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Other names

**Pearson Edexcel  
International GCSE**

Centre Number

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Candidate Number

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# Economics

## Paper 1

Monday 5 June 2017 – Afternoon  
**Time: 2 hours 30 minutes**

Paper Reference

**4EC0/01R**

**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.

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Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross . 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 below represents the market for strawberries in 2015.

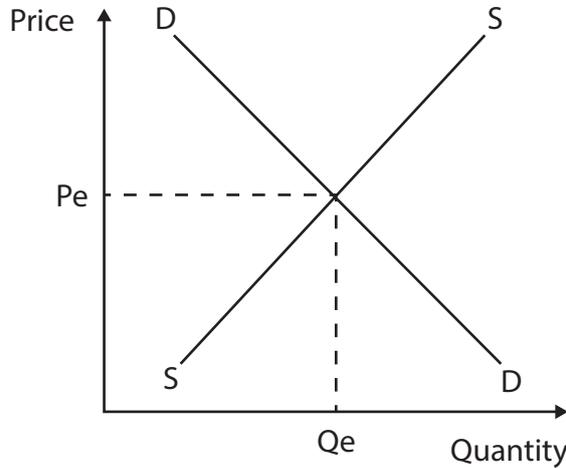


Figure 1a

In 2016, the production of strawberries in Spain increased by 10%.

- (a) (i) On Figure 1a, draw and label a new curve to show the effect of increased strawberry production in Spain. (1)
- (ii) On Figure 1a, draw and label the new equilibrium price  $P_1$  and quantity  $Q_1$ . (2)
- (iii) Identify and briefly explain **two** factors that may have caused the increase in strawberry production in Spain. (4)

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The income elasticity of demand for fresh strawberries is estimated to be + 1.25.

(b) (i) Which **one** of the following best describes fresh strawberries?

(1)

- A** A normal good with income inelastic demand
- B** An inferior good with income inelastic demand
- C** A normal good with income elastic demand
- D** An inferior good with income elastic demand

Dani Andrada is a Spanish shopkeeper. He noticed the following change in sales when he reduced the price per kg of his strawberries.

	Price	Sales
Week 1	€3.00 per kg	100kg
Week 2	€2.75 per kg	120kg

**Figure 1b**

(ii) Using the data in Figure 1b, calculate the total revenue in week 1 and week 2. Comment on the price elasticity of demand for strawberries sold in Dani Andrada's shop.

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Spain has a mixed economy with a public and private sector.

- (c) (i) Explain the difference between the public and private sectors in terms of ownership.

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(ii) The private sector can always be relied on to produce goods and services more efficiently than the public sector. Do you agree with this statement? Explain your answer.

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Spain is the world's biggest exporter of strawberries. The strawberry industry in Spain employs approximately 50,000 people.

(d) (i) Identify and briefly explain **two** factors that might determine the supply of labour in the Spanish strawberry industry.

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The strawberry industry in Spain has been accused of causing pollution from the use of pesticides and depriving nearby national parks of precious water.

- (ii) The economic benefits of production in a country outweigh the negative externalities caused by the production process. Do you agree with this statement? Explain your answer.

(6)

Area with horizontal dotted lines for writing the answer to question (ii).

**(Total for Question 1 = 30 marks)**

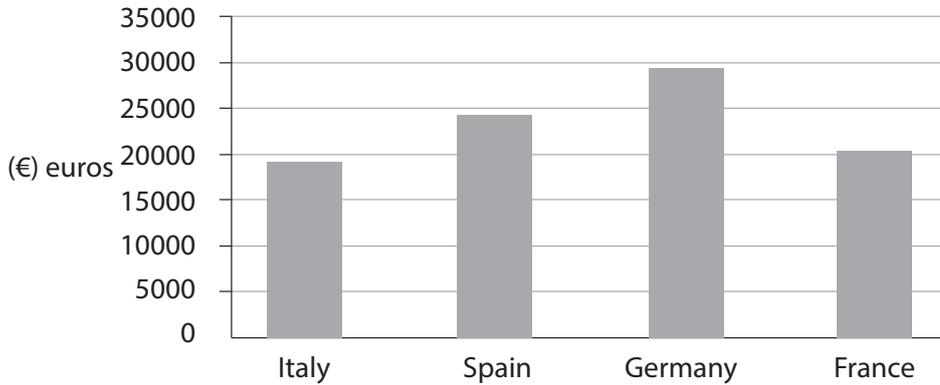
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Annual production per private sector worker measured in (€) euros



(Source: adapted from <https://www.goldmoney.com/research/goldmoney-insights/productivity-misconceptions>)

Figure 2a

(a) (i) With reference to Figure 2a, which country has the highest private sector level of productivity? Explain your answer.

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(ii) Identify and briefly explain **two** ways in which labour productivity can be increased.

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Adam Ondra has a business near Stuttgart in Germany making wooden garden seats. Figure 2b shows his costs for the month of June.

Items	Cost in (€) euros
Rent	600
Loan repayment	350
Insurance	50
Wood <b>per seat</b>	50
Other materials <b>per seat</b>	20
Labour <b>per seat</b>	80

**Figure 2b**

- (b) (i) If Adam produces 20 garden seats in June, calculate his average cost per garden seat. Show your workings.

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- (ii) Adam charges customers €200 for each garden seat. In June, he sells 25 garden seats. Calculate his profit and show your workings.

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Deutsche Telekom is one of Germany's biggest companies. It has recently negotiated a preferential loan arrangement with Deutsche Bank.

(iii) This is an example of a

(1)

- A** financial economy of scale
- B** marketing economy of scale
- C** purchasing economy of scale
- D** risk-bearing economy of scale

Deutsche Telekom uses the same logo and graphics in each country.

(iv) This is an example of a

(1)

- A** financial economy of scale
- B** marketing economy of scale
- C** purchasing economy of scale
- D** risk-bearing economy of scale

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(v) Economies of scale mean that a large firm will always have an advantage over a small firm. Do you agree with this statement? Explain your answer.

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The Monopolkommission (Monopolies Commission) is an independent committee that advises the German government on promoting competition and competition law.

(c) (i) Identify and briefly explain **two** ways by which the German government could promote competition.

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In 2014, German competition authorities described the German mobile telephone market as being the most powerful oligopoly in Europe.

(ii) An oligopoly is always beneficial for the consumer. Discuss.

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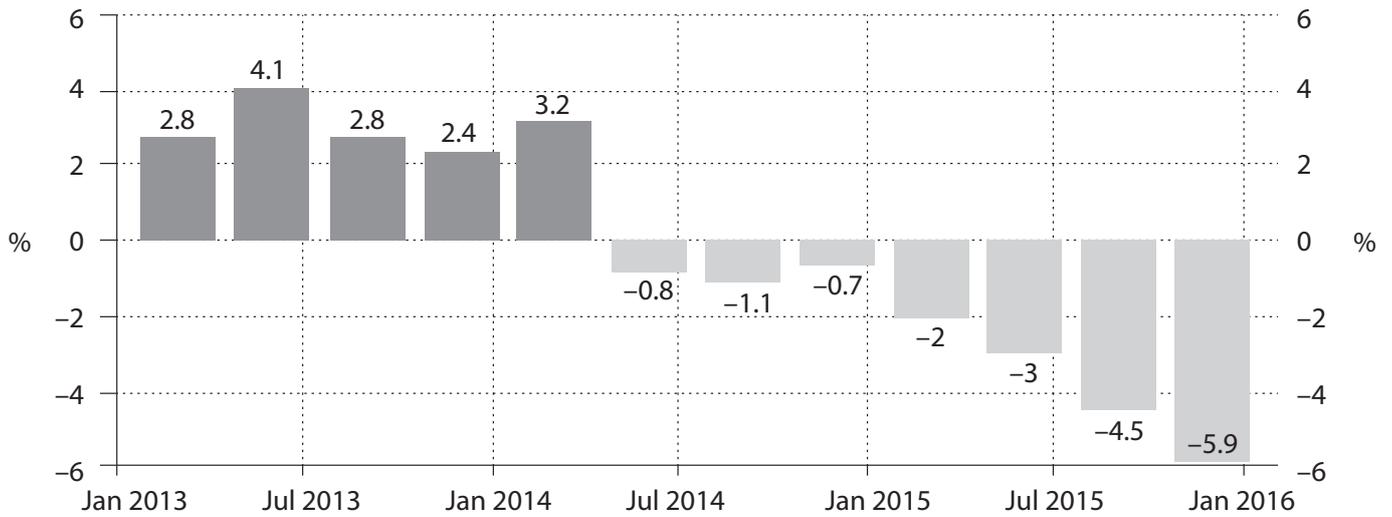
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(Total for Question 2 = 30 marks)



### Gross Domestic Product (GDP) growth rate: Brazil January 2013 – January 2016



(Source: adapted from <http://www.tradingeconomics.com/brazil/gdp-growth-annual>)

**Figure 3a**

(a) (i) Using Figure 3a, describe what happened to the GDP growth rate in Brazil between January 2013 and January 2016.

(3)

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(ii) Identify and briefly explain **two** reasons why economic growth is a government objective.

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(iii) Applying fiscal policy is the best way to increase economic growth. Do you agree with this statement? Explain your reasons.

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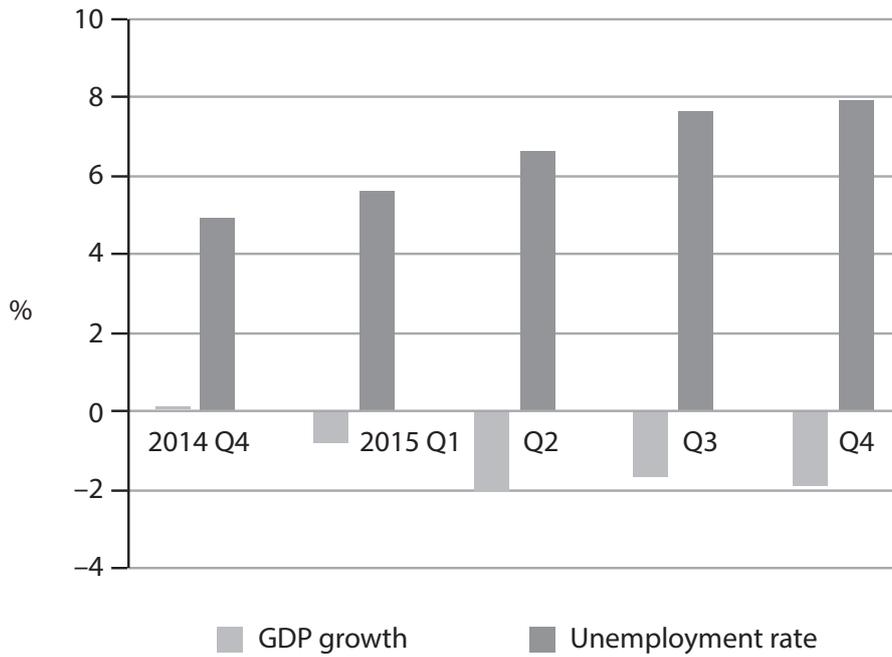
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**Gross Domestic Product (GDP) growth and unemployment rate, Brazil 2014–2015**



**Figure 3b**

(b) (i) Define unemployment.

(2)

(ii) Explain the relationship between the unemployment rate and GDP growth as shown in Figure 3b.

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(iii) Discuss the effectiveness of supply-side policies in reducing unemployment.

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4 Over the last 20 years, Denmark has given \$250m in development aid to Ghana's healthcare system.

(a) (i) How might this development aid have helped Ghana's economy?

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Maersk is a multinational company (MNC) operating in the global shipping trade. In 2015, it announced it was investing over \$1bn into the development of Ghana's largest port, Tema Port. The investment will increase the capacity of the port by 400%.

(ii) Explain **two** reasons why MNCs might want to invest in developing economies such as Ghana.

(4)

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(iii) Foreign direct investment is the single most important cause of globalisation.  
Do you agree with this statement? Explain your reasons.

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Ghana relies heavily on the export of the commodities gold and cocoa.

(b) (i) Explain **one** advantage and **one** disadvantage of Ghana's reliance on exports of such commodities.

(4)

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In 2015, Ghana's currency, the cedi, fell to an all-time low against the US dollar and most other currencies.

(ii) This fall is likely to have caused a

(1)

- A** fall in exports and a fall in imports
- B** fall in exports and a rise in imports
- C** rise in exports and a rise in imports
- D** rise in exports and a fall in imports

(iii) Identify and briefly explain **two** factors that affect exchange rates.

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Ghana is a member of ECOWAS (Economic Community of West African States), a regional trade bloc.

(c) (i) A trade bloc is a group of countries that

(1)

- A** have the same currency
- B** have common borders
- C** have reduced trade barriers between members
- D** all produce the same product

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