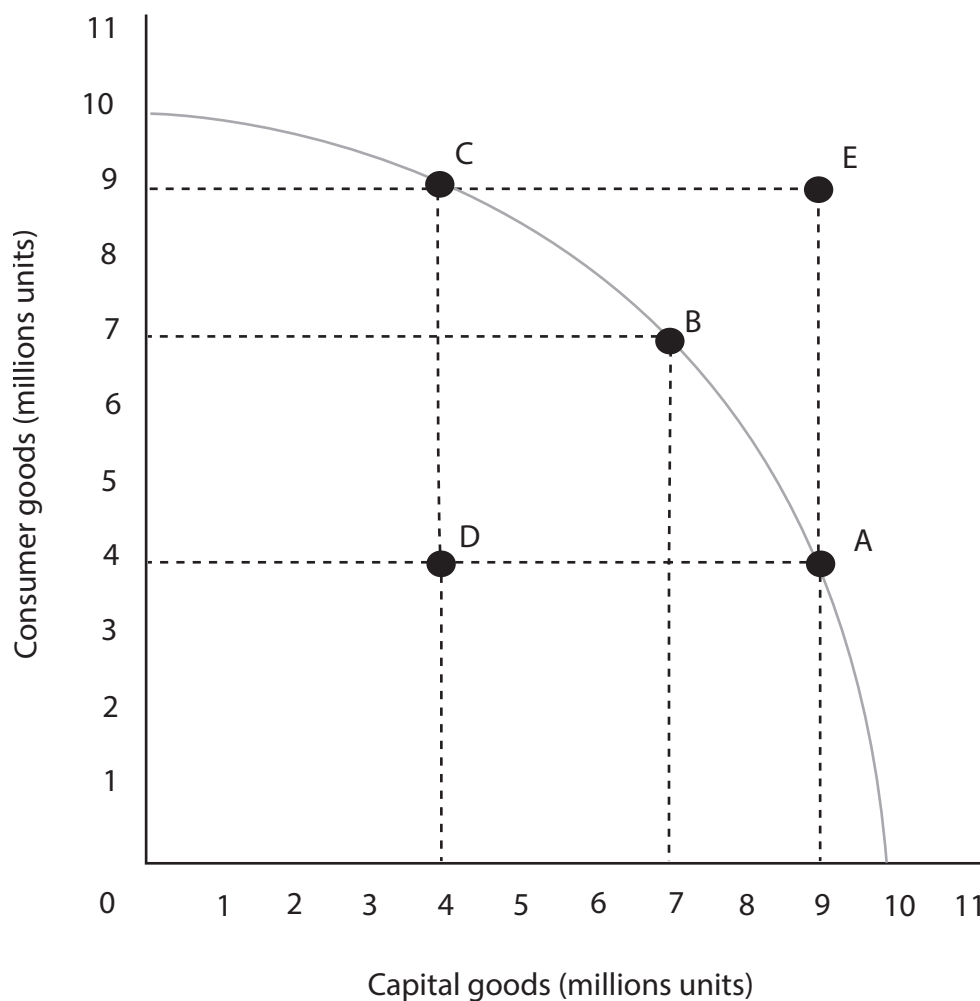


Figure 1b

(b) (i) Which of the points, A, B, C, D or E, represents an underutilisation of resources?

(1)

(ii) Using the data in Figure 1b, explain what is meant by opportunity cost.

(2)



(iii) Briefly explain why point E on Figure 1b is currently unobtainable.

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(c) (i) A mixed economy attempts to solve the economic problem of

(1)

- ☐ **A** what to produce, how to produce and when to produce
- ☐ **B** when to produce, how to produce and for whom to produce
- ☐ **C** what to produce, how to produce and for whom to produce
- ☐ **D** when to produce, how to produce and who should produce



- (ii) In a mixed economy, the larger the private sector, the more efficient the economy will be in producing goods and services. Do you agree with this statement? Explain your reasons.

(6)

(Total for Question 1 = 30 marks)

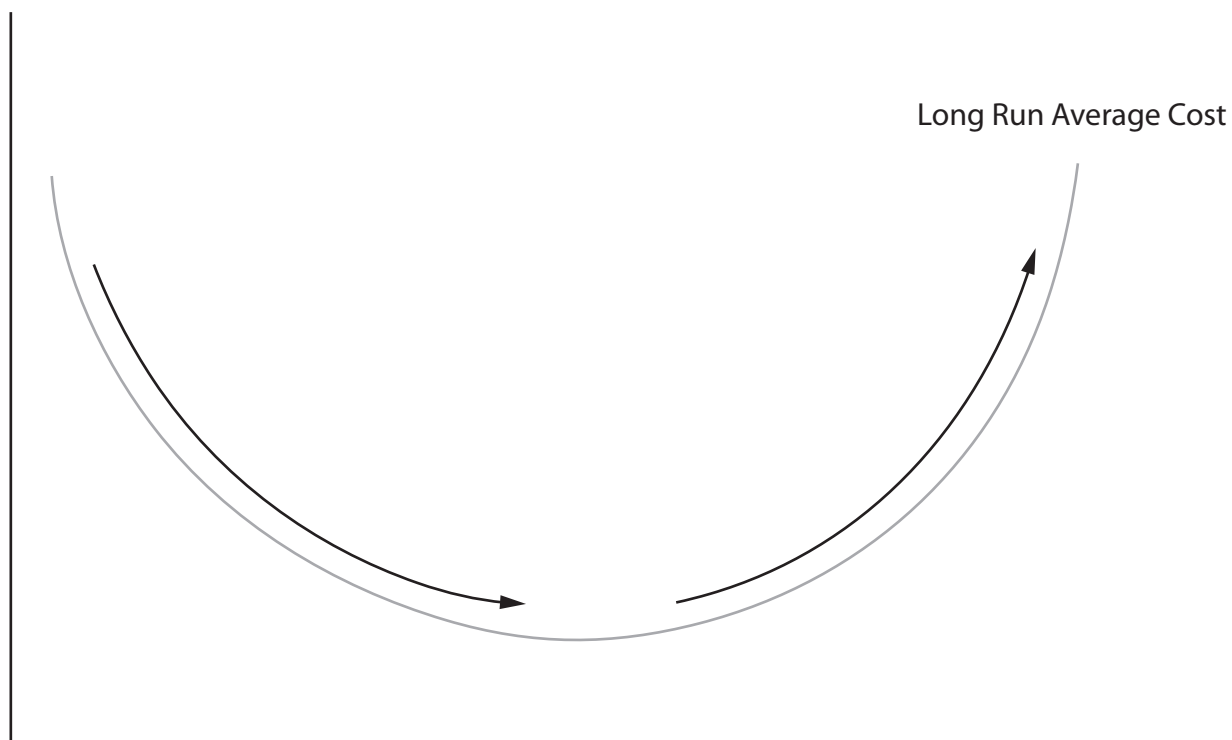


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**Figure 2**

- (a) (i) On Figure 2, label the axes and show where a firm would experience economies and diseconomies of scale.

(4)

- (ii) With the aid of examples, explain the difference between internal and external economies of scale.

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(iii) Economies of scale are necessary for a firm to be competitive. Do you agree with this statement? Explain your reasons.

(6)

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Aluco is a small American business manufacturing aluminium ladders. Table 2 shows its monthly costs.

Items	Cost in US\$
Rent	1 000
Loan repayment	500
Administration	1 500
Materials per ladder	45
Packaging per ladder	5
Labour per ladder	10

Table 2

- (b) (i) Using examples from Table 2 explain the difference between a variable cost and a fixed cost.

(4)

- (ii) In October 2017 Aluco sold 1000 ladders at \$70 each. Calculate the profit made by the business. You are advised to show your working.

(4)

- (iii) Identify and explain **one** factor that may limit growth for a small business such as Aluco.

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Like many businesses, Aluco operates in a highly competitive market.

- (iv) Assess the effectiveness of government policies to promote competition in a country of your choice.

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(Total for Question 2 = 30 marks)



3

ECUADOR GDP ANNUAL GROWTH RATE

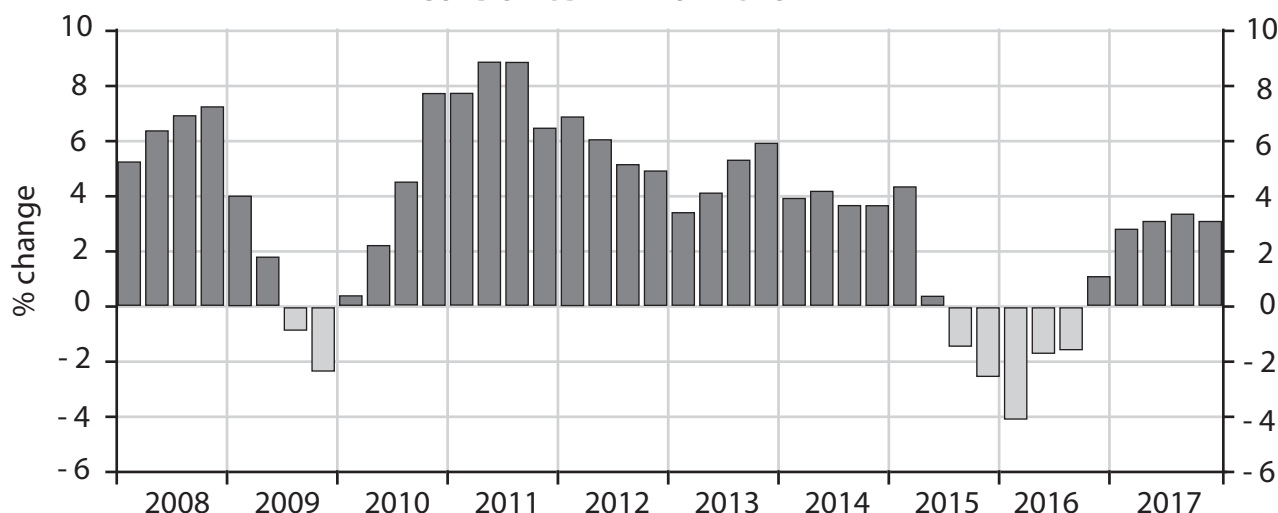
**Figure 3**(Source: <https://tradingeconomics.com/ecuador/gdp-growth-annual>)

Figure 3 shows the annual growth rate in Gross Domestic Product (GDP) for Ecuador.

- (a) (i) Identify which stage of the economic cycle Ecuador experienced during 2010 and during 2016. Give reasons for your answers.

(4)

2010

2016

By the end of 2017, economic growth in Ecuador was increasing rapidly.

(ii) Explain **two** advantages of economic growth.

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One disadvantage of economic growth is pollution and environmental damage. Ecuador uses an Environmental Tax on Vehicle Pollution (ETVP), to reduce pollution caused by motor vehicles.

- (iii) Taxation is the best way for the government to protect the environment. Do you agree with this statement? Explain your answer.

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In September 2017 the inflation rate in Ecuador fell to -0.03%. The Central Bank of Ecuador responded by reducing the interest rate from 8.25% to 7.75%.

(b) (i) This is an example of

(1)

- ☐ **A** monetary policy
- ☐ **B** supply side policy
- ☐ **C** fiscal policy

(ii) Identify and briefly explain **two** possible causes of inflation.

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(iii) Consumers will always benefit from a reduction in interest rates. Assess this statement.

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Ecuador has one of the lowest unemployment rates in Latin America. In October 2017 it was 5.8%. The government claimed that this was the result of its focus on supply side policies.

- (c) To what extent are supply side policies the best way to reduce unemployment in an economy?

(6)

(Total for Question 3 = 30 marks)



4 The Philippines is said to be a developing country.

(a) (i) The characteristics of a developing country include

(1)

- ☐ A low GDP per capita, low population growth and low labour productivity
- ☐ B high GDP per capita, high population growth and low labour productivity
- ☐ C low GDP per capita, high population growth and low labour productivity
- ☐ D low GDP per capita, high population growth and high labour productivity

The European Union (EU) is the largest source of foreign direct investment (FDI) in the Philippines. It also provides an estimated 250 million euros in development aid.

(ii) Explain the difference between FDI and development aid.

(2)

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FDI from the EU is said to have created 500,000 jobs in the Philippines.

(iii) **Apart from** creating employment, explain **two** other benefits that FDI can bring to the economy of a country such as the Philippines.

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The peso is the currency of the Philippines. Between 2013 and 2017 it depreciated against the US dollar and most other major currencies.

- (iv) Assess the impact that this depreciation may have had on firms involved in international trade in the Philippines.

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The Philippines has free trade agreements with China, India, Japan, Republic of Korea, Australia and New Zealand under ASEAN (Association of Southeast Asian Nations).

- (b) (i) Explain **one** advantage and **one** disadvantage of free trade for a country such as the Philippines.

(4)

Advantage

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Disadvantage

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The Philippines still imposes tariffs on some imports from other countries, for example, potatoes are subject to a 40% tariff.

Figure 4 shows the market for imported potatoes in the Philippines **before** a tariff is imposed.

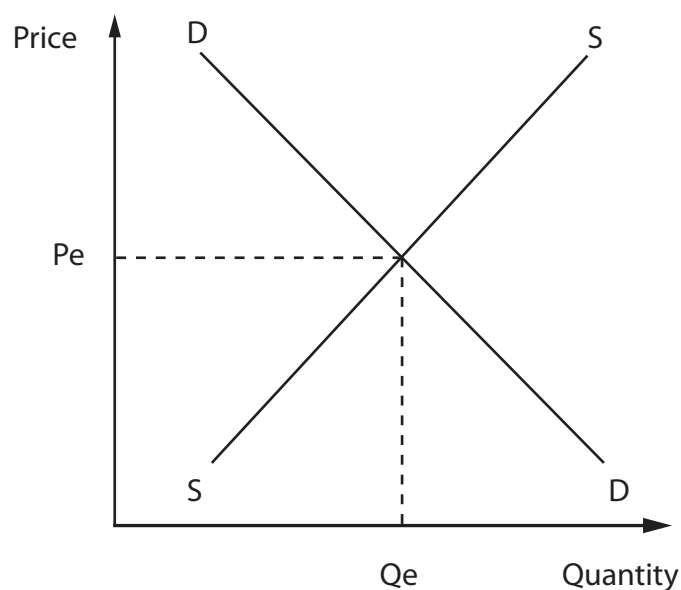


Figure 4

- (ii) Using Figure 4, show the effect of introducing the tariff on imported potatoes. Label any resulting changes to equilibrium price and quantity.

(3)

- (iii) Explain **two** possible reasons why the Philippines might impose tariffs on some imports.

(4)

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In the second quarter of 2017, the Philippines' exports of agricultural commodities rose by 2.6% to just over US\$4bn. This was mainly because of rising global commodity prices.

- (c) Assess the benefits that the production of commodities brings to the economy of a country such as the Philippines.

(6)

(Total for Question 4 = 30 marks)

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