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# Mark Scheme (Results)

January 2017

Pearson Edexcel International GCSE  
In Economics (4EC0/01)



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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
<b>1 (a) (i)</b>	Ageing population: average age of population is increasing, 2 marks. Partial/vague definition e.g. population getting older, 1 mark. Reference to data, 1 mark. e.g. 0-14 age group falling or 65+ increasing or correct reference to 15-64 group.	<b>(3)</b>

Question Number	Answer	Mark
<b>1 (a) (ii)</b>	1 mark for problem identified e.g. increased government expenditure/accept specific types of expenditure e.g. pensions, health service.	<b>(1)</b>

Question Number	Answer	Mark
<b>1 (a) (iii)</b>	1 mark policy identified e.g. increase taxes, cut services.	<b>(1)</b>

Question Number	Answer	Mark
<b>1(a)(iv)</b>	<p>Each demand factor identified, 1 mark up to 2. Explanation up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>• Demand for final product, derived demand (1). e.g. If potatoes become popular the demand will increase for agricultural workers to plant and harvest the potatoes (2).</li> <li>• Machines replacing workers (1). If more machinery is employed the demand for workers will fall and so will wages (2).</li> </ul> <p>Each supply factor identified, 1 mark up to 2. Explanation up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>• Size of working population (1). If more women working then supply will increase, wages fall/retirement age and school leaving changes (2).</li> <li>• Age distribution of population (1) - If ageing population the supply will fall/wages will rise (2).</li> <li>• Qualifications and training (1). Agricultural workers are unskilled so supply not limited by education (1).</li> </ul> <p>Further guidance:</p> <p>Up to 3 marks for responses which only refer to demand <b>or</b> supply factors.</p> <p>Up to 4 marks for responses which refer to demand and supply factors.</p> <p>Up to 2 marks for supported judgement e.g.</p> <ul style="list-style-type: none"> <li>• Supply is more important because agriculture is labour intensive and machinery expensive.</li> <li>• There are other factors which might be more important than demand and supply e.g. MWR.</li> <li>• Farming is now requiring workers with skills as more sophisticated machinery is available.</li> </ul>	<b>(6)</b>

Question Number	Answer	Mark
<b>1 (b) (i)</b>	<b>B</b> They are substitutes	<b>(1)</b>

<b>1 (b) (ii)</b>	<p>TR Falls (1)</p> <p>Explanation e.g.:</p> <p>The fall in demand is proportionately greater than the increase in price (2). Award 2 marks for correct diagram.</p> <p>Award 1 mark for partial/vague explanation e.g. The fall in demand is greater than the increase in price (1).</p>	<b>(3)</b>
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Question Number	Answer	Mark
<b>1 (b) (iii)</b>	<p>Accept for 2 marks:</p> <p>For definition: The responsiveness of supply to a change in price. or formula: <math>\frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}</math></p> <p>1 mark for vague definition, e.g. When price changes supply will change by more or less.</p>	<b>(2)</b>

Question Number	Answer	Mark
<b>1 (b)(iv)</b>	<p>Reasons why supply of french fries is more elastic up to 3 marks. e.g.</p> <ul style="list-style-type: none"> <li>• can be stored frozen so there can be stocks which can be used when demand increases.</li> </ul> <p>Reasons why supply of potatoes is less elastic up to 3 marks</p> <ul style="list-style-type: none"> <li>• agricultural product so take time to grow</li> <li>• can only be stored for short periods of time</li> </ul> <p>Further guidance:</p> <p>Up to 3 marks for responses which only refer to french fries <b>or</b> potatoes.</p> <p>Up to 4 marks for responses which refer to french fries <b>and</b> potatoes.</p> <p>Up to 2 marks for reasoned conclusion</p> <ul style="list-style-type: none"> <li>• french fries may have the same elasticity as potatoes if stocks are used and not replaced.</li> <li>• potatoes can be more elastic - it depends on the time period SR v LR.</li> <li>• the availability of freezers will affect the elasticity of supply of french fries. To increase supply need more freezers.</li> </ul>	<b>(6)</b>

Question Number	Answer	Mark
<b>1 (c)(i)</b>	<p><b>C</b> : Inferior good = Bread (1)  <b>A</b> : Normal good that is a necessity = Fuel (1)  <b>B</b> : Normal good that is a luxury = Cakes (1)</p>	<b>(3)</b>

Question Number	Answer	Mark
<b>1 (c)(ii)</b>	<p>Award 2 marks for diagram:</p> <ul style="list-style-type: none"> <li>• Original demand curve (1)</li> <li>• Shift of demand curve to left (1)</li> </ul> <p>NB Some candidates may also draw supply curve and show market equilibrium. This is acceptable as long as they show the demand shift.</p> <p>Award 2 marks for explanation</p> <ul style="list-style-type: none"> <li>• Recession leads to fall in income (1)</li> <li>• Reference to income elasticity/normal good the demand will fall (1).</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
<b>2 (a)(i)</b>	Tertiary sector: e.g. banking, insurance, hair dresser.	<b>(1)</b>

Question Number	Answer	Mark
<b>2 (a)(ii)</b>	<b>A</b> Primary	<b>(1)</b>

Question Number	Answer	Mark
<b>2 (a)(iii)</b>	<p>Primary sector only sector where the % of labour force is greater than the % of GDP contributed to total GDP. (2) or Formula: %GDP/%labour force (1) is lower than the others (1)</p> <p>Data reference 1 mark e.g. approx Labour force % = 48 GDP % approx 32</p> <p>NB Accept explanations of why secondary AND tertiary do not have lowest productivity.</p>	<b>(3)</b>

Question Number	Answer	Mark
<b>2 (a)(iv)</b>	<p>Two methods required 2 x 2.</p> <p>Each method identified (1) Development (1) e.g.</p> <ul style="list-style-type: none"> <li>• increased use of fertilizers (1) will mean more crops are produced (1),</li> <li>• capital investment (1) means labour can be more efficient/fewer employed but production increases (1),</li> <li>• division of labour (1) improves skills/saves time (1).</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
2 (a)(v)	<p>Each arguments supporting the statement 1 mark (up to 2). Development up to 2 marks e.g.</p> <ul style="list-style-type: none"> <li>• Secondary sector can easily substitute machinery for workers and machinery is more efficient.</li> <li>• Tertiary sector e.g. call centres work on a 1 to 1 basis so difficult to increase use division of labour</li> </ul> <p>Each argument against the statement 1 mark (up to 2). Development up to 2 marks e.g.</p> <ul style="list-style-type: none"> <li>• Secondary sector may already be using machines and division of labour.</li> <li>• Some firms in secondary sector may be making non identical items so can't employ processes to increase productivity.</li> <li>• Tertiary sector: new more efficient technology (online retail, ATMs).</li> </ul> <p>Further guidance:</p> <p>Up to 3 marks for responses which only refer to secondary <b>or</b> tertiary.</p> <p>Up to 4 marks for responses which refer to secondary <b>and</b> tertiary.</p> <p>Up to 2 marks for reasoned/justified conclusion. e.g.</p> <ul style="list-style-type: none"> <li>• Depends on type of firm in secondary and tertiary.</li> <li>• Scope for application of division of labour/mechanisation.</li> <li>• Award for reference to the difficulty of measuring productivity in the tertiary sector.</li> </ul>	(6)

Question Number	Answer	Mark
<b>2 (b)(i)</b>	<p>Candidates must distinguish/imply which data supports the argument and does not support the argument for 4 marks. e.g.</p> <p>Small firms are important because there are many of them (1). They make up 90% of the firms in the economy (1).  Small firms are not important because larger firms employ many more people (1). Small firms only employ approximately 12% of the workforce (1).</p> <p>Supported judgement 1 mark</p> <ul style="list-style-type: none"> <li>• Small firms are not important as employment is more important to the economy than the number of firms.</li> <li>• Small firms are important because they are often innovative and will lead to future growth as they expand.</li> <li>• Depends on contribution to GDP.</li> </ul>	<b>(5)</b>

Question Number	Answer	Mark
<b>2 (b)(ii)</b>	<p>Financial: 1 mark for identifying method, 1 mark for development. e.g.</p> <ul style="list-style-type: none"> <li>• cheap loans (1) means they can afford to borrow more (1)</li> <li>• subsidies (1) on rent will reduce costs (1)</li> <li>• grants (1) do not have to be repaid (1)</li> <li>• tax holidays/rebates (1) enables more profit to be reinvested (1).</li> </ul> <p>Non financial: 1 mark for identifying method, 1 mark for development e.g.</p> <ul style="list-style-type: none"> <li>• advice (1) and/or education (1) about setting up/running a firm (1)</li> <li>• less red tape/bureaucracy (1) which means they spend less time completing paperwork (1)</li> <li>• competitions and awards (1) for exporting/innovation (1)</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
2 (b)(iii)	<p>Identifying actions of large firms which lead to failure of small firms, 1 mark up to 2. Development up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>• Price competition (1) large firms can sell more cheaply (1) than small firms due to economies of scale (1).</li> <li>• Advertising (1) large firms can spend more on advertising and advertise on TV, (1) small firms cannot afford this form of advertising (1).</li> <li>• Non price competition (1) brand loyalty acts as a barrier to entry (1).</li> </ul> <p>Other factors (not actions of large firms) which may lead to the failure of small firms, 1 mark up to 2. Development up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>• Lack of finance (1). Banks may consider small firms too risky (1) and may charge interest rates which small firms may not be able to afford (1)</li> <li>• Small firms may experience cash flow problems (1). Short term loans may not be available.</li> <li>• Change in demand (1) small firms may only produce one good/service so if demand falls they go out of business (1).</li> <li>• Increase in interest rates (1) may lead to small firms being unable to repay loans (1).</li> </ul> <p>Further guidance:</p> <p>Up to 3 marks for responses which only refer to actions of large firms <b>or</b> other factors which lead to failure of small firms.</p> <p>Up to 4 marks for responses which refer to the actions of large firms <b>and</b> other factors. Up to 2 marks for reasoned/justified conclusion. e.g.</p> <ul style="list-style-type: none"> <li>• Large firms are the main factor because they can increase their market share by price and non price competition.</li> <li>• Other factors are more important they can affect the costs of the firm which might lead to the firm going bankrupt.</li> <li>• It depends on the good or service being produced. There may be no competition from large firms if it is a unique, individual item.</li> <li>• It depends on the impact of government regulation on large firms. Government aid to small firms.</li> </ul>	<b>(6)</b>

Question Number	Answer	Mark
<b>3 (a)(i)</b>	2013 = -2USDbn (must show negative or state deficit) 1 mark 2014 = 4USDbn 1 mark  If candidates state 2013 = -2 and 2104 = 4 then award 1 mark.	<b>(2)</b>

Question Number	Answer	Mark
<b>3 (a)(ii)</b>	<b>C</b> The balance of trade has become more favourable	<b>(1)</b>

Question Number	Answer	Mark
<b>3 (a)(iii)</b>	Each method used, 1 mark up to 2 marks Development, 1 mark per method. e.g. <ul style="list-style-type: none"> <li>• Improve competitiveness/efficiency of firms in the country (1) by privatisation/deregulation (1)</li> <li>• Help and advice about foreign markets (1) including trade fairs (1)</li> <li>• Financial help (1) to modernise production processes (1)</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
<b>3 (b)(i)</b>	Economic growth is the % change (1) in real GDP (1) over a period of time (1).  Defining real GDP: Total value of all goods produced in an economy over time (1) adjusted for inflation (1)  Limited explanation: GDP is used to calculate economic growth. (1)	<b>(3)</b>

Question Number	Answer	Mark
<b>3 (b)(ii)</b>	In 2015 GDP falls (1) by approx 1.2% (1) Or In 2015 GDP growth becomes negative (2)	<b>(2)</b>

Question Number	Answer	Mark
<b>3 (b)(iii)</b>	<p>Each advantage identified, 1 mark up to 2 marks.  Development of each up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>• Increased incomes/employment (1) leads to increased standard of living (1).</li> <li>• More tax revenue (1) so better public services (1).</li> </ul> <p>Each disadvantage identified, 1 mark up to 2 marks. Development of each up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>• Increased manufacturing/transport (1) leads to environmental damage (1).</li> <li>• Unsustainable (1) as non-renewable resources are used up (1).</li> <li>• May increase the gap between rich and poor in a country (1).</li> </ul> <p>Further guidance:</p> <p>Up to 3 marks for one sided arguments</p> <p>Up to 4 marks for both sides of the argument</p> <p>Up to 2 marks for reasoned/justified conclusion.  e.g.</p> <ul style="list-style-type: none"> <li>• Supervision and monitoring by governments/world organisations of pollution and non renewable resources can limit the disadvantages.</li> <li>• Governments can redistribute income so that poor can enjoy benefits of economic growth through taxation and benefits.</li> </ul>	<b>(6)</b>

Question Number	Answer	Mark
<b>3 (c)(i)</b>	<b>B</b> monetary policy	<b>(1)</b>

Question Number	Answer	Mark
<b>3 (c)(ii)</b>	Functions of money identified, 1 mark each. e.g. Unit of account, store of value, means of deferred payments, medium of exchange.	<b>(2)</b>

Question Number	Answer	Mark
<b>3 (c)(iii)</b>	Linked to (ii). e.g. <ul style="list-style-type: none"> <li>• (store of value) inflation leads to a fall in the value of money so savings can buy less (1) unless interest rate is more than rate of inflation (1)</li> <li>• (medium of exchange) as value of money falls people would prefer to be paid in goods and services (barter)(1) as money becomes worthless (1)</li> </ul>	<b>(2)</b>

Question Number	Answer	Mark
<b>3 (c)(iv)</b>	Main economic objective identified, 1 mark e.g. Protection of the environment/ reducing pollution Maintaining economic growth Reducing inequality of income	<b>(1)</b>

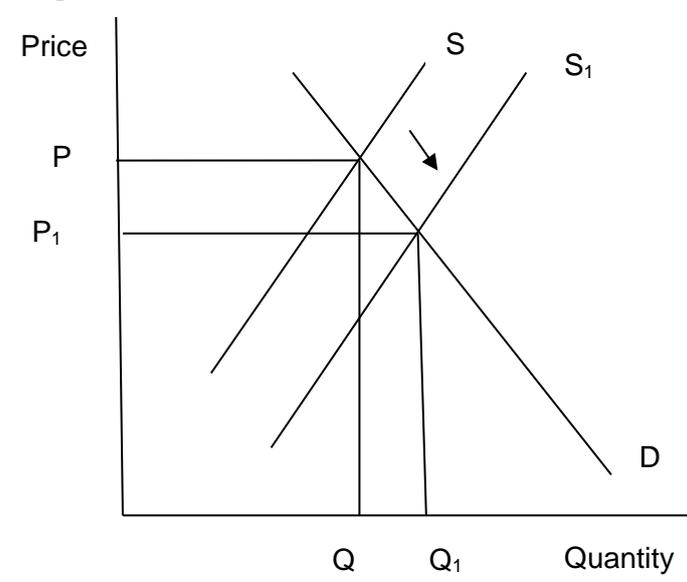
Question Number	Answer	Mark
<b>3(c)(v)</b>	<p>Each effect of an increase in interest rates, 1 mark  Up to 2 marks.  Development of each effect up to 2 marks.  Maximum marks = 4.  e.g.</p> <ul style="list-style-type: none"> <li>• Loans become more expensive so less borrowing/less spending (1) which will lead to a fall in demand (1). This would lead to more unemployment (1).</li> <li>• Firms would experience an increase in costs (1) as loans more expensive (1) so may lay off workers (1).</li> <li>• Savings rates increase so people will save more (1) and consume less (1) so firms will sell less and employ less people (1).</li> </ul> <p>Further guidance:</p> <p>Up to 4 marks for effects and development of increase in interest rates.</p> <p>Up to 2 marks for assessing the extent of the impact on employment levels. e.g.</p> <ul style="list-style-type: none"> <li>• It will depend upon the size of the increase in interest rates and how long they remain high.</li> <li>• It will depend upon the impact of an increase in interest rates on the total demand in the economy.</li> <li>• It will depend upon the impact of the increase in interest rates on the exchange rate.</li> </ul>	<b>(6)</b>

Question Number	Answer	Mark
<b>4 (a)(i)</b>	<p>Technology:  1 mark for type of development in technology  1 mark for explanation. E.g. internet (1) gives access to a worldwide market from your own home (1).</p> <p>Transport:  1 mark for type of development in transport  1 mark for explanation. E.g. large container ships (1) have cut the cost of transporting goods around the world (1).</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>4 (a)(ii)</b>	<p>1 mark: both trends are increasing  2 marks: showing data for both trends  1 mark:</p> <ul style="list-style-type: none"> <li>• much more expenditure by tourists entering Malta than from people from Malta going abroad.</li> <li>• Gap between the two has grown</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
<b>4 (a)(iii)</b>	<b>B</b> invisible exports	<b>(1)</b>

Question Number	Answer	Mark
<b>4 (a)(iv)</b>	<p>Advantages of depreciation identified, 1 mark up to 2. Development up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>• Exports are cheaper (1) so demand increases (1), improves current account balance (1).</li> <li>• Imports are more expensive (1) so demand decreases (1), improves current account balance (1).</li> </ul> <p>Disadvantages of depreciation identified, 1 mark up to 2. Development up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>• Inflation (1): imports are more expensive (1), costs may rise due to import content of domestic goods (1)</li> <li>• Standard of living may fall (1) due to inflation (1). Travel/holidays more expensive (1).</li> </ul> <p>Further guidance:</p> <p>Up to 3 marks for one sided arguments</p> <p>Up to 4 marks for both sides of the argument</p> <p>Up to 2 marks for reasoned/justified conclusion. e.g.</p> <ul style="list-style-type: none"> <li>• Effect of PED on imports and exports.</li> <li>• Amount of imports which are necessities/amount which are luxuries.</li> </ul>	<b>(6)</b>

Question Number	Answer	Mark
<b>4 (b)(i)</b>	<p>Diagram:</p>  <p>Marks for diagram:  1 mark for labelling original price and quantity  1 mark for shift of supply to the right  1 mark for labelling/indicating decrease in price and increase in quantity.</p> <p>Marks for explanation:  Subsidies reduced the cost of production (1) this enables the supplier to produce more at a given price (1)</p>	<b>(5)</b>

Question Number	Answer	Mark
<b>4 (b)(ii)</b>	<p>"Dumping" = selling below cost (2)  Vague explanation e.g. selling very cheaply (1)</p>	<b>(2)</b>

Question Number	Answer	Mark
<b>4 (b)(iii)</b>	1 mark for reason identified, 1 mark for development e.g. <ul style="list-style-type: none"> <li>To sell a surplus (1) and gain revenue (1)</li> <li>To gain market share (1) by forcing firms out of the market (1)</li> </ul>	<b>(2)</b>

Question Number	Answer	Mark
<b>4 (b)(iv)</b>	<p>Benefits of free trade identified, 1 mark up to 2. Development up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>Increased choice for consumers (1) especially goods the country can't produce itself (1).</li> <li>Increased competition for domestic producers (1) increases efficiency and quality (1).</li> <li>Large market (1) increased demand for exports (1) can lead to economic growth (1).</li> </ul> <p>Disadvantages of free trade identified, 1 mark up to 2. Development up to 2 marks. e.g.</p> <ul style="list-style-type: none"> <li>Over dependency on narrow range of goods (1). If demand falls country will suffer major loss in earnings (1).</li> <li>Domestic firms cannot compete (1) with larger more powerful foreign competitors (1) leading to unemployment (1).</li> <li>Environmental damage/depleting resources (1) as production and travel increases (1).</li> </ul> <p>Further guidance:</p> <p>Up to 3 marks for one sided arguments</p> <p>Up to 4 marks for both sides of the argument</p> <p>Up to 2 marks for reasoned/justified conclusion. e.g.</p> <ul style="list-style-type: none"> <li>Are domestic industries competitive?</li> <li>Is the country developed/developing - developing countries may be exploited.</li> <li>Intervention from government/world organisations to try to reduce environmental damage.</li> <li>Developing vs developed countries and free trade.</li> </ul>	<b>(6)</b>

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