



Mark Scheme (Results)

Summer 2019

Pearson Edexcel International GCSE

In Economics (4EC1)

Paper 01R Microeconomics and Business
Economics

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Publications Code 4EC1_01R_1906_MS

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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)	AO1 1 mark	
	A Large firms dominate	(1)

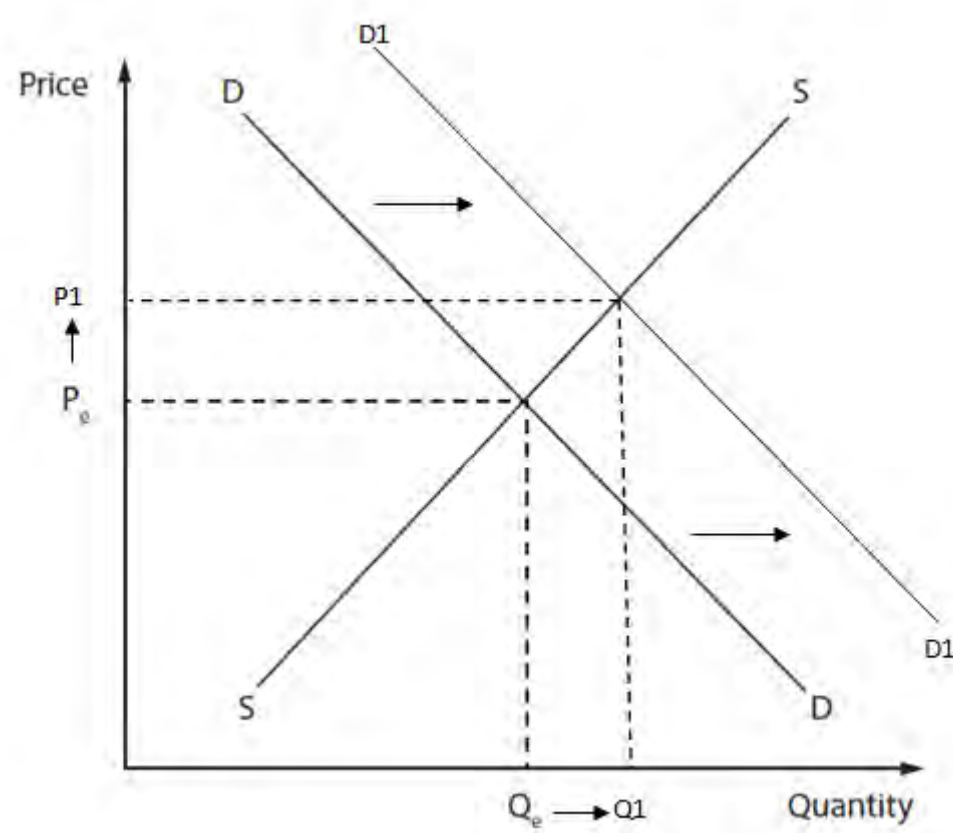
Question number	Answer	Mark
1(b)	AO2 1 mark	
	C \$ 60 000	(1)

Question number	Answer	Mark
1(c)	AO1 2 marks	
	<p>Award 1 mark for reference to a good for which the rise in demand is proportionally more than that of income and 1 mark for reference to income elasticity of demand being greater than one</p> <ul style="list-style-type: none"> • A good for which income elasticity of demand is greater than 1 (1) the proportionate change in demand is greater than the proportionate change in income (1) <p>OR</p> <ul style="list-style-type: none"> • Luxury goods are products that are not essential (1) but are highly desired and associated with wealthy people (1) 	(2)

Question number	Answer	Mark
1(d)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for one correct factor</p> <ul style="list-style-type: none"> • Factors of production • Availability of stocks • Spare capacity • Time 	(1)

Question number	Answer	Mark
1(e)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for reference to a good bought as an alternative to another good</p> <p>Goods which are used as an alternative to another good</p>	(1)

Question number	Answer	Mark
1(f)	<p style="text-align: center;">AO2 2 marks</p> <p>Award 1 mark for showing correct calculation $3.9 \div 5.2$ (1)</p> <p>Award 1 mark for correct price elasticity of supply (PES) $= 0.75$ (1)</p> <p>Award 2 marks if PES is correctly calculated, even if no calculations are shown</p> <p>Do not award marks for the formula</p>	(2)

Question number	Answer	Mark
1(g)	<p style="text-align: center;">A02 3 marks</p> <p>Award 1 mark for rightward shift of demand, labelled Award 1 mark for higher equilibrium price, labelled Award 1 mark for higher equilibrium quantity, labelled</p>  <p>The graph shows a coordinate system with 'Price' on the vertical axis and 'Quantity' on the horizontal axis. An upward-sloping supply curve is labeled 'S'. Two downward-sloping demand curves are shown: the original demand curve 'D' and a new demand curve 'D1' shifted to the right. A horizontal arrow points from 'D' to 'D1'. The initial equilibrium is at the intersection of 'S' and 'D', with dashed lines leading to price P_e and quantity Q_e on the axes. The new equilibrium is at the intersection of 'S' and 'D1', with dashed lines leading to a higher price P_1 and a higher quantity Q_1 on the axes. A vertical arrow points from P_e to P_1, and a horizontal arrow points from Q_e to Q_1.</p>	(3)

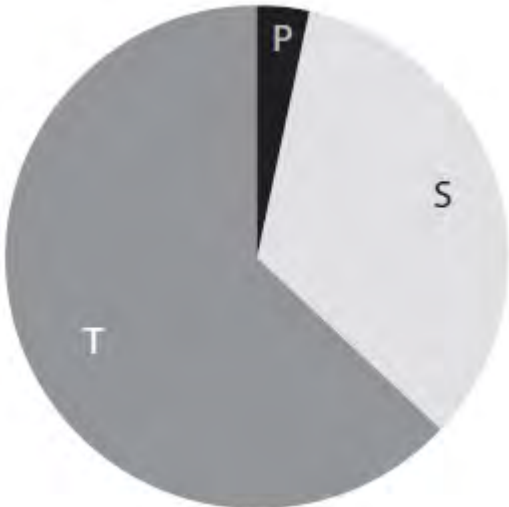
Question number	Answer	Mark
1(h)	<p style="text-align: center;">A02 3 marks</p> <p>Award 1 mark for identifying a relevant disadvantage Award 1 mark for developing the disadvantage Award 1 mark for the response being in the context of Robert's wood carving business</p> <ul style="list-style-type: none"> • One disadvantage is that the price may be higher (1) this is due to a lack of choice (1) because there are no other local wood carvers that customers can use (1) • One disadvantage is that it may take a long time to receive the order (1) because Robert is a small business and he is working alone (1), and it takes time for him to make each individual door sign (1) <p>Accept any other appropriate response</p>	(3)

Question number	Indicative content
1(i)	<p style="text-align: center;">A02 (3 marks)/A03 (3 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none"> • Robert may have decided it could be too time consuming and difficult to obtain additional finance in order to expand • Robert is operating in a niche market, meaning he can specialise in the requirements of his customers rather than mass production • As the door signs and gifts are made to order, and to the requirements of the customer, Robert prefers to stay small and focus on their individual needs • Robert is an entrepreneur and may have different aims to the more typical profit maximisation of some firms • He may feel that working from home, providing a high quality specialised customer service is more important • The size of the market for speciality carvings may not warrant expansion

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

Question number	Answer	Mark
2(a)	AO1 1 mark	
	C Maximise profits	(1)

Question number	Answer	Mark
2(b)	AO2 1 mark	
	B Roads	(1)

Question number	Answer	Mark
2(c)	AO2 3 marks	
	 <p>Award 1 mark for the Tertiary sector (T) being the biggest (1) Award 1 mark for the Secondary sector (S) being the second biggest (1) Award 1 mark for the Primary sector (P) being the smallest (1)</p>	(3)

Question number	Answer	Mark
2(d)	<p style="text-align: center;">AO1 1 mark</p> <p>Award 1 mark for reference to a person using a common resource they have not paid for</p> <p>A person who takes advantage of a common resource without paying for it</p>	(1)

Question number	Answer	Mark
2(e)	<p style="text-align: center;">AO1 2 marks</p> <p>Award 1 mark for reference to the reason and 1 mark for development of the reason</p> <p>Congestion causes pollution (1) which harms the health of third parties such as pedestrians (1)</p> <p>Accept any other appropriate response</p>	(2)

Question number	Answer	Mark
2(f)	<p style="text-align: center;">A02 3 marks</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 the context of health care</p> <ul style="list-style-type: none">• One reason is that there may not be enough doctors available in the public sector to administer the vaccination (1) meaning pharmacies in the private sector are needed to help meet the high demand (1) if the government is to fulfil its aim of protecting the vulnerable groups (1) <p>Accept any other appropriate response</p>	<p style="text-align: center;">(3)</p>

Question number	Indicative content
2(g)	<p data-bbox="550 230 1254 264" style="text-align: center;">A02 (3 marks)/A03 (3 marks)/A04 (3 marks)</p> <p data-bbox="359 315 571 349">A02 and A03</p> <ul data-bbox="359 405 1449 913" style="list-style-type: none">• Private benefits + external benefits = social benefits• The flu injection is given to the most vulnerable groups because they are more likely to require further healthcare if they became ill from flu• This further healthcare would also be a cost to the UK Government, and so it may be cheaper to prevent the problem with the vaccination in the first place• By reducing the number of people who become ill from the flu, further health care costs may be avoided as there is less risk of the illness spreading• By keeping people healthy, they are more likely to be able to continue working and contribute to the output of the economy <p data-bbox="359 969 434 1003">A04</p> <ul data-bbox="359 1059 1433 1348" style="list-style-type: none">• The money spent on the vaccinations could be used for other healthcare needs• It may be difficult to distinguish between the groups most in need of the vaccination, so not everyone receives the injection• The vaccination may not work so health care costs may still rise• It is difficult to quantify the costs and external benefits• It depends on other factors whether people become ill

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

Question number	Answer	Mark
3(a)	<p style="text-align: center;">AO1 1 mark</p> <p>D Increasing technological advancements</p>	<p style="text-align: center;">(1)</p>

Question number	Answer	Mark
3(b)	<p style="text-align: center;">AO1 1 mark</p> <p>D Education</p>	<p style="text-align: center;">(1)</p>

Question number	Answer	Mark
3(c)	<p style="text-align: center;">A02 2 marks</p> <p>Award 1 mark for showing correct calculation. $0.85 \times 95,000$ (1)</p> <p>Award 1 mark for correct total revenue (TR). $= \\$80\,750$ (1)</p> <p>Award 2 marks if TR is correctly calculated, even if no calculations are shown</p> <p>Do not award marks for the formula</p>	(2)
Question number	Answer	Mark
3(d)	<p style="text-align: center;">A01 1 mark</p> <p>Inelastic (1)</p> <p>OFR applies e.g. if answer to 3(c) is less than \$75 000, award 1 mark for elastic</p>	(1)

Question number	Indicative content
3(e)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • The PPF shows the combinations of goods which can be produced with all available resources • An increase in the ability to produce both capital and consumer goods is shown in figure 3 due to the outward shift of the PPF • Economic growth would allow this to happen as there is likely to be an increase in economic resources and improvements in technology over time • With the increase in resources and efficiency, it would be possible to increase production of both capital and consumer goods without the sacrifice of the other

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

Question number	Indicative content
3(f)	<p style="text-align: center;">A02 (3 marks)/A03 (3 marks)/A04 (3 marks)</p> <p>A02 and A03</p> <ul style="list-style-type: none"> • Trade unions can help raise wages and improve working conditions for workers by putting pressure on employers during negotiations • SAFTU has nearly 700,000 members and is the 2nd largest federation in South Africa meaning it could have a lot of influence on employers • SAFTU is a new trade union group and so may have new ideas with which to push for workers' rights • The higher wages may reduce the quantity of labour that firms can afford to employ, thus meaning fewer workers are employed in the industry but those remaining receive higher wages • The use of a quantity/wage of labour diagram <p>A04</p> <ul style="list-style-type: none"> • However, the influence of trade unions has been decreasing all over the world • The effectiveness of the trade unions may depend on whether their power and influence is restricted by legislation • When wage rates increase, if productivity also rises, firms may not have to reduce the number of workers they employ due to higher labour costs • There isn't enough information in the data to know whether 700,000 is a large proportion of the workforce and therefore how influential they might be • How effective trade unions are in influencing the price and quantity of labour may depend on whether firms can pass on increased costs through increased prices or reduced profit margins

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

Question number	Answer	Mark
4(a)	<p style="text-align: center;">A02 2 marks</p> <p>Award 1 mark for showing quantity demanded is 50 and quantity supplied is 20 and 1 mark for correct calculation of excess demand</p> <p>50 - 20 (1) = 30 (1)</p> <p>Award 2 marks if excess demand is correctly calculated to be 30, even if no lines are shown on diagram or calculation shown</p>	(2)

Question number	Indicative content
4(b)	<p style="text-align: center;">AO2 (3 marks)/AO3 (3 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • In the USA, NBC Universal is the only network allowed to televise the Olympic Games until 2032. This makes it a monopoly • As a result NBC Universal has a unique product • This means it is a price-maker and so can set high prices for the advertising on its platforms • By agreeing the rights with the IOC, a legal agreement has been made, creating a barrier to entry for any potential competitors

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

Question number	Indicative content
4(c)	<p style="text-align: center;">AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)</p> <p>AO2 and AO3</p> <ul style="list-style-type: none"> • A monopoly occurs when one seller dominates the market • Google had a 94.33% market share in South America • Google's dominance could mean they are able to spend their profits on research and developing the search engine • Therefore the firms which advertise on Google can benefit from improvements to it, through innovation • Due to its size, Google may be able to benefit from economies of scale • These lower average costs could be passed on to the firms which advertise through cheaper prices • As the industry is fast moving, Google will need to provide a good service in order to remain so dominant. This may encourage them to maintain quality in the service offered • As a result of Google's dominance, firms advertising can be more confident that their adverts will be seen by more people if they advertise on Google • This could mean they are more likely to recoup their advertising costs through higher customer levels <p>AO4</p> <ul style="list-style-type: none"> • However, due to its dominance, Google could choose to charge high prices to the advertisers because it has a lack of competition • There is a lack of choice for firms advertising on search engines • Although Bing and a small percentage of others provide some choice, it only amounted to 5.67% during the period • Google may feel complacent about their strong position and not develop the service to the satisfaction of the advertisers • Without more competition, Google may not be concerned with rising costs, as they could pass them on • It may depend on whether the competitors such as Bing, and those in other countries outside of South America, can develop a stronger following • It may depend on whether search engines remain so prominent in internet advertising

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	<ul style="list-style-type: none"> • Demonstrates isolated elements of relevant knowledge and understanding; may lack development of relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • 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). • 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).
Level 2	5–8	<ul style="list-style-type: none"> • Demonstrates partial selectivity and some accurate knowledge and understanding by developing some relevant points. Partial application of economic terms, concepts, theories and calculations (AO2). • 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). • 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).
Level 3	9–12	<ul style="list-style-type: none"> • Demonstrates specific and accurate knowledge and understanding by developing relevant points. Appropriate application of economic terms, concepts, theories and calculations (AO2). • 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). • 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).

