

Mark Scheme (Results)

Summer 2013

International GCSE Economics (4ECO)  
Paper 01

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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)	Supply factor identified, 1 mark e.g. political unrest in oil producing countries, supplies running out. Explanation, 1 mark e.g. supply interrupted because of war in Libya. Old oil fields running out and no new ones found.	(2)

Question Number	Answer	Mark
1(a)(ii)	Supply curve shifts to left, 1 mark	(1)

Question Number	Answer	Mark
1(a)(iii)	Demand factor identified, 1 mark e.g. increased demand from developing countries. More cars in use. Explanation, 1 mark e.g. developing countries have large populations/increased economic growth/standard of living.	(2)

Question Number	Answer	Mark
1(a)(iv)	Demand curve shifts to right, 1 mark	(1)

Question Number	Answer	Mark
1(b)(i)	Money given to firms by the government (1 mark) which reduces cost of production/for production process (1 mark)	(2)

Question Number	Answer	Mark
1(b)(ii)	Opportunity cost	(1)

Question Number	Answer	Mark
1(b)(iii)	Example, 1 mark e.g. transport facilities (e.g. road, rail, airports, ports), communication systems (e.g. internet, telephone). Also accept social infrastructure e.g. schools, hospitals.	(1)

Question Number	Answer	Mark
1(c)(i)	<p>Definition: Responsiveness of quantity demanded to a change in price, 2 marks.</p> <p>Also accept equation for 2 marks:  <math display="block">\frac{\% \text{change in } Q_d}{\% \text{ change in price}}</math> </p> <p>Vague definitions 1 mark.</p>	(2)

Question Number	Answer	Mark
1(c)(ii)	<p>Each factor identified (up to two), 1 mark each.  E.g. substitutes, % of income spent on petrol and diesel, degree of necessity.  Explanation (1 mark for each factor identified).  E.g if has no substitutes then if price goes up people have no choice but to buy it.</p> <p>2+2 marks</p>	(4)

Question Number	Answer	Mark
1(c)(iii)	<p>Reasons/explanation supporting importance of PED on price decisions of firms up to 4 marks.  E.g. simple explanation of PED  If PED is elastic then a price rise will have great effect on demand (1 mark) and vice versa and if inelastic it will have little effect on demand (1 mark)</p> <p>Need to relate to PED and TR for more than 2 marks.</p> <p>Award 5th and 6th marks for  Reasons why PED not very important/other factors affecting price decisions: e.g. price change may be due to increase in costs outside their control so firms may have to change price even if it leads to a fall in TR.</p> <p>Other factors affecting decision making process up to 2 for identification or 1 mark for identifying factor and 1 mark for development e.g.</p> <ul style="list-style-type: none"> <li>• state of the economy,</li> <li>• expectations.</li> <li>• firms may be trying to enter a market so may cut prices even though it leads to short run fall in TR.</li> </ul>	(6)

Question Number	Answer	Mark
1(d)(i)	Mixed economy: Resources are allocated through price mechanism (1 mark) and the state (1 mark). Also accept resources owned (1 mark) by private and public sectors for 1 mark.	(2)

Question Number	Answer	Mark
1(d)(ii)	Reasons why named country (UK) can be described as a mixed economy or not, 1 mark each reason identified up to 2 marks. E.g. state is responsible for roads. Private sector owns the road haulage companies. Development up to 2 marks for each reason. Marks to be given for named examples of public and private sector enterprises or relative size of each.  Up to 4 marks for reasons and development.  Award 5 <sup>th</sup> and 6 <sup>th</sup> mark for evaluation/reasoned judgement. Accept reference to future development i.e. less public sector/more private sector and reasons.	(6)

Question Number	Answer	Mark
2(a)(i)	Tourism	(1)

Question Number	Answer	Mark
2(a)(ii)	1. Government services (1 mark) 2. Manufacturing and construction (1 mark)	(2)

Question Number	Answer	Mark
2(a)(iii)	Primary sector	(1)

Question Number	Answer	Mark
2(a)(iv)	Primary = Fishing and Agriculture (1 mark) Calculation: Fishing 1% Agriculture 2% = 3% (1 mark)	(2)

Question Number	Answer	Mark
2(b)(i)	More competitive	(1)

Question Number	Answer	Mark
2(b)(ii)	<p>Each disadvantage identified, 1 mark. Up to 2 marks  e.g. high prices, less choice.  Development up to 2 marks. E.g. no competition, profit maximisation.</p> <p>Each advantage identified, 1 mark. Up to 2 marks  e.g. lower price, capital for research (improved products), no wastes of competition.  Development up to 2 marks. E.g. Through economies of scale the price may be lower. The profits may provide capital for investment into research and development which may lead to better and new products.</p> <p>One sided argument up to 3 marks  Must have both sides of the argument for 4 marks  Award 5<sup>th</sup> and 6<sup>th</sup> mark for evaluation/reasoned judgement.  Accept reference to government control/legislation may overcome disadvantages, type of monopoly e.g. natural monopoly.</p>	(6)

Question Number	Answer	Mark
2(c)(i)	Price fixing	(1)

Question Number	Answer	Mark
2(c)(ii)	profits	(1)

Question Number	Answer	Mark
2(c)(iii)	high	(1)

Question Number	Answer	Mark
2(c)(iv)	consumer	(1)



Question Number	Answer	Mark
2(d)(i)	Both are money given to firms by government (1 mark) Government loan: charged interest/needs to be repaid.(1 mark) Government grant: no interest, doesn't need to be repaid.(1 mark)	(3)

Question Number	Answer	Mark
2(d)(ii)	Each incentive identified, 1 mark. E.g. tax holidays, free advice, subsidies, education and training, improved infrastructure, rent free land and factories. Development, 1 mark for each reason identified. E.g. tax holidays mean less tax paid, more profit. Education and training saves the firm money as it gives them a skilled labour force. 2 + 2 marks	(4)

Question Number	Answer	Mark
2(d)(iii)	Each benefit of regional policy identified , 1 mark (up to 2). E.g. lowers unemployment in regions, reduces disparity between regions.  Development up to 2 marks. E.g. unemployment falls so standard of living rises.  Each disadvantage of regional policy identified , 1 mark (up to 2). E.g. opportunity cost.  Development up to 2 marks. E.g. the money could have been spent elsewhere in the economy and been of greater benefit - education and health. One sided argument up to 3 marks Must have both sides of the argument for 4 marks Award 5 <sup>th</sup> and 6 <sup>th</sup> mark for evaluation/reasoned judgement. Accept limitations of regional policy, choice of regions (high unemployment or congested regions), time period involved.	(6)

Question Number	Answer	Mark
3(a)(i)	Rise in prices (1 mark) 2nd mark for general/average level of prices or over a period of time or sustained/persistent increase. Value of money falling = 2 marks	(2)

Question Number	Answer	Mark
3(a)(ii)	Prices were rising (1 mark) but at a lower rate (1 mark) Reference to data (1 mark) e.g. In April 2011 prices rose by 9.4% but in July the rise was only 8.4%	(3)

Question Number	Answer	Mark
3(a)(iii)	Accept individuals or countries as borrowers and lenders. Explanation of borrowers being better off during inflation = 2 marks e.g. the amount they pay back is less in real terms Explanation of lenders being worse off during inflation = 2 marks e.g. the amount they receive back from borrowers will not buy as much as money has lost its value.  Reasons why this may not occur = 2 marks e.g. level of rate of interest may offset inflation, loans may be difficult to obtain.	(6)

Question Number	Answer	Mark
3(b)(i)	6	(1)

Question Number	Answer	Mark
3(b)(ii)	<p>Award 2 marks if candidates state (without reference to data) that</p> <ul style="list-style-type: none"> <li>• an increase in interest rates will lead to a reduction in inflation and explained why this occurs e.g. more saving/less demand, less borrowing/less demand.</li> <li>or</li> <li>• an increase in interest rates has not reduced inflation and explained that inflation may have been caused by other factors and not demand e.g. rising costs.</li> <li>or</li> <li>• an increase in interest rates will have varied results and explained that it depends on the cause of inflation and other policies.</li> </ul> <p>Award 2 marks if candidates refer to data to support their statements that</p> <ul style="list-style-type: none"> <li>• an increase in interest rates will lead to a reduction in inflation</li> <li>• an increase in interest rates has not reduced inflation</li> <li>• an increase in interest rates will have varied results</li> </ul> <p>Award 5th mark for evaluation/limitations of statement e.g. time lags.</p> <p>If candidates simply list the changes in interest rate and changes in inflation over the time period = 1 mark</p> <p>Example answers:  During 2011 the rate of inflation and interest rates fluctuated. This may have been due to many factors which interfered with the policy of increasing interest rates e.g. cost push inflation. (2 marks). As interest rates rose from January to July (6.5% to 8%) the inflation rate tended to fall (9.47% to 8.43%) but after this inflation rose again until in September it was over 10%. (2 marks). Even if inflation is caused by too much demand higher interest rates may not reduce spending immediately, there may be time lags.(1 mark)</p>	(5)

Question Number	Answer	Mark
3(c)(i)	1 mark for each of the missing economic objectives. Reducing unemployment (1 mark) Protection of the environment (1 mark)	(2)

Question Number	Answer	Mark
3(c)(ii)	trade or visible trade or visibles or trade in goods.	(1)

Question Number	Answer	Mark
3(c)(iii)	-2 or minus 2	(1)

Question Number	Answer	Mark
3(c)(iv)	Country B	(1)

Question Number	Answer	Mark
3(c)(v)	Country B has a surplus of +5\$bn (1 mark) whereas Country A has a deficit (1 mark) on current account.	(2)

Question Number	Answer	Mark
3(c)(vi)	<p>Reasons identified why controlling inflation will improve the balance of payments 1 mark (up to 2 marks) e.g. exports will be appear cheaper, domestic goods will appear cheaper.</p> <p>Explanation of reasons up to 2 marks e.g. export sales will increase, imports will fall as consumers buy the cheaper domestic goods.</p> <p>Reasons identified why controlling inflation will not improve the balance of payments 1 mark (up to 2 marks) e.g. exports and domestic goods may still be more expensive than imports.</p> <p>Explanation of reasons up to 2 marks e.g. other countries may be more successful at controlling inflation. Domestic firms may not produce substitutes for imports.</p> <p>One sided argument up to 3 marks</p> <p>Must have both sides of the argument for 4 marks</p> <p>Award 5<sup>th</sup> and 6<sup>th</sup> mark for evaluation/reasoned judgement.</p> <p>Accept reference to need for other measures to either increase exports (government financial and non financial help) and/or to decrease imports (tariffs, quotas).</p>	(6)

Question Number	Answer	Mark
4(a)(i)	8280 rupees or 8280 INR	(1)

Question Number	Answer	Mark
4(a)(ii)	May 2011 to June 2011	(1)

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

Question Number	Answer	Mark
4(a)(iv)	<p>Reference to what happened to exchange rate between July 2011 and December 2011 i.e. GBP went up from 71.9 rupees to 82.8 rupees (2 marks) or 1 mark for rupee depreciated in value.</p> <p>Reason why it may be an advantage 1 mark e.g. Indian exports cheaper.</p> <p>Reason why it may be disadvantage 2 marks reference to elasticity e.g. inelasticity reduces the benefits.</p>	(5)

Question Number	Answer	Mark
4(b)(i)	China	(1)

Question Number	Answer	Mark
4(b)(ii)	<p>Reference to difficulty in paying back debt greater for Central African Republic as GDP lower than China =1 mark.</p> <p>Reference to GDP figures = 1 mark</p> <p>Comparison of Debt and GDP e.g. international debt as a % of GDP was higher in Central African Republic = 1 mark</p> <p>Reference to % GDP figures and debt = 1 mark</p>	(4)

Question Number	Answer	Mark
4(b)(iii)	World Trade Organisation	(1)

Question Number	Answer	Mark
4(b)(iv)	<p>Each advantage identified, 1 mark (up to 2 marks). E.g. loans improve standard of living, economic growth.</p> <p>Development up to 2 marks. E.g. if the money is spent on education and health this would improve the standard of living and employment.</p> <p>Each disadvantage identified, 1 mark (up to 2 marks). E.g. money has to be repaid with interest, may not be spent on items which will increase the standard of living.</p> <p>Development up to 2 marks. E.g. the loans may be used to strengthen the military to keep the government in office, the debt interest may take up a high proportion of GDP and the country may fall deeper into debt.</p> <p>One sided argument up to 3 marks</p> <p>Must have both sides of the argument for 4 marks</p> <p>Award 5<sup>th</sup> and 6<sup>th</sup> mark for evaluation/reasoned judgement. E.g. Reference to difficulty faced by developing countries trying to achieve economic growth without foreign loans i.e. dependent on primary goods.</p>	(6)

Question Number	Answer	Mark
4(c)(i)	<p>Each characteristic identified, 1 mark: free trade between members, common external tariff (CET)</p> <p>Development, 1 mark</p> <p>1. Free trade between members (1 mark). The members have no barriers to trade/customs duties/tariffs/quotas etc (1 mark).</p> <p>2. there is a common external tariff (CET). (1 mark)</p> <p>Members have the same tariff for countries outside the union. (1 mark)</p> <p>2+2 marks</p>	(4)

Question Number	Answer	Mark
4(c)(ii)	<p>Each advantage identified, 1 mark (up to 2 marks). E.g. Increases trade, employment, cheaper imports.</p> <p>Development up to 2 marks. E.g. No barriers like tariffs so imports are cheaper.</p> <p>Each disadvantage identified, 1 mark (up to 2 marks). E.g. Less demand for domestic goods, increased unemployment, increased imports.</p> <p>Development up to 2 marks. E.g. no tariffs make imports cheaper which could lead to a fall in demand for domestic goods leading to unemployment.</p> <p>One sided argument up to 3 marks</p> <p>Must have both sides of the argument for 4 marks</p> <p>Award 5<sup>th</sup> and 6<sup>th</sup> mark for evaluation/reasoned judgement. E.g. Overall it depends on the strength of the domestic industries to compete in the larger market. If wage rates are lower then the prices of their exports might be lower than other member countries so advantages greater than disadvantages.</p>	(6)





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