



Mark Scheme (Final)

Winter 2013

International GCSE Economics
(4ECO/01)

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January 2013

Publications Code xxxxxxxx*

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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)	<p>Answer A = 1 mark Explanation: Onions are an agricultural good (1 mark). It will take several months for supply to increase (1 mark). Also accept supply can't be increased in the short run/quickly. Can also accept: Answer B = 1 mark BUT only if in the explanation it is linked to storage e.g. although an agricultural good it can be stored. If NO reference to storage = ZERO marks.</p>	(3)

Question Number	Answer	Mark
1 (a) (ii)	Shift to the left	(1)

Question Number	Answer	Mark
1 (a) (iii)	<p>Definition: the responsiveness of demand to a change in price (2 marks) Accept formula for 2 marks Vague definitions, 1 mark e.g. "The changes that take place to demand when there is a change in price" If they define inelastic or elastic e.g. the % change in quantity demanded is greater than the % change in price" Need quantity demanded not just quantity</p>	(2)

Question Number	Answer	Mark
1 (a) (iv)	<p>Accept any reasonable factor which influences elasticity of demand making it inelastic e.g. no substitutes, necessity. Explanation, 1 mark e.g. onions are essential (1 mark) in Indian cookery so as price rises people will still need to buy them (1 mark).</p>	(2)

Question Number	Answer	Mark
1 (a) (v)	Pumpkins are substitutes for onions	(1)

Question Number	Answer	Mark
1(a)(vi)	<ul style="list-style-type: none"> • 1 mark for correctly labelled demand and supply curves Accept supply curves with any elasticity e.g. perfectly inelastic. Need both demand and supply for 1 mark <ul style="list-style-type: none"> • 1 mark for equilibrium price and quantity Need both for 1 mark <ul style="list-style-type: none"> • 1 mark for demand shifting to the right No mark if both demand and supply curves shift <ul style="list-style-type: none"> • 1 mark for increased price Mark can only be awarded if increase in price is brought about by the demand curve shifting to the right.	(4)

Question Number	Answer	Mark
1 (b)	<p>Reasons for wages in agricultural sector being less (supporting statement) 1 mark each, up to 2. Development 1 mark e.g. Often no training required (1 mark) for agricultural workers so supply is greater (1 mark)</p> <p>Reasons for wages in tertiary sector being more (supporting statement) 1 mark each, up to 2. Development 1 mark e.g. In tertiary sector most workers need qualifications (1 mark) e.g. many office jobs (1 mark)</p> <p>Maximum for reference to <u>either</u> agricultural or tertiary workers = 3 marks Maximum for references to <u>both</u> agricultural workers and tertiary workers = 4 marks</p> <p>Must have evaluation/reasoned judgement for 5-6 marks e.g. Reference to "always less" being incorrect. Wages may be less in agricultural sector but it depends which occupations in the tertiary sector are being compared (1 mark) e.g. in retailing and domestic service no qualifications are needed so wages can be as low as in agriculture. Also credit reference to</p> <ul style="list-style-type: none"> • low wages in tertiary due to number of female workers not total supply. • Government interference e.g. minimum wage rates <p>demand factors rather than supply e.g. if low demand for agricultural workers then wages will be low.</p>	(6)

Question Number	Answer	Mark
1 (c) (i)	Bulgaria	(1)

Question Number	Answer	Mark
1 (c) (ii)	<ul style="list-style-type: none"> • Population increasing, (1 mark) <u>due to</u> • $BR > DR$, (1 mark) • Reference to migration rate being negative but outweighed by difference between $BR > DR$ (1 mark). If only state 	

	that migration rate is negative no marks. 1 mark for reference to figures.	(4)
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Question Number	Answer	Mark
1(c)(iii)	<p>Problems facing Bulgaria, 1 mark each, up to 2. Development 1 mark e.g. Population falling (1 mark) so lower workforce (1 mark), lower economic growth (1 mark).</p> <p>Problems facing Bolivia, 1 mark each up to 2. Development 1 mark e.g. High birth rate (1 mark), high government expenditure on children (1 mark), high dependency rate (1 mark).</p> <p>Maximum for 1 sided arguments = 3 marks Maximum for both sides = 4 marks Must have evaluation/reasoned judgement for 5-6 marks e.g. Bulgaria problems greater as in the future Bolivia will have a workforce but Bulgaria faces low economic growth due to falling population.</p> <p>Also accept for evaluation/judgement:</p> <ul style="list-style-type: none"> Bulgaria might not face greater problems as the fall in population could be offset by increases in productivity/more efficient workforce <p>Government interference in either or both economies could overcome the problems e.g. incentives to increase BR, immigration in Bulgaria, birth control in Bolivia.</p>	(6)

Question Number	Answer	Mark
2(a)(i)	Secondary sector	(1)

Question Number	Answer	Mark
2(a)(ii)	<p>Fixed costs identified (rent, advertising, loan repayments), 1 mark Explanation: fixed costs don't change as number of units increases (1 mark) 3 marks if reference to data also explains fixed costs, e.g. rent (1 mark) – stays at 200BRL (1 mark) for 1000 and 2000 units (1 mark). Reference to data only, 1 mark e.g. stays at 200BRL</p>	(3)

Question Number	Answer	Mark
2(a)(iii)	<p>Variable costs identified (wages, electricity, postage and packaging, raw materials), 1 mark</p> <p>Explanation: Variable costs do change as number of units increases (1 mark)</p> <p>3 marks if reference to data also explains variable costs, e.g. wages (1 mark) – change from 400BRL to 600BRL (1 mark) as the number of units produced increases from 1000 and 2000 units (1 mark).</p> <p>Reference to data only, 1 mark e.g. change from 400BRL to 600BRL</p>	(3)

Question Number	Answer	Mark
2(a)(iv)	<p>Accept:</p> <p>Average cost = total cost/number produced (1 mark) or 1500BRL/2000 (1 mark)</p> <p>Correct answer = 0.75BRL (1 mark)</p>	(2)

Question Number	Answer	Mark
2(a)(v)	<p>Profit = TR – TC (1 mark)</p> <p style="text-align: center;">or</p> <p>Profit = unit price - average cost x number sold (1 mark)</p> <p>Profit = 1500BRL – 1000BRL = 500BRL (3 marks)</p> <p style="text-align: center;">or</p> <p>Profit = 1.5BRL - 1BRLx 1000 = 500BRL(3 marks)</p> <p>Correct answer without calculation, 500BRL (1 mark)</p>	(3)

Question Number	Answer	Mark
2(b)(i)	<p>A company which is operating in several countries (2 marks)</p> <p>Vague definition e.g. a company which is found in several countries (1 mark)</p>	(2)

Question Number	Answer	Mark
2(b)(ii)	Average costs fall (1 mark) as production increases (1 mark) 1 mark only for vague definition e.g. there are cost benefits to the firm when it grows larger	(2)

Question Number	Answer	Mark
2(b)(iii)	<p>Each advantage identified, 1 mark up to 2. Development up to 2 marks e.g. falling average costs leads to increased profits (1 mark). Firm may reduce prices (1 mark) to reduce competition and increase its market share (1 mark). Also accept types of economies of scale.</p> <p>Each disadvantage identified, 1 mark up to 2. Development up to 2 marks. e.g. increased bureaucracy(1 mark) and poor industrial relations (1 mark) may reduce production (1 mark). Also accept types of diseconomies of scale</p> <p>Maximum for 1 sided arguments = 3 marks Maximum for both sides = 4 marks</p> <p>Must have evaluation/judgement for 5-6 marks: e.g. as long as profits rise firms will consider advantages to outweigh disadvantages. Many firms try to overcome disadvantages e.g. job rotation so that workers don't get bored.</p>	(6)

Question Number	Answer	Mark
2(c)(i)	<p>Each characteristic identified, 1 mark e.g. few(1 mark) large/dominant (1 mark) producers Also accept for 1 mark likelihood of collusion/cartels, non price competition, price stability, large amounts spent on advertising, high barriers to entry, interdependence, price wars.</p>	(2)

Question Number	Answer	Mark
2(c)(ii)	<p>Each advantage identified, 1 mark, up to 2. Development up to 2 marks e.g. Oligopolies can compete by price and non price competition so consumers might have lower prices and non price deals.</p> <p>Each disadvantage identified, 1 mark, up to 2. Development up to 2 marks e.g. firms may form cartels and agree to charge high prices</p> <p>Maximum for 1 sided arguments = 3 marks Maximum for both sides = 4 marks</p> <p>Must have evaluation/judgement for 5-6 marks: e.g. oligopolies take advantage of economies of scale as they are large firms. If they compete then they can pass on lower prices and consumers will benefit but if they work together and keep prices high then the profits will increase but consumers will lose out.</p>	(6)

Question Number	Answer	Mark
3(a)(i)	<ul style="list-style-type: none"> • 1 mark: Interest rate fell Nov 2008 to May 2009 • 1 mark: interest rate remained constant May 2009 to March 2011 • 1 mark for reference to figures e.g. 3.25% to 1% 	(3)

Question Number	Answer	Mark
3(a)(ii)	Recession	(1)

Question Number	Answer	Mark
3(a)(iii)	<p>Each problem identified, 1 mark e.g. unemployment, falling standard of living, loss of confidence in firms/lower investment/lower government revenue, low/falling aggregate demand/less income for households and or consumers "less income" is too vague Do not accept falling GDP as this is definition.</p>	(2)

Question Number	Answer	Mark
3(a)(iv)	Monetary Policy	(1)

Question Number	Answer	Mark
3(a)(v)	Each way identified 1 mark Explanation 1 mark. e.g. less saving (1 mark) as return on saving low so will spend more (1 mark) e.g. more borrowing (1 mark) as cost of borrowing lower so will spend more (1 mark)	(4)

Question Number	Answer	Mark
3(b)(i)	Upward/increasing trend (1 mark) Reference to data 2 marks, e.g. low rate 1 mark, high rate 1 mark. Or 2 marks for giving difference between the low rate and high rate 1 mark for detail such as small inconsistencies in trend	(3)

Question Number	Answer	Mark
3(b)(ii)	<p>Each benefit identified, 1 mark up to 2. Development up to 2 marks e.g. lowers cost of borrowing (1 mark) so firms invest (1 mark). Increases demand (1 mark) so firms expand (1 mark)</p> <p>Each cost identified, 1 mark, up to 2. Development up to 2 marks. e.g. Inflation (1 mark) could reduce exports and lead to balance of trade deficit. Also accept creditors lose when there is inflation.</p> <p>Maximum for 1 sided arguments = 3 marks Maximum for both sides = 4 marks Must have evaluation/reasoned judgement for 5-6 marks e.g. effect of time lags which can be offset by other policies (e.g.fiscal).</p>	(6)

Question Number	Answer	Mark
3(c)(i)	<p>Each negative effect identified, 1 mark e.g. accept forms of pollution, global warming, congestion using up natural resources Development, 1 mark. e.g. as firms produce more then there might be more pollution. Rivers can be polluted and this could harm the health of the people.</p>	(4)

Question Number	Answer	Mark
3(c)(ii)	<p>Each advantage/disadvantage of taxation as a method reducing environmental costs, 1 mark, up to 2. Development up to 2 marks. e.g. taxes will increase the costs of production (1 mark) and this will reduce profits (1 mark) so firms will try to reduce pollution.</p> <p>Each advantage/disadvantage of regulations as a method of reducing environmental costs, 1 mark, up to 2. Development up to 2 marks. e.g. laws limiting the amount of pollution from factories could be broken and it will cost money to enforce.</p> <p>Maximum for 1 sided arguments = 3 marks Maximum for both sides = 4 marks</p> <p>Must have evaluation/reasoned judgement for 5-6 marks e.g. fines and taxes provide a revenue for the government so enforcing the payment of these can be self financing. Laws are easily broken and "policing" the firms will be costly</p>	(6)

Question Number	Answer	Mark
4(a)(i)	2010	(1)

Question Number	Answer	Mark
4(a)(ii)	2008	(1)

Question Number	Answer	Mark	
4(a)(iii)	Euros (EUR)		
	2007		$960 \div 9.6 = 100$
	2008		$960 \div 12.0 = 80$
	<p>1 mark for each correct answer. 1 mark for showing correct formula in either 2007 or 2008 or both.</p>	(3)	

Question Number	Answer	Mark
4(a)(iv)	Appreciated	(1)

Question Number	Answer	Mark
4(a)(v)	An invisible export	(1)

Question Number	Answer	Mark
4(a)(vi)	<ul style="list-style-type: none"> • 1 mark for identifying reason for transferring money to country e.g. foreigners save money in banks • 1 mark why exchange rate changes e.g. they will need to convert their money so the demand for the currency increases • 1 mark how this affects demand for currency e.g. increases exchange rate 	(3)

Question Number	Answer	Mark
4(b)(i)	<p>Amount spent on visible imports (1 mark) is greater (1mark) than revenue from visible exports (1 mark).</p> <p>Or</p> <p>Revenue from visible exports (1 mark) is less (1mark) than amount spent on visible imports (1 mark).</p> <p>Accept "goods" and "physical" for "visible"</p> <p>If omit "visible" then maximum 2 marks.</p> <p>If omit "greater than/less than" maximum 2 marks e.g. difference between visible imports and visible exports</p>	(3)

Question Number	Answer	Mark
4(b)(ii)	<p>Reason and explanation why balance of trade will worsen, up to 3 marks.</p> <p>e.g. oil is a visible import (1 mark). It is a necessity (1 mark) so if price goes up the amount spent will go up so more is spent on imports (1 mark).</p> <p>For consideration of "extent" up to 3 marks.</p> <p>Credit reference to the price elasticity of demand for oil up to 2 marks.</p> <p>Credit reference to alternative sources of power in the country i.e. demand may be more elastic.</p>	(6)

Question Number	Answer	Mark
4(c)(i)	Accept any relevant financial incentive e.g. tax holiday, grants, loans, subsidy, bribes, cheap land.	(1)

Question Number	Answer	Mark
4(c)(ii)	Accept any relevant non-financial incentive e.g. provision of good infrastructure, telecommunications, ban on strikes, lower environmental regulations.	(1)

Question Number	Answer	Mark
4(c)(iii)	Relevant reason = 1 mark e.g. increase economic growth, increase revenue from taxation, increases employment. Development up to 2 marks e.g. foreign firm increases economic growth as it increases GDP. The workers will be trained so this too increases economic growth.	(3)

Question Number	Answer	Mark
4(c)(iv)	<p>Each argument supporting statement, 1 mark, up to 2 Development up to 2 marks e.g. incentives even if non financial save the firm money. If the government gives grants then the firm's costs are reduced and profits rise.</p> <p>Each argument against statement, 1 mark, up to 2 Development up to 2 marks e.g. firm might want to take advantage of a large market (1 mark) without tariff barriers and "red tape".</p> <p>Maximum for 1 sided arguments = 3 marks Maximum for both sides = 4 marks</p> <p>Must have evaluation/reasoned judgement for 5-6 marks e.g. The decision to move/set up in a foreign country will depend on many factors. Government incentives form part of this but may be outweighed by other factors like proximity to large market, cheap labour and political stability of country.</p>	(6)

