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<h1>Economics</h1> <h2>Paper 1</h2>														
Friday 18 May 2012 – Afternoon										Paper Reference				
<b>Time: 2 hours 30 minutes</b>										<b>4EC0/01</b>				
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.*

### Advice

- Read each question carefully before you start to answer it.
- Write your answers neatly and in good English.
- Try to answer every question.
- Check your answers if you have time at the end.

Turn over ►

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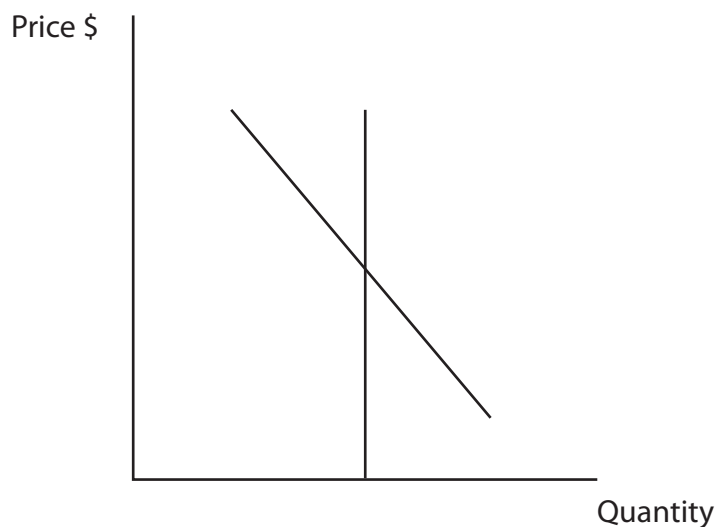


**PEARSON**

**Answer ALL questions.**

**Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.**

- 1 The price of wheat increased from \$2 per tonne in June 2009 to \$3 per tonne in September 2010. One reason for this change was a drought in Russia, a major wheat producing country.



**Figure 1a The wheat market in Russia**

On Figure 1a

- (a) (i) Label the demand curve D and the supply curve S. (1)
- (ii) Label the equilibrium price P. (1)
- (iii) Show the effect of a drought in Russia on the supply of wheat. Label the new supply curve  $S_1$ . (1)
- (iv) Label the new equilibrium price  $P_1$ . (1)
- (v) In Figure 1a the price elasticity of supply of wheat is (1)
- perfectly elastic
- perfectly inelastic
- unit elasticity



(vi) Wheat can be used to make flour or biofuels. If a farmer decides to use his land for growing wheat for biofuels the opportunity cost is

(1)

- the revenue he receives
- growing wheat for flour
- the cost of fertiliser
- there is no opportunity cost

(b) (i) With reference to total revenue, explain what is meant by a *price inelastic demand curve*.

(4)

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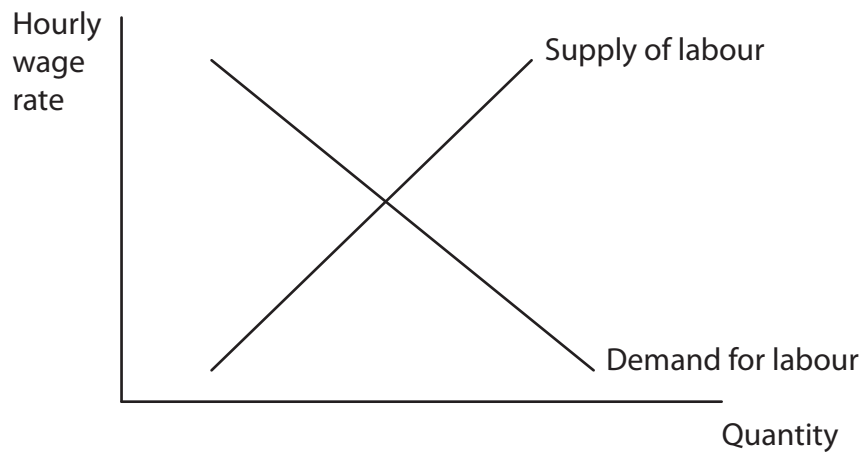
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(c) (i) In an attempt to improve the standard of living in the agricultural industry a government introduces a minimum wage rate. Show the effect of the introduction of this minimum wage rate on wages and employment in the industry on the diagram below.

(4)



**Figure 1b Agricultural industry labour market**

Define the following terms:

(ii) trade union

(2)

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(iii) mixed economy.

(2)

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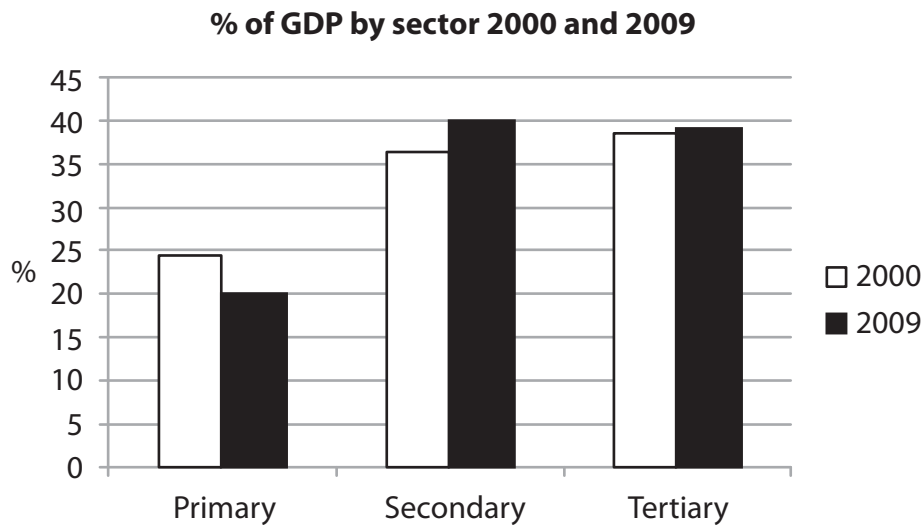




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- 2 Figure 2a shows the percentage contributed to Gross Domestic Product by each sector of the Vietnamese economy in 2000 and 2009.



**Figure 2a**

Study Figure 2a

- (a) (i) The data in Figure 2a indicates that Vietnam can be described as a (1)
- Developing country  
 Developed country
- (ii) Explain your answer to (a)(i) with reference to the data in Figure 2a. (3)

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Give an example of an occupation in each of the following sectors:

(iii) Primary

(1)

(iv) Secondary

(1)

(v) Tertiary

(1)

(b) (i) What is meant by *productivity of labour*?

(2)



Figure 2b shows the percentage of the workforce employed in each sector in Vietnam and the percentage contribution to Gross Domestic Product (GDP) of each of the sectors.



**Figure 2b**

(ii) Study Figure 2b. In which sector is labour productivity lowest?

(1)

- Primary sector
- Secondary sector
- Tertiary sector

(iii) Explain your answer to (b)(ii) using the data in Figure 2b.

(4)

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(c) In 1990 the telephone industry in Mexico was privatised. Now Telcel, a public limited company, is Mexico's largest mobile phone operator with about 75% of all mobile phone subscriptions.

Complete the sentences below from the following list.

shareholders	make profits
provide welfare benefits	the state
customers	revenue

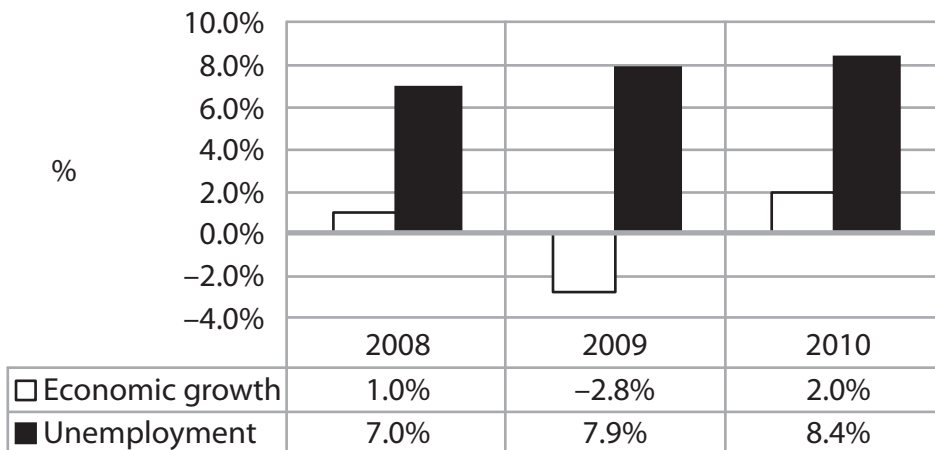
- (i) Before 1990 the telephone industry in Mexico was owned  
by ..... (1)
- (ii) Privatisation raises ..... for the government. (1)
- (iii) Since 1990 the public limited company Telcel has been owned  
by ..... (1)
- (iv) The main aim of a public limited company is to ..... (1)





- 3 (a) (i) What happens to Gross Domestic Product when an economy is in recession? (1)
- It rises
  - It falls
  - It stays the same

**Economic growth and unemployment in Belgium 2008–2010**



**Figure 3a**

Study Figure 3a.

- (ii) In which year was the Belgian economy in recession? (1)

- (iii) With reference to the data in Figure 3a, explain your answer. (3)

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(iv) Due to the recession the rate of unemployment in Belgium increased from 2008 to 2009. What is the name given to this type of unemployment? (1)

- Frictional
- Seasonal
- Cyclical

(v) Identify and briefly explain **one** other economic problem, apart from unemployment, associated with recession. (3)

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(b) (i) A government's use of taxation and government expenditure to achieve economic objectives is called (1)

- Fiscal policy
- Monetary policy
- Supply side policy

(ii) With the aid of examples distinguish between direct and indirect taxation. (4)

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4 The East African Community (EAC) is a trading bloc which includes Burundi, Kenya, Rwanda, Tanzania and Uganda. The population of the bloc is over 124 million.

(a) (i) What is meant by a *trading bloc*?

(2)

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(ii) Identify **two** advantages to consumers when their country joins a trading bloc.

(2)

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(iv) Briefly describe **two** functions of the World Trade Organisation.

(4)

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(b) (i) With the aid of a diagram on figure 4a, explain what is meant by a quota.

(5)



**Figure 4a Quota diagram**

Explanation:

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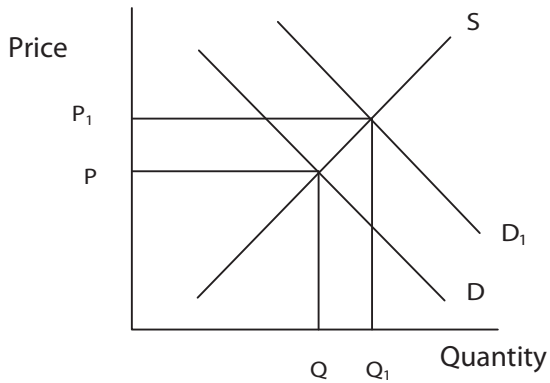
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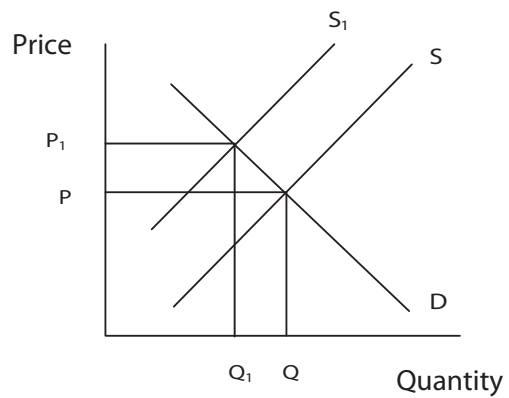


(ii) Study the following diagrams.

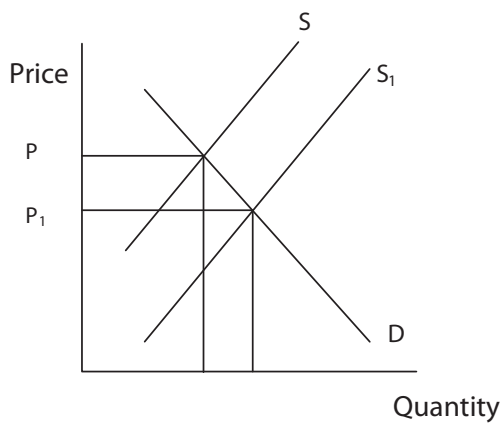
**Diagram A**



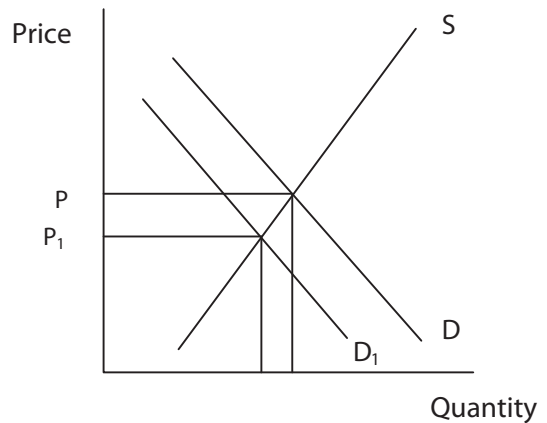
**Diagram B**



**Diagram C**



**Diagram D**



Which of the above diagrams, A, B, C or D, shows the effects of a tariff on imports?

(1)

- Diagram A
- Diagram B
- Diagram C
- Diagram D





(v) Briefly explain **one** other way, apart from quotas and tariffs, in which a government can reduce imports.

(2)

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**(Total for Question 4 = 30 marks)**

**TOTAL FOR PAPER = 120 MARKS**



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