Mark Scheme (Results)

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Pearson Edexcel International GCSE
in 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)	Correctly drawn lines and labels e.g. Pe, Qe (2) Correctly drawn lines with no labels (1) Incorrect lines with correct labels – no marks	**(2)**

Question Number	Answer	Mark
1(a)(ii)	Correct answer is F Score 1 mark if they select either • E (i.e. correct supply shift identified) or • G (i.e. correct demand shift identified)	**(2)**

Question Number	Answer	Mark
1(a)(iii)	**Indicative content** • Demand has decreased from D to D_2 (1) because of a change in taste and preferences of consumers (1) • Supply has increased from S to S_1 (1) because of a reduction in costs of production (1) Rejection marks are acceptable	**(4)**

Question Number	Answer	Mark
1(a)(iv)	Total revenue will rise (1)	**(1)**

Question Number	Answer	Mark
1(a)(v)	**Indicative content** 1 mark for identification of a method (up to two) and 1 mark for explanation of the method (up to two) • Introduce a sugar tax (1) which would lead to a reduction in supply at each and every price (1) and raise the price • Regulate the amount of sugar in foods (1) which would reduce the sugar per gram consumed (1) • Increase awareness (1) of the risks of obesity and the link to eating too much sugar which would change taste and preferences (1) and lead to a reduction in the demand for sugar	**(4)**

Question Number	Answer	Mark
1(a)(vi)	**Candidate must use the two methods identified in 1(a)(v)** **Indicative content** Tax: Effectiveness depends on • the size of the tax • elasticity of demand (inelastic then not much fall in consumption) • whether tax encourages hidden economy to develop • What government does with the tax revenue (e.g. uses it to finance an health awareness campaign) Regulation: Effectiveness depends on: • What level the restriction is set at (hard to determine the safe amount of sugar) • Monitoring of the rules • People can just add their own sugar at home to the food that has been had sugar content reduced Awareness: Increase awareness of the risks of eating too much sugar will reduce demand Effectiveness depends on:	

	• Whether or not consumers chose to ignore the campaign and not change tastes and preferences and continue eating too much sugar • Whether or not consumers see the campaign • Whether or not consumers are able to assess for themselves how much sugar is a safe amount to eat For a one sided discussion award a max of 3 marks For a two sided discussion award 4 marks For the final two marks must reach a justified conclusion based on arguments presented.	**(6)**

Question Number	Answer	Mark
1(b)(i)	**Indicative content** (1) for data (1) for calculation/showing working e.g. • Côte d'Ivoire (56%) and Ghana (26%) (1) which is 82% (1) or • Total = 56% + 26% = 82% (2)	**(2)**

Question Number	Answer	Mark
1(b)(ii)	**Indicative content** data (1) calculation (1) expressed in terms of cocoa beans and rubber (1) e.g. • Forego/opportunity cost is (125,000-65,000) = 60,000 tonnes of cocoa beans for (110,000-80,000) = 30,000 tonnes more of rubber (3) • 60,000 tonnes cocoa beans for 30,000 more tonnes of rubber (2) • Now producing 65,000 tonnes of cocoa and 110,000 tonnes of rubber (1) NB Candidates that express the opportunity cost just in terms of 60,000 tonnes of cocoa beans should be awarded full marks **If not referred to 000s tonnes then cap at 2 marks**	**(3)**

Question Number	Answer	Mark

1(c)	**Indicative content**
	Arguments (up to two) supporting the statement (1 mark each) with further development (up to 2 marks)
	   • Guarantees a minimum income (1) which increases standard of living (1)
	   • Likely to be above free market wage rate (1)
	   • Award diagram marks (up to 2)
	
	Arguments (up to two) not supporting the statement (1 mark each) with further development (up to 2 marks)
	   • Only works if the NMW is raised above the current equilibrium wage rate for cocoa farm workers
	   • Discussion of other methods e.g. provide subsidies, investment in education and training to allow farm workers to move out of farming and into occupations with less volatile incomes
	   • may cause unemployment- so lower income for families of farmer
	
	Up to 2 marks for judgement
	   • Depends where the current NMW is in relation to the equilibrium wage for cocoa farm workers – it may already be below the current equilibrium rate for cocoa farm workers.
	   • Depends how much the NMW is increased by
	   • Unlike to make a big difference, especially if they can earn more money from growing a different type of commodity (e.g. rubber)
	
	Further guidance:
	   • **Maximum for one sided arguments = 3 marks**
	   • **Maximum for both sides = 4 marks (2+2 or 3+1)**
	Need reasoned conclusion/judgement for 5-6 marks.
		(6)

Question Number	Answer	Mark
2(a)(i)	Tertiary Sector	**(1)**

Question Number	Answer	Mark
2(a)(ii)	**Indicative content** • Primary sector has reduced (1) or data reference i.e. changed from approx 65% to 60% • Secondary sector is unchanged (1) or data reference i.e. stays at 10% • Tertiary sector has increased (1) or data reference i.e. changed from approx 25% to 30% For the final mark • Tertiary sector is now more important (1) or • Primary sector is still the largest employer (1)	**(4)**

Question Number	Answer	Mark
2(a)(iii)	**Indicative content** Developing economy: • Primary sector will be higher / more important (1) • Secondary sector will be the same (according to the graph) or becoming more important (1) • Tertiary sector will be lower / less important (1) Developed economy • Primary sector will be lower / less important (1) • Secondary sector will be the same or becoming less important (1) • Tertiary sector will be higher / more important (1)	**(3)**

Question Number	Answer	Mark
2(b)(i)	**Indicative content** Where a group of firms (or countries) join together (1) and agree on pricing (or output) levels in the market (1).	**(2)**

Question Number	Answer	Mark
2(b)(ii)	Each method explaining how a government can promote competition in a market (1 mark, up to 2) with a further mark for development, up to 2 marks. **Indicative content** • Encourage growth of small firms (1) by lowering taxes for small firms (1) or by providing finance for new businesses to set up (1) or by providing advice on how to set up a business (1) • Lower barriers to entry (1) by removing legal barriers to entry (1) by breaking up monopolies or oligopolies into smaller firms(1) • Anti-competitive legislation (1) which restricts the market power of existing firms (1) Further guidance Candidates need to explain how the method will promote competitive rather than why the method might promote competition.	**(4)**

Question Number	Answer	Mark
2(b)(iii)	Each argument explaining why consumers benefit from competition in a market (1 mark, up to 2) with a further mark for development, up to 2 marks. **Indicative content** A highly competitive market may benefit consumers because of: • Lower prices (1) because if firms try to overcharge then consumers can switch to another supplier (1) • More choice (1) because: more competition means there will be many alternative suppliers (1); each supplier will try to differentiate its products from rivals (1);	

competitive markets will have new entrants offering fresh ideas (1).
- Better quality (1) because: consumers are rational and will look for the best products on offer (1); firms who sell poor quality products will go out of business and leave the market (1)

Each argument explaining why consumers may <u>not</u> benefit from competition in markets (1 mark, up to 2) with a further mark for development, up to 2 marks.

Indicative content:
A highly competitive market may <u>not</u> benefit consumers because of :
- Lack of innovation (1) because: firms make less profit (1); not enough profit made to finance product development (1)
- Decreasing quality (1) as firms try to cut costs (1)
- Market uncertainty (1) because: unprofitable firms will leave the market (1); supply disrupted by firms deciding to leave the market (1); this will be inconvenient for consumers (1)

Further guidance:
- **Maximum for one sided arguments = 3 marks**
- **Maximum for both sides = 4 marks**
- **Need reasoned conclusion/judgement for 5-6 marks.** e.g. most consumers would argue that competition is desirable because there are more benefits that consumers enjoy from healthy competition. However, it depends on the type of market. For example it may be more efficient to have less competition in some markets because of the need to exploit economies of scale e.g. the aircraft manufacturing market.

(6)

Question Number	Answer	Mark
2(c)(i)	**Indicative content** The transfer (or sale) (1) of public sector (or stated owned) assets (or resources or firms) to the private sector (1)	**(2)**

Question Number	Answer	Mark
2(c)(ii)	**Indicative content** • Generate income or raise finance (1) • To reduce size of the public sector/reduce government expenditure (1) • To reduce political interference (1) • To improve efficiency/quality/production (1) of nationalised industries • To increase competition (1)	**(2)**

Question Number	Answer	Mark
2(c)(iii)	Each cost of privatisation (1 mark, up to 2) with a further mark for development, up to 2 marks. **Indicative content** Costs • Job losses (1) as newly privatised firms seek to increase efficiency which may increase benefit payments (1) and reduce consumer spending (1) • Public sector monopoly may be replaced by a private sector monopoly (1) which may exploit consumers (1) • Privatisation may be expensive (1) because lots of money is spent advertising the sale (1) • Newly privatised firm may be bought by overseas buyers (1) which means profits may be sent overseas (1) Benefits • Government gains income (or revenue) (1 mark) which can be spent on items to improve the economy (1) e.g. money may be spent on infrastructure or education or health (1) • Increase in competition (1 mark) which may leading to economic growth (1 mark) • increase in efficiency and productivity (1 mark) which may lead to economy growth (1) • Price of services to consumer may fall (1) which would increasing standard of living in the country (1) **Further guidance:** • **Maximum for one sided arguments = 3 marks** • **Maximum for both sides = 4 marks**	

	• **Need reasoned conclusion/judgement for 5-6 marks.** e.g. Firms usually become more efficient when privatised. If this leads to economic growth then the benefits will undoubtedly outweigh the costs for the government and the country.	**(6)**

Question Number	Answer	Mark
3(a)(i)	**Indicative content** Unable to find a job (1) when actively seeking work (1) Or similar e.g. Willing and able to work (1) but unable to find suitable employment (1)	**(2)**

Question Number	Answer	Mark
3(a)(ii)	Frictional (1) unemployment	**(1)**

Question Number	Answer	Mark
3(a)(iii)	**Indicative content** Data and calculations up to 3 marks e.g. • 15-24 year olds unemployment rate has risen (1) from approx 18% to approx 52% (1) • 25-75 year olds unemployment rate has risen (1) from approx 8% to approx 22% (1) NB Final mark reserved for some comparative comment e.g. identifying a trend, comparing size of change between the groups. e.g. Unemployment rate is higher for 15-24 years in both 2007 and 2014 (1) **or** unemployment rate is lower for 25-75 year olds in both 2007 and 2014 (1)	**(4)**

Question Number	Answer	Mark
3(a)(iv)	1 mark for identification of a reason (up to two) and 1 mark for explanation of the reason (up to two) **Indicative content** • 25-75 have more experience/skills (1) therefore they have higher productivity (1) OR 15-24 year olds have lower skills/experience (1) therefore they have lower productivity (1) • 25-75 may already be trained (1) which lowers costs to employer OR15-24 year olds need training (1) which increases costs to the employer (1) • Inflexible labour market (1) e.g. trade union power (1) employment legislation (1) • It is more expensive to make older staff redundant (1) as they have worked for the business for some time (1) which makes it cheaper to make younger staff redundant. (1)	**(4)**

Question Number	Answer	Mark
3(a)(v)	**Indicative content** Arguments why successful 1 mark (up to 2) with development (up to 2 marks) e.g. • Supply side policies are designed to improve the productive side of economy (1) • Achieved by e.g. education and training, regional development (1) • Workers become more skilled and more mobile (1) • which means that unemployed workers can find a new job (1) Arguments why might not work 1 mark (up to 2) with development (up to 2 marks) e.g. • Depends on degree of immobility (1) • Depends on availability and suitability of jobs (1) • SSP do not solve frictional unemployment (1) • Not a short term solution (1)	

| | Judgement
• Depends on the type of unemployment (1) SSP unlikely to reduce cyclical unemployment (1) because unemployment is due to lack of demand in the economy not lack of skills (1)
• Time lag for SSP to work (1)
• Other policies to be used in conjunction (1)

Further guidance:
• **Maximum for one sided arguments = 3 marks**
• **Maximum for both sides = 4 marks**
Need reasoned conclusion/judgement for 5-6 marks. | **(6)** |

Question Number	Answer	Mark
3(b)(i)	Monetary policy	**(1)**

Question Number	Answer	Mark
3(b)(ii)	**Indicative content** • Identification of two macroeconomic objectives (2 marks) e.g. economic growth, low unemployment, low inflation, current account balance of payment, protection of environment Suggest: • Correct explanation of impact of a cut in rates on one or both of the macroeconomic objectives identified (up to 2 marks) Judgement up to 2 marks. • Size of the impact depends on the size of cut in interest rates • Impact may be different if other variables are changing too e.g. change in exchange rate • Impact of cut in interest rates may be offset by a change in Fiscal Policy or Supply Side Policy **Further guidance:** • **Maximum of 4 marks for correct identification and explanation of impact of cut in interest rates on any two macroeconomic objectives identified** • **Final 2 marks reserved for a reasoned conclusion/judgement**	**(6)**

Question Number	Answer	Mark
3(c)(i)	Indicative content • Air Pollution (1) • Water pollution (1) • Thermal pollution (1) • Soil pollution (1) • Noise pollution (1) • Light pollution (1) • Pollution from cars/transport (1) • Pollution from factories (1) • Waste/rubbish Credit any type of negative externality e.g. Noise from factories, light pollution NB The question refers to pollution in cities therefore pollution of oceans / global warming is not acceptable	**(2)**

Question Number	Answer	Mark
3(c)(ii)	Identification of a method 1 mark Explanation of method up to 3 marks **Indicative content** • Government regulation (1) by setting targets for pollution emissions (1) this will lower pollution levels if there is a fine (1) for not achieving the target (1) • Tax heavily polluting industries (1) this increases costs of production (1) and encourages firms to invest (1) in cleaner technology (1) • Subsidies for clean technology (1) this lowers the costs of production for firms (1) and encourages them to switch (1) to alternative less polluting activities (1) • Road pricing schemes (1) this will increase the costs of motoring (1) which is a large source of pollution in cities (1) and will encourage cleaner methods of transport e.g. bikes, bus, foot (1)	**(4)**

Question Number	Answer	Mark
4(a)(i)	**Indicative content** • Flows of private capital (1) from one country to another (1) *or similar* e.g. Business investment (or inward investment) by a firm (1) from one country into another country (1) e.g. building a factory (1) Also allow: when a firm buys shares (1) in a foreign firm (1)	**(2)**

Question Number	Answer	Mark
4(a)(ii)	2013 Accept 'two thousand and thirteen'	**(1)**

Question Number	Answer	Mark
4(a)(iii)	Each method explaining how a government can encourage FDI (1 mark, up to 2) with a further mark for development, up to 2 marks. **Indicative content** • Offer subsidies or grants to foreign firms (1) this makes it cheaper (1) for foreign firms to set up in the country • Invest in education (1) to improve human capital of the workforce (1) • Invest in infrastructure (1) e.g. transport links (1) to make it easier for foreign firms to do business in the host country (1) • Offer tax incentives (1) to increase the amount of post-tax profit the foreign firm can make (1) or to increase the returns (1) to foreign firms on their investment. • Reduce regulations (1) to make it easier for new firms to enter the country (1)	**(4)**

Question Number	Answer	Mark
4(b)(i)	**Indicative content** Firms that have their headquarters in one country (1) but have manufacturing plants or outlets in others (1); *or similar* e.g. a firm that sells goods and services into global markets (1) and operates across national boundaries (1) with production plants and operating facilities all over the world (1)	**(2)**

Question Number	Answer	Mark
4(b)(ii)	Each argument explaining why MNC's not paying enough tax is main disadvantage (1 mark, up to 2) • MNC may pay minimal tax to developing nations (1) which means that developing nations lose potential tax revenue (1) which could have been spent on improving living standards in the developing nation (1) or spent on health or education(1) Each argument why it is NOT the main disadvantage i.e. identification of other disadvantages and explanation 2 marks • MNC often pay low wages (1) and working conditions are often poor (1) • MNC may employ child labour (1) which is unethical (1) • MNC may use up non-renewable scare resources (1) and then leave once the resources are used up (1) • MNC may cause environmental damage (1) by increase pollution in developing nations **Further guidance:** • **Maximum for one sided arguments = 3 marks** • **Maximum for both sides = 4 marks** **Need reasoned conclusion/judgement/ or use of an example throughout for 5-6 marks.** e.g. If the MNC did pay enough tax the governments might not use the money to overcome the other disadvantages or to improve living standards. Governments should consider regulating MNC's to overcome more important problems of exploitation of workers and the environment.	**(6)**

Question Number	Answer	Mark
4(c)(i)	The value (or price) of one currency (1) in terms of another (1)	**(2)**

Question Number	Answer	Mark
4(c)(ii)	It has fallen/depreciated (1 mark) or the TREND shows it has fallen/depreciated (2 marks) or it has fluctuated but overall it has fallen/depreciated (2 marks) Data: 1 mark for exchange rate at beginning 1 mark for exchange rate at end or 2 marks for calculating the fall/depreciation.	**(4)**

Question Number	Answer	Mark
4(c)(iii)	Appreciated Accept incorrect spelling e.g. apreciated, appreciate, apprecated,	**(1)**

Question Number	Answer	Mark
4(c)(iv)	Identification of a factor (1) explanation of the factor (1) • Trade (i.e. increase in exports) • Inward FDI • Interest rates (higher increase demand for currency) • Speculation (if think value of currency is going to rise in the future will increase the demand for currency)	**(2)**

Question Number	Answer	Mark

4(c)(v)	**Indicative content**
	Advantages of a decrease in exchange rate 1 mark (up to 2)
	e.g.
	   • exports become cheaper so demand might increase therefore the value of exports increase
	   • imports become more expensive so demand might fall therefore the value of imports fall
	   • current account balance should improve as the value of exports increase and the value of imports decrease
	
	Disadvantages of decrease in the mark (up to 2) with development (up to 2 marks)
	e.g.
	   • imports become more expensive so result might be inflation
	   • costs of imported raw materials will rise which could lead to a deterioration of international competitiveness.
	Judgement
	   • Reference to elasticity of demand for imports and exports
	   • Depends on how much exchange rate depreciates
	   • Depends if depreciation is temporary
	   • Depends on other initial starting position on current account
	
	Further guidance:
	   • **Maximum for one sided arguments = 3 marks**
	   • **Maximum for both sides = 4 marks**
	Need reasoned conclusion/judgement for 5-6 marks.
		(6)