



# Mark Scheme (Results)

November 2020

Pearson Edexcel International GCSE

In Economics (4EC1)

Paper 1 Microeconomics and Business Economics

## **Edexcel and BTEC Qualifications**

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at [www.edexcel.com](http://www.edexcel.com) or [www.btec.co.uk](http://www.btec.co.uk). Alternatively, you can get in touch with us using the details on our contact us page at [www.edexcel.com/contactus](http://www.edexcel.com/contactus).

## **Pearson: helping people progress, everywhere**

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: [www.pearson.com/uk](http://www.pearson.com/uk)

Autumn 2020

Publications Code 4EC1\_01\_2011\_MS

All the material in this publication is copyright

© Pearson Education Ltd 2020

## 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)	<b>AO1 1 mark</b>	
	<b>C</b> Opportunity cost	<b>(1)</b>

Question number	Answer	Mark
1(b)	<b>AO2 1 mark</b>	
	<p><b>B</b></p>	<b>(1)</b>

Question number	Answer	Mark
1(c)	<b>AO1 2 marks</b>	
	<p>Award 1 mark for reference to a negative impact and 1 mark for reference to third party</p> <p>A negative effect <b>(1)</b> imposed on a third party <b>(1)</b></p> <p>Accept any other appropriate response</p>	<b>(2)</b>

Question number	Answer	Mark
1(d)	<b>AO1 1 mark</b>	
	<p>Award 1 mark for correct example</p> <p>Education/healthcare/vaccination</p> <p>Accept any other appropriate response</p>	<b>(1)</b>

Question number	Answer	Mark
1(e)	<p style="text-align: center;"><b>AO1 1 mark</b></p> <p>Award 1 mark for a correct definition</p> <p>The desire for goods and services</p> <p>Accept any other appropriate response</p>	<b>(1)</b>

Question number	Answer	Mark
1(f)	<p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 1 mark for showing correct calculation  <math>(3,600 + 3,200 + 3,100) - 9,000</math> <b>(1)</b></p> <p>Award 1 mark for correct excess demand  <math>= 900</math> <b>(1)</b></p> <p>Award 2 marks if excess demand is correctly calculated, even if no calculations are shown</p> <p>Do not award marks for a formula</p>	<b>(2)</b>

Question number	Answer	Mark
1(g)	<p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for leftward shift of demand, labelled</p> <p>Award 1 mark for lower equilibrium price, labelled</p> <p>Award 1 mark for lower equilibrium quantity, labelled</p>	<b>(3)</b>

Question number	Answer	Mark
1(h)	<p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for identifying a barrier to entry Award 1 mark for developing the response Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> <li>• One barrier to entry is economies of scale <b>(1)</b> because established larger firms such as Sony and Warner may have lower average costs <b>(1)</b> whereas new smaller firms may struggle to keep average costs down <b>(1)</b></li> </ul> <p>Accept any other appropriate response.</p>	<b>(3)</b>

Question number	Indicative content
1(i)	<p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• The four factors of production are land, labour, capital and enterprise</li> <li>• Beans are harvested from coffee plants which means that land is needed to produce coffee</li> <li>• The coffee beans are picked by hand because labour is needed to determine when the fruit is ready to harvest</li> <li>• The process of sorting the beans and transforming them from their natural state to consumable beans, ground or instant products is done by machinery, which is capital. This maybe because is it more productive/cost effective than using labour.</li> <li>• Enterprise combines the other factors of production to make sure the bean gets to the consumer as a consumable product</li> <li>• Thus, all four factors of production may be used to produce coffee as without any one of them the process would not be completed as efficiently</li> </ul>

Level	Mark	Descriptor
	<b>0</b>	No rewardable material.
Level 1	<b>1-2</b>	<ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> </ul>
Level 2	<b>3-4</b>	<ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> </ul>
Level 3	<b>5-6</b>	<ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> </ul>

Question number	Answer	Mark
2(a)	<b>AO2 1 mark</b>	
	<b>C</b> Monopoly	<b>(1)</b>

Question number	Answer	Mark
2(b)	<b>AO1 1 mark</b>	
	<b>B</b> Consumers have habits that are hard to give up	<b>(1)</b>

Question number	Answer	Mark
2(c)	<b>AO1 1 mark</b>	
	Award 1 mark for correct formula in words/as an equation  $\frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}$	<b>(1)</b>

Question number	Answer	Mark
2(d)	<p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 1 mark for identifying the variable costs 2 000 + 15 000 <b>(1)</b></p> <p>Award 1 mark for calculating total variable costs = 17 000 QR <b>(1)</b></p> <p>Award 2 marks if total variable costs are correctly calculated as 17 000QR, even if no calculations are shown</p> <p>Award 1 mark if total variable costs are correctly calculated as 17 000 even if no calculations are shown</p> <p>Do not award marks for a formula</p>	<b>(2)</b>

Question number	Answer	Mark
2(e)	<p style="text-align: center;"><b>AO1 1 mark</b></p> <p>Award 1 mark for reference to obtaining control of another firm</p> <p>One firm buys control of another firm</p> <p>Accept any other appropriate response</p>	<b>(1)</b>

Question number	Answer	Mark
2(f)	<p style="text-align: center;"><b>AO1 2 marks</b></p> <p>Award 1 mark for reference to the reason and 1 mark for development of the reason</p> <p>In the short term, consumers may not be able to find an alternative product to switch to <b>(1)</b> and so it is only in the longer term that they have more opportunity to look for substitutes <b>(1)</b></p> <p>Accept any other appropriate response</p>	<b>(2)</b>

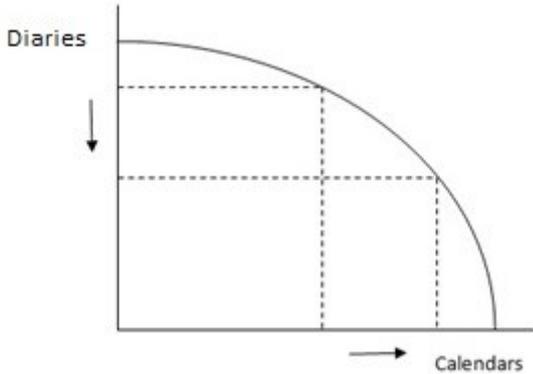
Question number	Answer	Mark
2(g)	<p style="text-align: center;"><b>AO2 3 marks</b></p> <p>Award 1 mark for identifying a relevant reason  Award 1 mark for developing the reason  Award 1 mark for the response being in context</p> <ul style="list-style-type: none"> <li>• One reason is that a fine may encourage the driver to stay within the speed limit <b>(1)</b> because driving too fast may cause accidents <b>(1)</b> therefore, fines are likely to reduce the number of accidents and reduce negative externalities <b>(1)</b></li> </ul> <p>Accept any other appropriate response</p>	<b>(3)</b>

Question number	Indicative content
2(h)	<p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• The public sector is when government organisations provide goods and services in an economy</li> <li>• The private sector is when the provision of goods and services is by businesses that are owned by individuals or groups of individuals</li> <li>• The economic problem is what, how and for whom to produce when there are finite resources to meet infinite wants</li> <li>• In the private sector businesses such as those producing electronics in Japan, are likely to want to meet the business objective of profit maximisation</li> <li>• Therefore there are likely to be fewer wasted resources, as firms try to keep costs as low as possible when meeting the demand from consumers. This is because resources are likely to be allocated according to the forces of supply and demand</li> <li>• It may therefore rely more on private sector ownership because this is likely to be more efficient when producing goods and services that consumers want, such as clothes, leisure and entertainment</li> <li>• This would mean private sector ownership is more effective in solving the economic problem</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, with public sector ownership, the best interests of the public are more likely to be the main objective</li> <li>• Therefore reliance on mostly public sector ownership is likely to be more effective for goods and services that may not be produced in high enough quantities by private sector ownership, such as education, health and street lighting</li> <li>• Although public sector ownership may not be the most efficient, without it, resources may not be used to produce everything needed within an economy</li> <li>• Therefore countries such as Cuba may benefit more from producing with a higher reliance on public sector ownership when trying to solve the economic problem</li> </ul>

Level	Mark	Descriptor
	<b>0</b>	No rewardable material.
Level 1	<b>1-3</b>	<ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> <li>• Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).</li> </ul>
Level 2	<b>4-6</b>	<ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> <li>• Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).</li> </ul>
Level 3	<b>7-9</b>	<ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> <li>• Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).</li> </ul>

Question number	Answer	Mark
3(a)	<b>AO1 1 mark</b>	
	<b>A</b> Increased indirect taxes	<b>(1)</b>

Question number	Answer	Mark
3(b)	<b>AO1 1 mark</b>	
	<b>C</b> Luxury	<b>(1)</b>

Question number	Answer	Mark
3(c)	<b>AO2 3 marks</b>	
	<p>Award 1 mark for drawing a production possibility frontier (PPF) with correctly labelled axes</p> <p>Award 1 mark for showing a decrease in diaries on the PPF</p> <p>Award 1 mark for showing an increase in calendars on the PPF</p> 	<b>(3)</b>

Question number	Indicative content
3(d)	<p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• A minimum wage sets the lowest wage which can legally be paid in Turkey</li> <li>• The Turkish Government increased the minimum wage by 538 TRY from 2018 to 2019</li> <li>• This would further improve the incomes of the lowest paid workers in Turkey</li> <li>• By ensuring a higher income is paid, the government is attempting to provide a better lifestyle for people who previously struggled with basic needs</li> <li>• By increasing the minimum wage, the government is reducing its need to support low-paid workers and is pushing the responsibility onto employers</li> </ul>

Level	Mark	Descriptor
	<b>0</b>	No rewardable material.
Level 1	<b>1-2</b>	<ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> </ul>
Level 2	<b>3-4</b>	<ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> </ul>
Level 3	<b>5-6</b>	<ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> </ul>

Question number	Indicative content
3(e)	<p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Internal economies of scale are reduced average costs enjoyed by firms that expand, such as airports</li> <li>• They can include bulk buying, marketing, technical, financial, managerial and risk-bearing</li> <li>• Istanbul's new airport will be able to handle 200 million passengers each year meaning it will need to buy seating for waiting areas in very large quantities. This means it may be able to benefit from bulk buying economies</li> <li>• The new airport might be able to benefit from technical economies of scale as the cost of installing equipment can be divided between each of six runways</li> <li>• Marketing economies could be spread amongst a high number of cafes and shops if they focus advertising on being located in the world's largest airport (which is bigger than Manhattan)</li> <li>• Risk-bearing economies could be enjoyed as if there is a problem with a runway, aircraft could be moved to one of five others</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, if it becomes too large, Istanbul's new airport may suffer from diseconomies of scale, such as communication problems, leading to a rise in average costs</li> <li>• As the airport has not yet fully opened it may mean it has been built in stages and so furniture may not have been bought in such large quantities as to allow economies of scale to occur</li> <li>• Being so large could mean less care is taken during the installation of technical equipment. This could mean it needs to be repeated leading to additional costs</li> <li>• There is no guarantee that 200 million passengers will pass through the airport every year and so marketing economies may not result in the same benefits, especially if safety is a concern if there is a problem with a runway</li> </ul>

Level	Mark	Descriptor
	<b>0</b>	No rewardable material.
Level 1	<b>1-3</b>	<ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> <li>• Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness (AO4).</li> </ul>
Level 2	<b>4-6</b>	<ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> <li>• Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness (AO4).</li> </ul>
Level 3	<b>7-9</b>	<ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> <li>• Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness (AO4).</li> </ul>

Question number	Answer	Mark
4(a)	<p style="text-align: center;"><b>AO2 2 marks</b></p> <p>Award 1 mark for selecting product Y <b>(1)</b></p> <p>Award 1 mark for correct total revenue  <math>\\$1\,650 \times 20 = \\$33\,000</math> <b>(1)</b></p> <p>Award 2 marks if total revenue is accurately calculated as \$33 000, even if no calculations are shown</p> <p>Award 1 mark if the answer given is 33 000 with or without calculations shown</p> <p>If product X is selected, and a correct calculation of \$37 500 given, award 1 mark</p> <p>Do not award marks for a formula</p>	<b>(2)</b>

Question number	Indicative content
4(b)	<p style="text-align: center;"><b>AO2 (3 marks)/AO3 (3 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• The supply of labour refers to the quantity of labour (employees) willing and able to work at any given wage</li> <li>• (Occupational) mobility of labour is where workers have the ability to move between different types of employment, such as artist to art teacher</li> <li>• The supply of labour is likely to increase when it is easier for workers to move to different types of employment</li> <li>• For example, they are able to leave an industry where there is little employment such as selling paintings in small craft shops in order to find work in an industry that needs more employees such as teachers</li> <li>• By providing a scheme to help applicants train to be teachers, the government are providing an opportunity to increase the supply of labour</li> <li>• This is because it would allow more people to become mobile between different types of employment</li> </ul>

<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	<b>0</b>	No rewardable material.
Level 1	<b>1–2</b>	<ul style="list-style-type: none"> <li>• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> </ul>
Level 2	<b>3–4</b>	<ul style="list-style-type: none"> <li>• Demonstrates partial knowledge and understanding by developing relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> </ul>
Level 3	<b>5–6</b>	<ul style="list-style-type: none"> <li>• Demonstrates clear knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Interpretation of economic information will be excellent, with a thorough analysis of issues (AO3).</li> </ul>

Question number	Indicative content
4(c)	<p style="text-align: center;"><b>AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)</b></p> <p><b>AO2 and AO3</b></p> <ul style="list-style-type: none"> <li>• Productivity is the amount of output that can be produced with a given amount of resources</li> <li>• By using technology (a form of capital) such as tablets, restaurants can replace waiters in an attempt to be more efficient</li> <li>• Restaurants may therefore be able to take orders from customers faster due to the use of technology but at a lower cost because the tablets will be cheaper to run than labour</li> <li>• This may make the restaurants more productive as they can increase output and serve more diners due to the increased use of technology</li> <li>• This increase in productivity may allow the restaurants to invest in further capital and therefore become even more productive in the future</li> </ul> <p><b>AO4</b></p> <ul style="list-style-type: none"> <li>• However, it may take longer for orders to be placed if customers are confused about how to use the tablets, reducing productivity</li> <li>• It may be necessary for labour to be used (initially) to assist diners when they are using the tablets and so the need to use extra resources could mean it is less productive in the short run</li> <li>• Errors in ordering could lead to the wrong meals being prepared which could make the restaurants less productive if they have to correct mistakes</li> <li>• Overall, it may be less productive for restaurants to increase the use of technology in the short run while the restaurant initiates use of the equipment</li> <li>• This may depend on how quickly customers adapt to the changes</li> <li>• However, in the long run, because they may have been able to resolve any difficulties faced by the use of technology, productivity in the restaurants may have increased</li> </ul>

Level	Mark	Descriptor
	<b>0</b>	No rewardable material.
Level 1	<b>1-4</b>	<ul style="list-style-type: none"> <li>• Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will lack selectivity and organisation. Chain of reasoning may be attempted. Interpretation of economic information will be limited, with a lack of analysis of issues (AO3).</li> <li>• Only offers one viewpoint, meaning there is an unbalanced and incomplete evaluation, showing limited understanding and awareness. A judgement or conclusion is unlikely to be attempted (AO4).</li> </ul>
Level 2	<b>5-8</b>	<ul style="list-style-type: none"> <li>• Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate some selectivity and organisation. Chain of reasoning will be present but may be limited. Interpretation of economic information will be good, with some analysis of issues (AO3).</li> <li>• Offers more than one viewpoint but the argument may lack balance, leading to an evaluation that may not demonstrate full understanding and awareness. A judgement or conclusion is attempted, but may not be fully supported (AO4).</li> </ul>
Level 3	<b>9-12</b>	<ul style="list-style-type: none"> <li>• Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2).</li> <li>• Information presented will demonstrate excellent selectivity and organisation. Chain of reasoning will be coherent and logical. Interpretation of economic information will be excellent with a thorough analysis of issues (AO3).</li> <li>• Offers more than one viewpoint. The argument is well balanced and coherent, leading to an evaluation that demonstrates full understanding and awareness. A supported judgement or conclusion is present (AO4).</li> </ul>

Pearson Education Limited. Registered company number 872828  
with its registered office at 80 Strand, London, WC2R 0RL, United Kingdom