



Pearson
Edexcel

**Pearson Edexcel
International GCSE in
Economics (9-1)**

4ECO 01

**Exemplar student
answers with
examiner comments**

What is meant by? (2 marks)

Bespoke Bikes manufactures bicycles. Each worker produces bicycles from start to finish. Bespoke Bikes has decided to introduce a division of labour in the production of its bicycles.

(e) What is meant by the 'division of labour'?

When a job is split up into separate tasks and each worker only does one ~~part~~^{different} part of the whole job. Breaking down a production process and allocating each worker a specific task.

This response was awarded both marks; 2 separate marks for a 2-part definition. For this question 1 mark for the idea the production process is broken down into smaller parts and 1 mark for specific tasks being allocated to each worker.

2 marks

Define (1 mark)

(e) Define the term profit.

Total revenue minus the total costs; the money that is gained.

A correct definition of total revenue minus total cost is enough for the 1 mark.

1 mark

Calculate (2 marks)

(ii) Calculate the price elasticity of demand for a tablet cover when price increases by 10% and quantity demanded falls by 20%. You are advised to show your working.

$$\text{ped} = \frac{-20}{10}$$
$$= -2$$

1 mark was awarded for the correct calculation of PED and 1 mark for the correct answer of -2. As the question only advises for working to be shown, 2 marks would still be awarded if only -2 was given in response. However, candidates are strongly advised to always show their working as mistakes could easily be made under exam conditions, even copying from a calculator. By showing the working, there is more chance of securing at least 1 mark if this happens.

2 marks

Draw (3 marks)

(g) Using the diagram below, draw the effects of the introduction of a subsidy paid to producers on equilibrium price and quantity. Label the new curve, the new equilibrium price and quantity.

(3)

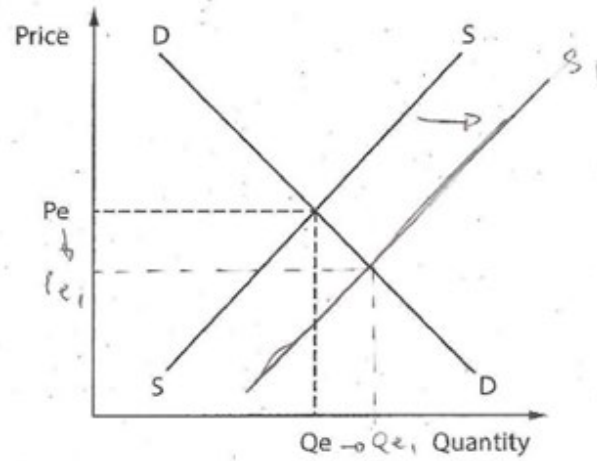


Figure 2

Some farmers have seen the price they receive for their crop fall. This means the income they earn has fallen. To support farmers the government pays them a subsidy.

1 mark was awarded for the correct shift of the supply curve, showing an increase. Labelling the new curve and putting an arrow makes it very clear. 1 mark for the lower equilibrium price which has been clearly labelled on the axis. 1 mark for the higher equilibrium quantity which has also been clearly labelled on the axis, with 'Qe1' and an arrow.

3 marks

Explain (3marks)

Figure 2

Some farmers have seen the price they receive for their crop fall. This means the income they earn has fallen. To support farmers the government pays them a subsidy.

- (h) Explain **one** disadvantage of the government introducing subsidies to support farmers.

One disadvantage could be that productivity falls. Because the farmers received a subsidy, they no longer need to work as hard, especially because they don't receive as much for their crop. The farmers may think that they will get another subsidy if their incomes fall again.

A disadvantage 'productivity falls' was awarded 1 mark. The question asks for this disadvantage to be in relation to farmers and so requires the response to be in context. This response does this with reference to their crops for a second mark. A third mark was awarded for development of the disadvantage in that the reason productivity falls is the farmers may not work as hard.

3 marks

- (f) Explain **one** advantage of the division of labour for Bespoke Bikes.

Efficiency is improved because, through specialisation, workers can perform tasks more quickly and more accurately. There are fewer mistakes and productivity will rise.

1 mark for the advantage that efficiency is improved and 1 mark for development. However, the question asks for the answer to be for Bespoke Bikes and there is no link to the company in this response so it was only awarded **2/3 marks**.

Levels of Response questions: Analyse (6), Assess (9) and Evaluate (12)

These questions are all marked using descriptor tables. The response is looked at holistically and then placed within the level it matches most closely. We start in the middle of the level and then move up or down, if appropriate, in order to award a mark within the level.

Analyse (6)

6 mark 'analyse' questions require argument(s) to be presented which are in context and have logical, developed and coherent chains of reasoning.

External costs in T-shirt production

According to the World Wildlife Fund (WWF), it takes 2700 litres of water to produce one T-shirt. Water is used not only to grow cotton but also to dye clothing. Cotton growers use pesticides and chemicals that pollute the water. The pesticides and chemicals that remain in the environment harm animals and plant life. The WWF has been working with governments to help reduce this pollution. It advises them to introduce more regulation and to fine companies that pollute. Clothing manufacturers argue that this will add to their costs and mean they will supply less. This may mean they employ fewer people and will help reduce water pollution as less clothing is being manufactured. Fines will punish those that pollute while also earning the government revenue it can use to clean up the pollution. The fines must also be large enough to persuade firms to stop polluting.

(b) With reference to the data above and your knowledge of economics, analyse the external costs that can occur in the production of T-shirts.

One external cost of that can occur in the production of T-shirts is the use of pesticides and chemicals. These are negative as they harm ~~animals~~ animals & plant life and this affects ~~people~~ organisms not involved in the transaction of T-shirt production (for example not animals & insects). The pollution is harmful for the environment and in the long run cause ^{bigger} issues.

Another external cost is the pollution of the water in the area. As the T-shirt company produces harmful substances, it affects people not involved in the transaction as they are not able to obtain a necessity good of clean water. This is a really negative and takes away from the local standard of

Clear knowledge/understanding demonstrated and the answer is in context. However, it fails to gain full marks as the issues are not thoroughly analysed; a requirement for the top mark in level 3.

Level 3, 5 marks

The UK government has introduced an indirect tax on drinks that contain high levels of sugar. The tax should reduce the consumption of high sugar drinks. Some argue that brands like Coca-Cola® and Pepsi® have price inelastic demand because customers are loyal to these brands.

- (i) With reference to the data above and your knowledge of economics, analyse the impact of the introduction of an indirect tax on the consumption of Coca-Cola and Pepsi.

In my opinion, the introduction of an indirect tax on high sugar drinks ~~is~~ is an effective strategy. This is because, people with ~~small~~ small incomes have little disposable income, and will therefore refuse to pay the ~~extra~~ rise in price. In addition to this sugar drinks are normal goods, which consumption declines as income declines. Overall, reducing consumption of sugar drinks.

However, in practice this policy will be inefficient. This is because sugar drinks ~~are~~ have a

(Total for Question 1 = 20 marks)

relatively inelastic demand, meaning as there are little substitutes so, consumers are ^{more} still willing to pay the price. This makes the policy unsuccessful in trying to reduce public consumption to a large extent, as people will just continue to purchase.

A good start with some analysis of the introduction of an indirect tax applied to the consumption of sugary drinks. However, a counter argument is offered which is not required. Although we do not negatively mark, the time taken to write this part of the response has prevented the candidate from completing a thorough analysis.

Level 2, 3 marks

Assess (9)

9 mark 'assess' questions require balanced 2-sided arguments to be presented, with both sides in context. These arguments should have logical, developed and coherent chains of reasoning.

Bangladesh increased the minimum wage for clothing workers by 77% to 5,300 taka (\$68) per month. The government in Bangladesh argued that the minimum wage would help workers earn enough money to meet their basic needs. The higher wage would encourage workers to be more productive. Businesses worry that the large increase in wages will mean that they cannot afford to employ as many staff. There are also concerns that higher wages will increase production costs.

(Source: adapted from 'Bangladesh poised to hike garment wages, but may not end strikes'; by Shyamantha Asokan, October 2013 <http://www.reuters.com/article/us-bangladesh-garments-wage-idUSBRE99K02M20131021>)

- (g) With reference to the data above and your knowledge of economics, assess the impact of an increase in the minimum wage for clothing workers in Bangladesh.

(9)

A minimum wage legislation can benefit disadvantaged workers, so the minorities of the labour force, like women, ethnic minorities, and low-income families, like the workers requiring enough money to meet their basic needs. A hike in the minimum wage by 77%, can reduce poverty in Bangladesh. The minimum wage raises the ^{wage} way of low-income workers, like the clothing workers.

Unfortunately, an increase in the minimum wages would mean that they would not be able to afford to employ as many staff, and could result in job losses. Trade unions are ~~not~~ created to protect the interests of the workers so that workers can negotiate pay with employers. Job losses can be avoided if labour productivity rises at the same time wages increase, so that production costs for business stay low.

Knowledge/understanding with reasonable 2 sides to the argument. However, only 1 side is in context and both sides have only limited chains of reasoning.

Level 2, 5 marks

(g) With reference to the data above and your knowledge of economics, assess the impact of an increase in the minimum wage for clothing workers in Bangladesh.

There are many advantages and disadvantages for minimum wage.

A set minimum wage would be good for Bangladesh for many reasons. One reason is that it will help workers to earn a fair amount of money to meet their basic needs. Before this law in 2011 Bangladesh was a poor country & workers weren't earning enough, now they can meet

their basic needs which will also reduce poverty. Another advantage is that higher wages will ~~increase~~ influence citizens to be more productive as they're earning more. It will also improve the economy if there's more workers working.

(Total for Question 2 = 20 marks)

But there's also disadvantages to a minimum wage. In the source it says 'businesses worry that large increase in wages mean they can't employ many staff'. This means that if minimum wages increase too much they'll have to ~~lose~~ loose staff and substitute them which means paying for computers & robots. Firms worry that the minimum wage will increase production costs. This means that not only they will loose workers their resources will be scarce so price will drop. Profits will then drop.

Overall I think that advantages ~~is~~ outweigh disadvantages and a minimum wage is useful.

Reasonably balanced, 2-sided argument and both sides are applied to clothing workers in Bangladesh. However, there is only a partial analysis and evaluation of the issues.

Level 2, 6 marks

Evaluate (12)

12 mark 'evaluate' questions require balanced 2-sided arguments to be presented, with both sides in context. These arguments should have logical, developed and coherent chains of reasoning, leading to a supported conclusion/judgement.

- (c) With reference to the information given in 'External costs in T-shirt production' and your knowledge of economics, evaluate the impact of the government introducing regulation and fines to reduce the external costs of clothing production in its country.

If the government introduce regulations and fines, it should result in positive impacts. This is because firms will be encouraged not to pollute the water and stop damaging the environment. The negative external cost will become a private cost to the firm or the individual, if the firm raises its prices. If the fines are successful, then government revenue will increase and can be spent on other things in the economy such as infrastructure or healthcare.

However, implementing fines and regulations could result in negative impacts such as unemployment and lower supply of T-shirts. ~~If the firm~~ The firm may not change their production method so will have to keep paying the fine, and to counteract all the extra costs, the firm will employ fewer people, causing an increase in unemployment and lowering producing less, to reduce production costs.

Other factors such as the size of the fine or the financial state of the government ~~will~~ could also affect the impacts. If the fine is not that large, firms may think that it is worth it to just pay the fine and keep polluting. In developing countries corruption and bribery may mean that the regulations are not enforced and firms can break the law without punishment. (Total for Question 4 = 20 marks)

Knowledge/understanding of government regulation as well as external costs in the context of T-shirt production. Chains of reasoning used to analyse the impact of the regulation with balanced counterpoint, again in context. Both sides could be developed further in order to attain a higher mark within level 3. There is a supported conclusion offered although it is generic.

Level 3, 10 marks

(c) With reference to the information given in 'External costs in T-shirt production' and your knowledge of economics, evaluate the impact of the government introducing regulation and fines to reduce the external costs of clothing production in its country.

Pressure has grown on governments in recent years to pass more legislation to protect the environment. Regulations act as a spur for business innovation, they can be gradually toughened each year - this will help stimulate capital investment. The cost of meeting regulations can discourage small businesses and lower competition in markets. Regulations add to the costs of the firm. As supply decreases, demand will contract, consequently, in some countries fines are imposed on those who damage the environment, or those who break regulations. With these fines, the government can increase their revenues, and can compensate the victims of all the pollution. Since the clothing firm will be making less profit, they need to keep costs low, - they might let go of a few people, and unemployment might rise. The fines would not have a major impact if the fine is small, so the firms might not suffer as expected.

Knowledge/understanding shown but it is very generic. Arguments for government regulation is present but not in context. Although a counter argument is present, it is unbalanced and again, not applied to T-shirt production. (Simply using the words 'clothing firm' is not context).

Level 2, 5 marks