Mark Scheme (Results)

Summer 2015

Int GCSE Economics (4EC0/01R)

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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)	$8 (1 mark) Also accept 8 (1 mark)	**(1)**

Question Number	Answer	Mark
1(a)(ii)	C	**(1)**

Question Number	Answer	Mark
1(a)(iii)	<table><tr><td>New quantity supplied per month</td></tr><tr><td>220</td></tr><tr><td>210</td></tr><tr><td>200</td></tr><tr><td>190</td></tr><tr><td>180</td></tr></table> All must be correct	**(1)**

Question Number	Answer	Mark
1(a)(iv)	B	**(1)**

Question Number	Answer	Mark
1(a)(v)	• the responsiveness (accept change) of demand to a change in income (2 marks) • or correct formula %ΔQD ÷ %ΔY (2 marks) Award 1 mark for incomplete definition e.g. the relationship between demand and income (1 mark)	**(2)**

Question Number	Answer	Mark
1(a)(vi)	A	**(1)**

Question Number	Answer	Mark
1(a)(vii)	B	**(1)**

Question Number	Answer	Mark
1(a)(viii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) • fall in price of substitute may lead to fall in demand for chocolate • rise in price of substitute may lead to an increase in demand for chocolate • also accept identification of a substitute (1 mark) e.g. sweets/candy/cakes/tarts/ice cream/biscuits etc Arguments not supporting this statement (1 mark) with development (up to 2 marks) • discussion of other factors e.g. income/tastes/ packaging/advertising/health warnings/ seasonal • also accept change in price of chocolate **Further guidance** • Maximum for 1 sided arguments (3 marks) • Maximum for both sides (4 marks) • Need reasoned conclusion/judgement for 5 - 6 marks e.g. may depend on type of chocolate/closeness of substitute or prioritisation of factors	**(6)**

Question Number	Answer	Mark
1(b)(i)	• the higher the wage the higher the supply of labour (2 marks) • the lower the wage rate the lower the supply of labour (2 marks) • Positive correlation (2 marks)	**(2)**

Question Number	Answer	Mark
1(b)(ii)	• Upward shift of NMW on diagram (1 mark) • Illustration of new excess supply/surplus (1 mark) 	**(2)**

Question Number	Answer	Mark
1(b)(iii)	• a decrease in demand for labour (1 mark) because labour is more expensive to employ (1 mark) • an increase in supply of labour (1 mark) because more incentive to work (1 mark) • Excess supply of labour (1 mark) • Rise in unemployment (1 mark)	**(2)**

Question Number	Answer	Mark
1(b)(iv)	Identification of 2 factors (1 + 1) with development (1 + 1) • Increase in retirement age (1 mark) therefore could be part of workforce for longer (1 mark) • Decrease in school leaving age (1 mark) therefore could enter the workforce sooner (1 mark) • Provision of childcare (1 mark) therefore women may enter the workforce (1 mark) • Increase in net migration of people of working age (1 mark) therefore more workers (1 mark) • Change in age distribution (1 mark) with more of working age (2 marks) • Provision of education/training (1 mark) which will enable the unskilled to join the workforce (1 mark) • Reduction in benefits (1 mark) which may increase incentive to work (1 mark) • Reduction in income tax rate (1 mark) which may increase incentive to work (1 mark) **Do not allow change in wage rate**	**(4)**

Question Number	Answer	Mark

1(b)(v)	Arguments supporting the statement (1 mark) with development (up to 2 marks)
	  • Reduction in poverty
	  • Increase range of goods and services that can be purchased
	  • Benefit disadvantaged groups e.g. women, minority groups
	
	Arguments not supporting this statement (1 mark) with development (up to 2 marks)
	  • Firms may reduce number of workers/increase in unemployment
	  • Firms may pass on wage increase in form of higher prices
	
	Further guidance
	  • Maximum for 1 sided arguments (3 marks)
	  • Maximum for both sides (4 marks)
	  • Need reasoned conclusion/judgement for 5-6 marks e.g. increase in living standards will depend on: if firms absorb the increase in wage or make workers redundant/size of increase in of national minimum wage/or discussion of other approaches that might be more effective e.g. increase provision of education/training to improve occupational mobility of labour
		(6)

Question Number		Mark
2(a)(i)	C	**(1)**

Question Number	Answer	Mark
2(a)(ii)	D	**(1)**

Question Number	Answer	Mark
2(a)(iii)	• $24,000 - $17,000 (1 mark) = $7,000 (1 mark) • Total revenue – Total cost (1 mark) **NB:** if only written $7,000 (1 mark)	**(2)**

Question Number	Answer	Mark
2(a)(iv)	• Costs that vary with output (1 mark) • Example (1 mark) accept: ingredients or electricity or transport or wages	**(2)**

Question Number	Answer	Mark
2(a)(v)	• Costs that do not vary with output (1 mark) • Example (1 mark) accept: rent or wages or electricity or transport	**(2)**

Question Number	Answer	Mark
2(a)(vi)	Arguments supporting the statement (1 mark) with development (up to 2 marks) • Limited size of market • Aims of owner • To offer good customer service/personal service • Lack of finance • Low barriers to entry • Lack of economies of scale Arguments not supporting this statement (1 mark) with development (up to 2 marks) • Merger • Organic growth is possible Further guidance • Maximum for 1 sided arguments (3 marks) • Maximum for both sides (4 marks) • Need reasoned conclusion/judgement for 5-6 marks	**(6)**

Question Number	Answer	Mark
2(b)(i)	• Service (1 mark) • No good produced/manufactured (1 mark) • Explanation of the service (1 mark) e.g. fly people from one place to another	**(2)**

Question Number	Answer	Mark
2(b)(ii)	21% (1 mark) Also accept 21 (1 mark)	**(1)**

Question Number	Answer	Mark
2(b)(iii)	• Will not dominate the market (1 mark) • Market is oligopoly (1 mark) • Other firms in the market (1 mark) • Reference to the data (1 mark)	**(2)**

Question Number	Answer	Mark
2(b)(iv)	C	**(1)**

Question Number	Answer	Mark
2(b)(v)	Identification of a factor (1 mark) with development (up to 2 marks) • Cut staff (1 mark) which will reduce wage costs (1 mark) which are a large cost (1 mark) • Benefit from economies of scale (1 mark) e.g. bulk buying (1 mark) of aviation fuel (1 mark) • Remove duplicated activities (1 mark) such as booking service (1 mark) which is a large cost saving (1 mark)	**(3)**

Question Number	Answer	Mark
2(b)(vi)	Identification of an external cost (1 mark) e.g. noise, air pollution, pollution, global warming, carbon emissions, lower house prices under flight path	**(1)**

Question Number	Answer	Mark
2(b)(vii)	Arguments supporting the statement (1 mark) with development (up to 2 marks) • Increases cost of flying which may reduce demand for flights • Tax revenue can be used to: clean up the environment/reduce size of the external cost/ compensate the third party Arguments not supporting this statement (1 mark) with development (up to 2 marks) • Discussion of alternatives e.g. regulation, subsidise research into cleaner air travel/more efficient engines, issue pollution permits, restrict number of flights • Tax is small proportion of total costs of international flight tickets • Discussion of elasticity of demand Further guidance • Maximum for 1 sided arguments (3 marks) • Maximum for both sides (4 marks) • Need reasoned conclusion/judgement for 5-6 marks e.g. depends on elasticity of demand for international air travel/difficult to measure the size of external cost	**(6)**

Question Number	Answer	Mark
3(a)(i)	Unemployment fell (1 mark) by around 1% (1 mark) Data reference (1 mark) • accept ranges 6.1 - 6.5 and 5.1 - 5.5	**(2)**

Question Number	Answer	Mark
3(a)(ii)	• Sectoral (1 mark) decline in industry e.g. manufacturing/secondary sector (1 mark) • Technological (1 mark) workers replaced by machines (1 mark) • Regional (1 mark) decline in industry in an area (1 mark) • Mismatch of skills (1 mark) • Long term unemployment (1 mark)	**(2)**

Question Number	Answer	Mark
3(a)(iii)	Identification of a factor (1 mark) with development (1 mark) • Education/training (1 mark) to learn the new skills that are now needed (1 mark) • Encourage new business start-ups (1 mark) so that the unemployed can create their own job (1 mark) • Regional development (1 mark) to encourage new firms into an area (1 mark) • Welfare or tax reform (1 mark) to boost incentive to work (1 mark)	**(2)**

Question Number	Answer	Mark
3(a)(iv)	Inflation increased (1 mark) by around 2% (1 mark) Data reference (1 mark) • Accept ranges 5.0 - 5.1 and 7.1 - 7.3	**(2)**

Question Number	Answer	Mark
3(a)(v)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Increase in inflation could lead to: • a reduction in international competitiveness • an increase in interest rates • a fall in business confidence • a fall in consumer confidence • higher taxes or reducing government spending to reduce demand in the economy Arguments not supporting this statement (1 mark) with development (up to 2 marks) Increase in unemployment could lead to: • increase in poverty • widening of income inequality • deterioration of government finances because receive lower tax receipts and pay more in benefits • permanent deskilling of the long term unemployed • increase in crime rates (social unrest) • reduction in living standards Further guidance • Maximum for 1 sided arguments (3 marks) • Maximum for both sides (4 marks) • Need reasoned conclusion/judgement for 5-6 marks e.g. impact of inflation will depend on whether wages are increasing at a faster rate than rate of inflation/ranking with justification e.g. both bad but unemployment is worse because it will increase poverty/depends on the type of unemployment	**(6)**

Question Number	Answer	Mark
3(a)(vi)	$4915mn Also accept 4915 (1 mark)	**(1)**

Question Number	Answer	Mark
3(a)(vii)	A	**(1)**

Question Number	Answer	Mark
3(b)(i)	Total value of goods and services produced in an economy over a period of time (2 marks) Award 1 mark for incomplete definition	**(2)**

Question Number	Answer	Mark
3(b)(ii)	Identification of factor (1 mark) with development (1 mark) e.g. • oil/gas is price inelastic demand (1 mark) so if impose a tax will gain a lot of tax revenue (1 mark) • oil/gas employ a lot of people (1 mark) so government receives lots of income tax revenue (1 mark) • oil/gas is a necessity (1 mark) so government can charge a high price (1 mark) **NB:** award marks for raise price where candidates have assumed that oil/gas are wholly state owned industries	**(2)**

Question Number	Answer	Mark
3(b)(iii)	Missing words: Between 2009 and 2011 government finances **worsened** (1 mark) **from a budget surplus to a budget deficit** (1 mark)	**(2)**

Question Number	Answer	Mark
3(b)(iv)	Identification of reason (1 mark) with development (1 mark) e.g. • lower borrowing (1 mark) will reduce interest payments (1 mark)/retain credit rating (1 mark) • lower repayments (1 mark) will mean money saved can be spent on merit goods (education/health) (1 mark) • balanced budget (1 mark) is a sign of financial stability (1 mark) • reducing government spending (1 mark) will reduce inflationary pressure (1 mark)	**(2)**

Question Number	Answer	Mark
3(b)(v)	Arguments supporting the statement (1 mark) with development (up to 2 marks) Better to reduce government expenditure because: • cutting benefits could increase incentive to work • higher taxes could reduce incentive to work • reduces the size of the public sector • increases indirect tax leads to inflation • higher taxes more likely to lead to contraction of the economy Arguments not supporting this statement (1 mark) with development (up to 2 marks) Better to increase taxes because: • it is harder to cut expenditure • cutting expenditure could harm low income groups • cutting expenditure on education/health could lower standard of living • progressive tax could reduce income inequality Further guidance • Maximum for 1 sided arguments (3 marks) • Maximum for both sides (4 marks) • Need reasoned conclusion/judgement for 5-6 marks e.g. depends on which items of expenditure are reduce e.g. if reduce government expenditure by reducing levels of bureaucracy in public sector rather than cutting spending on education then negative impact on living standards will be limited; in expenditure could also lead to increased efficiency	**(6)**

Question Number	Answer	Mark
4(a)(i)	C	**(1)**

Question Number	Answer	Mark
4(a)(ii)	A	**(1)**

Question Number	Answer	Mark
4(a)(iii)	Identification (1 + 1) with development (1 + 1) Identification e.g. FDI, WTO, IT, growth of trade blocs, MNCs Development e.g. • Increase in number of regional trade blocs (1 mark) will increase intra-regional trade (1 mark) • Growth of MNC (1 mark) means increase in intra-firm/inter-regional trade (1 mark) **NB**: Do not allow transport or infrastructure	**(4)**

Question Number	Answer	Mark
4(a)(iv)	Arguments supporting the statement (1 mark) with development (up to 2 marks) • More jobs • More choice • Better quality products • Lower prices • More tax revenue which can be used to finance merit goods (e.g. health/education) • Increase skills of workers • Encourages entrepreneurship Arguments not supporting this statement (1 mark) with development (up to 2 marks) • Exploitation of labour e.g. low wages, long working hours • Local firms go out of business • Profits sent back to home country • Tax avoidance by multinational companies • Multinational firms do not employ local labour • Exploitation of natural resources • External costs e.g. environmental damage Further guidance • Maximum for 1 sided arguments (3 marks) • Maximum for both sides (4 marks) • Need reasoned conclusion/judgement for 5-6 marks e.g. comparison of outcomes for developed and developing economies	**(6)**

Question Number	Answer	Mark
4(a)(v)	Shift supply curve (1 mark) Increase in price (1 mark) **NB:** Also accept shift in demand if candidate has assumed the market refers to just US produced solar panels	**(2)**

Question Number	Answer	Mark
4(a)(vi)	**Explanation must follow from (a)(v)** • Imposition of a tariff means price will increase (1 mark) which will lead to a reduction in demand (1 mark) • Imposition of a tariff means foreign firms withdraw from the US market (2 marks) **NB:** Also accept explanation of shift in demand if candidate has assumed the market refers to just US produced solar panels in part (a)(v) e.g. demand for US produced solar panels will increase because the price of a substitute (e.g foreign produced solar panels) has increased	**(2)**

Question Number	Answer	Mark
4(a)(vii)	Identification (1 mark) with development (1 mark) • Quota • Red tape/administrative checks • Domestic subsidy • Devaluation of currency • Expenditure reducing policy e.g. increase income tax rates **NB:** Do not award tariff or tax on imports	**(2)**

Question Number	Answer	Mark
4(b)(i)	October Also accept Oct	**(1)**

Question Number	Answer	Mark
4(b)(ii)	Trinidad and Tobago Dollar	**(1)**

Question Number	Answer	Mark
4(b)(iii)	Identification of factor (1 + 1) with development (1 + 1) • Speculation • Demand for exports increases • Inward FDI • Increase in interest rates • Increased confidence in the economy (e.g. currency becomes a safe haven) Accept diagrammatical explanations e.g. diagram showing increase in demand for currency (2 marks), diagram showing reduction in supply of currency (2 marks)	**(4)**

Question Number	Answer	Mark

4(b)(iv)	Arguments supporting the statement (1 mark) with development (up to 2 marks)
	
	• Imports cheaper (1 mark) so demand for imports increases (1 mark)
	• Exports more expensive (1 mark) so demand for exports decreases (1 mark)
	
	Arguments not supporting this statement (1 mark) with development (up to 2 marks)
	• Depends on elasticity of demand for imports and/or exports
	• Depends on whether or not restrictions to trade are in place (e.g. may have a quota)
	
	Further guidance
	   • Maximum for 1 sided arguments (3 marks)
	   • Maximum for both sides (4 marks)
	   • Need reasoned conclusion/judgement for 5-6 marks e.g. depends on relative price elasticity of demand for imports and exports, depends how long appreciation lasts, depends on starting point of current account balance, depends on the size of the appreciation
		(6)