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# **Mark Scheme (Stand)**

Summer 2017

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

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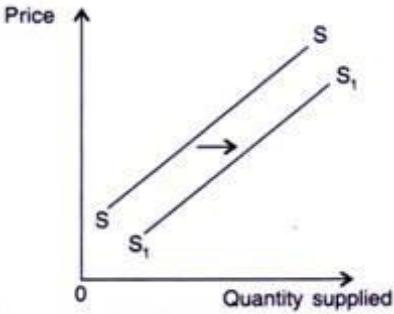
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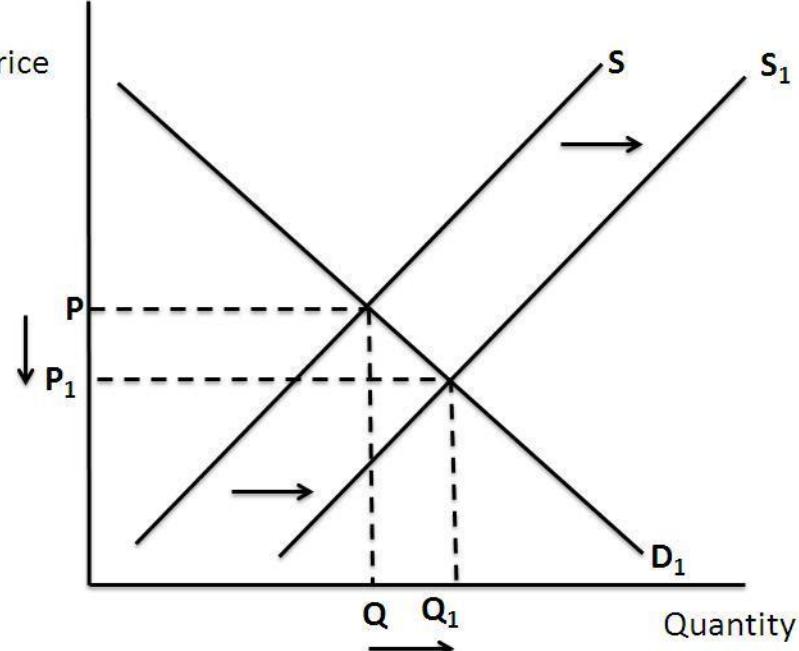
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## **General Marking Guidance**

- 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	On figure 1a draw and label a new curve to show the effect of increased strawberry production in Spain.	Mark
1(a)(i)	 <p>Award 1 mark for correct shift of supply curve to the right No mark for a shift of supply and demand curve</p>	(1)

Question Number	On figure 1a draw and label the new equilibrium price P1 and quantity Q1.	Mark
1(a)(ii)	 <p>1 mark for new equilibrium price, <math>P_1</math> 1 mark for new equilibrium quantity, <math>Q_1</math></p>	(2)

Question Number	Identify and briefly explain two factors that may have caused the increase in strawberry production.	Mark
1(a)(iii)	<p>Identification of a factor (1 mark) with explanation (1 mark)</p> <p>Factors e.g. good weather, fall in costs, better technology/machinery, government subsidy</p> <p>Explanation of the factor e.g....</p> <ul style="list-style-type: none"> <li>• Good weather (1) more strawberries grow and mature leading to bigger harvest (1)</li> <li>• Fall in costs (1) more profitable for farmers to grow strawberries, production increases (1)</li> <li>• Better technology/machinery (1) allows greater productivity from existing fields = more strawberries (1)</li> </ul>	(4)

Question Number	Which one of the following best describes fresh strawberries?	Mark
1(b)(i)	C - a normal good with income elastic demand	(1)

Question Number	Using the data in Figure 1b, calculate total revenue in week 1 and week 2. Comment on the price elasticity of demand for strawberries sold in Dani Andrada's shop.	Mark
1(b)(ii)	<p>Original price €3.00 x 100kg = €300 (TR) (1)        New price     €2.75 x 120kg = €330 (TR) (1)</p> <p>Dani's strawberries are price elastic (1) because when the price decreases Total revenue (TR) increases/proportionate change in demand is greater than proportionate change in price (1)</p>	(4)

Question Number	Explain the difference between the public and private sectors in terms of ownership.	Mark
1(c)(i)	Public sector refers to government/state-owned organisations and services (1). Private sector refers to organisations that are owned by individuals or groups of individuals, not governments/states (1).	(2)

Question Number	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.	Mark
1(c)(ii)	<p>Arguments supporting the statement (1 mark) with development (up to 2 marks)</p> <p>The private sector can always be relied on to produce goods and services more efficiently than the public sector because:</p> <ul style="list-style-type: none"> <li>• they aim to make a profit, this keeps costs down</li> <li>• the firms compete with other businesses so likely to be price competitive</li> <li>• the firms need to please consumers so increased innovation</li> <li>• the firms need to please consumers so increased quality</li> </ul> <p>Arguments not supporting the statement (1 mark) with development (up to 2 marks)</p> <p>The private sector cannot be relied on to produce goods and services more efficiently than the public sector because:</p> <ul style="list-style-type: none"> <li>• profit motive may mean quality might suffer</li> <li>• some goods and services might not be provided by the private sector</li> <li>• if there is lack of competition the price may be higher than if provided by public sector</li> </ul> <p>Further guidance</p> <ul style="list-style-type: none"> <li>• Maximum for 1 sided argument (3 marks)</li> <li>• Maximum for both sides (4 marks)</li> </ul> <p>To reach 5 - 6 marks needs a reasoned judgement or conclusion. E.g.</p> <ul style="list-style-type: none"> <li>• It depends on the nature of the good or service, e.g. cars can be provided efficiently but education may have to be provided by the state</li> <li>• yes the private sector can be relied on but will need government safeguards/regulation in place</li> </ul>	(6)

Question Number	Identify and briefly explain two factors that might determine the supply of labour in the strawberry industry.	Mark
1(d)(i)	<p>1 mark for reason, 1 mark for development E.g.</p> <ul style="list-style-type: none"> <li>• change in size of labour force (1) immigration can increase available supply (1)</li> <li>• change in role of women (1) more women choosing to work rather than stay at home - increase in size of working population (1)</li> </ul>	(4)
1(d)(ii)	<p>The strawberry industry in Spain has been accused of causing pollution from pesticides and depriving nearby national parks of precious water.</p> <p>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.</p> <p>Arguments supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Production creates economic benefits because...</p> <ul style="list-style-type: none"> <li>• Satisfies consumer wants and needs</li> <li>• Provides employment, e.g. 50,000 in Spain</li> <li>• Creates growth</li> <li>• Improves standards of living</li> </ul> <p>Arguments not supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Economic benefits do not make up for negative externalities because...</p> <ul style="list-style-type: none"> <li>• Some externalities have far reaching consequences, e.g. damage to national parks</li> <li>• Some resources are not sustainable</li> <li>• There can be considerable social costs involved in coping with externalities</li> </ul> <p>Further guidance</p> <ul style="list-style-type: none"> <li>• Maximum for 1 sided argument (3 marks)</li> <li>• Maximum for both sides (4 marks)</li> </ul> <p>To reach 5 - 6 marks needs a reasoned judgement or conclusion E.g.</p> <ul style="list-style-type: none"> <li>• depends on the size of the externality against the size of the benefits</li> <li>• depends on the extent to which the government is able to control/regulate the level of externalities</li> </ul>	(6)

Question Number	With reference to Figure 2a, which country has the highest level of productivity? Explain your answer.	Mark
2(a)(i)	Germany (1) highest output per worker measured in Euros (accept anywhere between 29 000 to 30 000). (1)	(2)

Question Number	Identify and briefly explain two ways in which labour productivity can be increased.	Mark
2(a)(ii)	<p>Identification of a way (1 mark) with explanation (1 mark) (4)</p> <p>Ways e.g. education and training, improved motivation, lean production, improved technology</p> <p>Explanation of the factor e.g.</p> <ul style="list-style-type: none"> <li>education and training (1) better skills mean job done faster/better therefore more output per unit (1)</li> <li>improved motivation (1) workers more willing to work hard, output increases (1)</li> <li>lean production (1) reduces waste/improves quality therefore more output per unit (1)</li> </ul>	

Question Number	If Adam produces 20 garden seats in June, calculate his average cost per garden seat. Show your workings	Mark
2(b)(i)	$AC = AVC + AFC$ $AVC = 50 + 20 + 80 = €150 \quad (1)$ $AFC = (600 + 350 + 50) \div 20 = €50 \quad (1)$ $AC = €150 + €50 = €200 \quad (1)$	(3)

Question Number	Adam charges customers €200 for each garden seat. In June he sells 25 garden seats, calculate his profit. Show your workings.	Mark
2(b)(ii)	$\text{Profit} = TR - TC$ $TR = 25 \times €200 = €5000 \quad (1)$ $TC = FC (\text{€}1000) + VC (25 \times €150) = €4750 \quad (1)$ $\text{Profit} = €5000 - €4750 = €250 \quad (1)$	(3)

<b>Question Number</b>	Deutsche Telekom is one of Germany's biggest companies. It has recently negotiated a preferential loan arrangement with Deutsche Bank.  This is an example of a	<b>Mark</b>
<b>2(b)(iii)</b>	A - financial economy of scale.	<b>(1)</b>

<b>Question Number</b>	Deutsche Telekom uses the same logo and graphics in each country.  This is an example of a	<b>Mark</b>
<b>2(b)(iv)</b>	B - marketing economy of scale.	<b>(1)</b>

Question Number	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.	Mark
2(b)(v)	<p>Arguments supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Economies of scale give an advantage because</p> <ul style="list-style-type: none"> <li>• average costs are reduced</li> <li>• this increases profitability leading to greater investment</li> <li>• prices may be reduced</li> <li>• can lead to a competitive advantage</li> </ul> <p>Arguments not supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Small firms can gain an advantage because</p> <ul style="list-style-type: none"> <li>• they are more flexible</li> <li>• they can cater for niche markets</li> <li>• in niche markets price not so important</li> <li>• one-off jobs make economies of scale obsolete</li> </ul> <p>Further guidance</p> <ul style="list-style-type: none"> <li>• Maximum for 1 sided argument (3 marks)</li> <li>• Maximum for both sides (4 marks)</li> </ul> <p>To reach 5 - 6 marks needs a reasoned judgement or conclusion. E.g.</p> <ul style="list-style-type: none"> <li>• depends on product, mass market goods need economies of scale to be competitive</li> <li>• small firms can survive happily alongside large ones - corner shops and supermarkets</li> </ul>	(6)

Question Number	Identify and briefly explain <b>two</b> ways by which the German government could promote competition.	Mark
2(c)(i)	<p>1 mark for reason, 1 mark for development</p> <p>e.g. Provide subsidies for small businesses (1) means that they can enter the market and compete with bigger firms (1)</p> <p>e.g. regulation (1) government can prevent monopoly/oligopoly situations arising and so maintain competition (1)</p>	(4)

Question Number	An oligopoly is always beneficial for the consumer. Discuss.	Mark
2(c)(ii)	<p>Arguments supporting the statement (1 mark) with development (up to 2 marks)</p> <p>An oligopoly has many advantages because</p> <ul style="list-style-type: none"> <li>• economies of scale may mean lower prices</li> <li>• non price competition can mean innovation and greater choice</li> <li>• it can lead to better quality and service</li> </ul> <p>Arguments not supporting the statement (1 mark) with development (up to 2 marks)</p> <p>An oligopoly may not benefit the consumer because</p> <ul style="list-style-type: none"> <li>• collusion might occur</li> <li>• prices may be fixed higher than necessary</li> <li>• barriers to entry may prevent new firms entering the market</li> </ul> <p>Further guidance</p> <ul style="list-style-type: none"> <li>• Maximum for 1 sided argument (3 marks)</li> <li>• Maximum for both sides (4 marks)</li> </ul> <p>To reach 5 - 6 marks needs a reasoned judgement or conclusion. E.g.</p> <ul style="list-style-type: none"> <li>• depends on whether the government regulates the oligopoly</li> <li>• depends on how powerful the oligopoly is</li> </ul>	(6)
Question Number	Using figure 3a describe what has happened to the GDP growth rate in Brazil between January 2013 and January 2016.	Mark
3(a)(i)	<p>GDP growth was positive and fluctuated between 2013 and the first quarter of 2014 (1)</p> <p>Then it became negative before decreasing sharply at the beginning of 2016 (1)</p> <p>Use of figures to support description (1)</p>	(3)

Question Number	Identify and briefly explain <b>two</b> reasons why economic growth is a government objective.	Mark
3(a)(ii)	<p>1 mark for reason, 1 mark for development</p> <p>e.g. increased living standards (1) as economic growth increases so too should incomes, consumers can afford more/better goods and services (1)  e.g. helps achieve other economic objectives such as reducing unemployment (1) economic growth means that more is produced which uses more resources such as labour and unemployment falls (1)</p>	(4)

Question Number	Applying fiscal policy is the best way to increase economic growth. Do you agree with this statement? Explain your reasons.	Mark
<b>3(a)(iii)</b>	<p>Arguments supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Fiscal policy is the best way because</p> <ul style="list-style-type: none"> <li>• Decreasing taxes leaves consumers with more disposable income</li> <li>• This will mostly be spent</li> <li>• The demand for goods and services increases</li> <li>• The economy expands/grows to fill the increased demand</li> </ul> <p>Arguments not supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Fiscal policy is not the best way because</p> <ul style="list-style-type: none"> <li>• Extra demand may increase imports and worsen balance of payments</li> <li>• May increase demand too much and cause inflation</li> <li>• Controlling inflation may slow economic growth</li> </ul> <p>OR - Explains alternative policy, e.g. monetary policy is better because</p> <ul style="list-style-type: none"> <li>• lower interest rates will increase investment and stimulate growth</li> <li>• consumers more likely to borrow money and increase demand</li> <li>• currency may depreciate making exports more competitive and increasing growth</li> </ul> <p>Further guidance</p> <ul style="list-style-type: none"> <li>• Maximum for 1 sided argument (3 marks)</li> <li>• Maximum for both sides (4 marks)</li> </ul> <p>To reach 5 - 6 marks needs a reasoned judgement or conclusion. E.g.</p> <ul style="list-style-type: none"> <li>• depends on current state of economy. If in recession then fiscal stimulus more likely to work without causing inflation</li> <li>• supply-side policy may be more effective if supply side constraints are preventing growth</li> </ul>	(6)

Question Number	Define unemployment	Mark
3(b)(i)	Unemployment is all those people that do not have a job (1) but are looking for work/willing and able to work (1)	(2)

Question Number	Explain the relationship between the unemployment rate and GDP growth as shown in Figure 3b.	Mark
3(b)(ii)	As GDP growth rate becomes negative unemployment rises (1) declining GDP means less is produced so fewer resources are needed (1) labour is a resource and so less labour is needed which increases unemployment (1) relevant use of data (1)	(4)

Question Number	Discuss the effectiveness of supply-side policies in reducing unemployment.	Mark
3(b)(iii)	<p>Arguments supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Supply-side policies are effective because</p> <ul style="list-style-type: none"> <li>• They reduce unemployment by improving the skills and ability of the workforce</li> <li>• Improving training and education will help unemployed workers find new jobs</li> <li>• They attract businesses to areas of high unemployment</li> <li>• They encourage small businesses to start up creating jobs</li> </ul> <p>Arguments not supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Supply-side policies may not be effective because</p> <ul style="list-style-type: none"> <li>• They can be expensive and take a long time to be effective</li> <li>• Not all unemployed workers may be suitable for training</li> <li>• depends on the cause of the unemployment</li> <li>• If unemployment is caused by cyclical factors may not be effective</li> </ul> <p>Further guidance</p> <ul style="list-style-type: none"> <li>• Maximum for 1 sided argument (3 marks)</li> <li>• Maximum for both sides (4 marks)</li> </ul> <p>To reach 5 - 6 marks needs a reasoned judgement or conclusion. E.g.</p> <ul style="list-style-type: none"> <li>• Depends on extent of the policies used</li> <li>• best used to remedy structural unemployment</li> <li>• May be more effective if used in conjunction with expansionary fiscal policy</li> </ul>	(6)

Question Number	Consider one policy the Brazilian government could use to reduce pollution in cities. How effective might this policy be in reducing pollution?	Mark
3(c)	<p>1 mark for identifying government policy e.g. increasing tax on vehicles, regulating factory emissions, subsidising renewable energy</p> <p>Up to 3 marks for how policy can reduce pollution e.g.</p> <ul style="list-style-type: none"> <li>• Increased tax will increase cost of using a vehicle(1)</li> <li>• This should reduce use of vehicles (1)</li> <li>• Fewer vehicles means less pollution and smog (1)</li> </ul> <p>Evaluation 1 mark for making a judgement on likely effectiveness of policy e.g. depends on size of tax, depends on extent of government expenditure on public transport as a substitute</p>	(5)

Question Number	How might this development aid have helped Ghana's economy?	Mark
4(a)(i)	<ul style="list-style-type: none"> <li>• Aid will help to provide more trained doctors and nurses/better equipment (1)</li> <li>• This will improve the health system and increase standards of health care (1)</li> <li>• A healthier population will be more productive (1)</li> <li>• This will increase economic output/GDP (1)</li> </ul>	(4)

Question Number	Explain two reasons why MNCs might want to invest in developing economies such as Ghana.	Mark
4(a)(ii)	<p>1 mark for reason, 1 mark for development E.g.</p> <ul style="list-style-type: none"> <li>• profit (1) countries such as Ghana are growing and have an increasing demand for products supplied by MNCs (1)</li> <li>• spread risk (1) traditional markets for the MNCs may be saturated or declining, moving into developing economies reduces reliance and spreads risk (1)</li> </ul>	(4)

Question Number	Foreign direct investment is the single most important cause of globalisation. Do you agree with this statement? Explain your reasons.	Mark
4(a)(iii)	<p>Arguments supporting the statement (1 mark) with development (up to 2 marks)</p> <p>FDI is an important cause of globalisation because</p> <ul style="list-style-type: none"> <li>• economic links are created between two countries</li> <li>• ideas and technology may be exchanged</li> <li>• trade is created</li> <li>• economic interdependence</li> </ul> <p>Arguments not supporting the statement (1 mark) with development (up to 2 marks)</p> <p>FDI is not the only cause of globalisation</p> <ul style="list-style-type: none"> <li>• improvements in transportation</li> <li>• improvements in communication</li> <li>• role of ICT</li> <li>• increased tourism</li> </ul> <p>Further guidance</p> <ul style="list-style-type: none"> <li>• Maximum for 1 sided argument (3 marks)</li> <li>• Maximum for both sides (4 marks)</li> </ul> <p>To reach 5 - 6 marks needs a reasoned judgement or conclusion.</p> <p>E.g.</p> <ul style="list-style-type: none"> <li>• depends on the amount of the FDI</li> <li>• FDI is undoubtedly important but without improved transportation and communication FDI would not be possible</li> </ul>	(6)

Question Number	Explain <b>one</b> advantage and <b>one</b> disadvantage of this reliance on commodity exports.	Mark
4(b)(i)	<p>1 mark for advantage/disadvantage, 1 mark for development</p> <p>Advantage e.g.</p> <ul style="list-style-type: none"> <li>• aids economic growth (1). As demand from other nations increases, prices rise and earnings from exports aid economic growth (1)</li> <li>• allows specialisation (1) greater skills and economies of scale lead to falling AC and competitive advantage (1)</li> </ul> <p>Disadvantage e.g.</p> <ul style="list-style-type: none"> <li>• risk (1) relying too much on one/just a few products can be risky if prices fluctuate/substitute developed/other countries begin to supply (1)</li> <li>• supply can fall (1) due to weather (cocoa) or depletion of resources (gold) (1)</li> </ul>	(4)

Question Number	This is likely to have caused	Mark
4(b)(ii)	D - rise in exports and a fall in imports	(1)

Question Number	Identify and briefly explain <b>two</b> factors that affect exchange rates.	Mark
4(b)(iii)	<p>1 mark for factor, 1 mark for development.</p> <p>E.g.</p> <ul style="list-style-type: none"> <li>• level of trade: exports(1) if exports increase/decrease then more/less of the exporting country's currency will be demanded to pay for them, causing the exchange rate to appreciate/depreciate (1)</li> <li>• level of trade: imports (1) if imports increase/decrease then more/less of the currency of the importing countries currency will be supplied to the market, causing the exchange rate to depreciate/appreciate (1).</li> <li>• level of interest rates (1) if interest rates increase/decrease more/less foreign currency will be exchanged in order to be able to invest/save in that country and the exchange rate will appreciate/depreciate (1)</li> <li>• speculation (1) if people expect the exchange rate to rise/fall they will demand more/less of the country's currency and this will cause the exchange rate to appreciate/depreciate (1)</li> </ul>	(4)

Question Number	A trade bloc is a group of countries	Mark
4(c)(i)	C - that have reduced trade barriers between themselves	(1)

Question Number	Ghana will benefit from more free trade. Do you agree with this statement? Explain your reasons.	Mark
4(c)(ii)	<p>Arguments supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Ghana will benefit because</p> <ul style="list-style-type: none"> <li>• their exports will cost less in overseas markets increasing demand</li> <li>• this should mean increased economic growth</li> <li>• imports should be cheaper without tariffs/quotas</li> <li>• increased choice and cheaper prices for consumers</li> </ul> <p>Arguments not supporting the statement (1 mark) with development (up to 2 marks)</p> <p>Ghana will not benefit because</p> <ul style="list-style-type: none"> <li>• cheaper imports may damage local firms</li> <li>• free trade may encourage specialisation and even more reliance on primary products</li> <li>• prices may fall causing structural unemployment</li> <li>• economic growth can bring environmental damage/exploitation of labour</li> </ul> <p>Further guidance</p> <ul style="list-style-type: none"> <li>• Maximum for 1 sided argument (3 marks)</li> <li>• Maximum for both sides (4 marks)</li> </ul> <p>To reach 5 - 6 marks needs a reasoned judgement or conclusion. E.g.</p> <ul style="list-style-type: none"> <li>• benefit depends on nature of trading arrangements</li> <li>• impact depends on how increased wealth is distributed.</li> </ul>	(6)

