

Mark Scheme (Results)

November 2024

Pearson Edexcel International GCSE
In Economics (4EC1) Paper 01

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November 2024
Question Paper Log Number P75954A
Publications Code 4EC1_01_2411_MS
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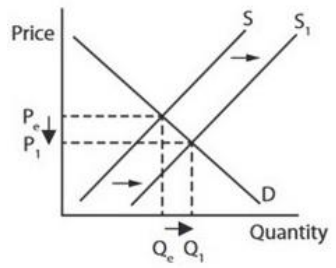
General Marking Guidance

- 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	Which **one** of the following is a definition of opportunity cost? **Answer**	**Mark**
1(a)	**AO1 1 mark** The only correct answer is: **C** The next best alternative given up A is not correct because this is business competition B is not correct because this gives no alternative choice D is not correct because this is spare capacity	**(1)**

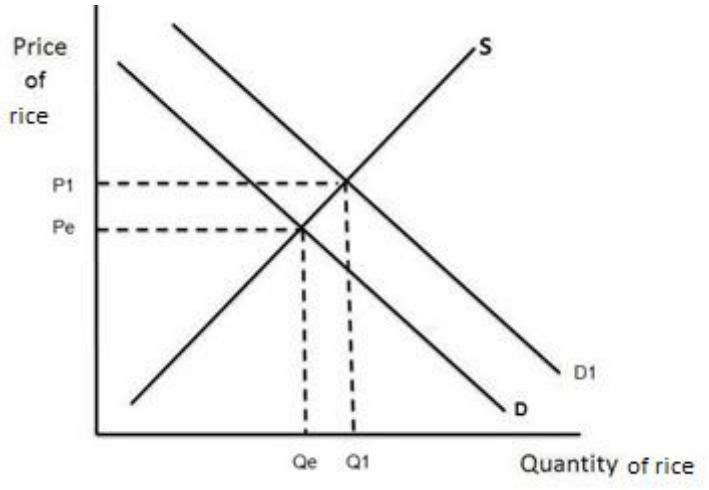
Question number	Which **one** of the following diagrams shows the likely effect on the market for cars after an increase in subsidies to car manufacturers? **Answer**	**Mark**
1(b)	**AO2 1 mark** The only correct answer is **A**  B is not correct because this would be due to a change in price C is not correct because this is a decrease in supply D is not correct because this is a movement along the supply curve	**(1)**

Question number	What is meant by the term external benefit? **Answer**	**Mark**
1(c)	**AO1 2 marks** Award up to 2 marks for a correct definition A positive effect **(1)** enjoyed by a third party **(1)** Accept any other appropriate response	**(2)**

Question number	State **one** example of an external cost. **Answer**	Mark
1(d)	**AO1 1 mark** Award 1 mark for a correct example • Pollution • Congestion • Environmental damage Accept any other appropriate response	**(1)**

Question number	Define the term takeover. **Answer**	Mark
1(e)	**AO1 1 mark** Award 1 mark for a correct definition When one firm takes control of another firm Accept any other appropriate response	**(1)**

Question number	Calculate, to two decimal places, the **price elasticity of supply (PES)** for a good if price decreases by 9.4% and quantity supplied decreases by 3.7%. You are advised to show your working. **Answer**	Mark
1(f)	**AO2 2 marks** Award 1 mark for showing correct calculation -3.7%/-9.4% **(1)** Award 1 mark for correct PES = 0.39 **(1)** Award 2 marks if PES is correctly calculated as 0.39 even if no calculations are shown Award 1 mark if PES is calculated as 0.39%, even if no calculations are shown Do not award marks for the formula	**(2)**

Question number	Using the diagram below, draw the likely effect of an increase in the population on the market for rice. Label the new curve, the new equilibrium price and the new equilibrium quantity. **Answer**	**Mark**
1(g)	**AO2 3 marks** Award 1 mark for a rightward shift of the demand curve, labelled Award 1 mark for a higher equilibrium price, labelled Award 1 mark for a higher equilibrium quantity, labelled  	**(3)**

Question number	Explain **one** reason why demand for a product, such as a soft drink, usually becomes more price elastic over time. **Answer**	**Mark**
1(h)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • In the short term, consumers may not be able to break their habit **(1)** but in time they are able to reduce consumption **(1)** meaning that they buy less of the sugary products **(1)** • More firms may enter the market **(1)** meaning more substitutes are available **(1)** so, in time, the difference in PED is 0.5 more elastic **(1)** Accept any other appropriate response	**(3)**

Question number	With reference to the data above and your knowledge of economics, analyse how all four factors of production might be used to produce chocolate. **Indicative content**
1(i)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Cocoa pods and sugar are natural resources, which are all examples of land being needed to produce chocolate • The cocoa pods are picked by hand which means labour is needed • Ovens in which the cocoa beans are roasted are examples of capital, because these are man-made • Enterprise combines the other factors of production to make sure the production from cocoa to chocolate takes place effectively to get the finished product to the consumer • Thus, all four factors of production may be used to produce chocolate, as without any one of them the process would not be completed as efficiently

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• 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	• 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	• 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	Which **one** of the following options is the most suitable term for the type of market shown in Figure 2? **Answer**	**Mark**
2(a)	**AO2 1 mark** The only correct answer is: **B** Oligopoly A is not correct because only one firm would dominate C is not correct because this is not related to the market share D is not correct because the diagram shows sales and not levels of employment	**(1)**

Question number	Which **one** of the following is a reason why consumers may not maximise their benefit? **Answer**	**Mark**
2(b)	**AO1 1 mark** The only correct answer is: **A** Consumers may not accurately calculate benefits B is not correct because consumers may have habits that are hard to give up C is not correct because consumers do sometimes copy the behaviour of others D is not correct because consumers are not always rational when making decisions	**(1)**

Question number	Calculate the **total variable costs** for the firm in the month of September. You are advised to show your working. **Answer**	**Mark**
2(c)	**AO2 2 marks** Award 1 mark for showing the correct calculation €3 000 + €18 000 **(1)** Award 1 mark for calculating total variable costs = €21 000 **(1)** Award 2 marks if total variable costs are correctly calculated as €21 000, even if no calculations are shown Award 1 mark if the total variable costs are calculated as 21 000, even if no calculations are shown Do not award marks for a formula	**(2)**

Question number	What is meant by the term total revenue? **Answer**	**Mark**
2(d)	**AO1 2 marks** Award up to 2 marks for a correct definition The amount of money gained **(1)** from the sale of all products **(1)** Accept any other appropriate response	**(2)**

Question number	Describe **one** feature of a monopoly. **Answer**	**Mark**
2(e)	**AO1 2 marks** Award 1 mark for reference to the feature and 1 mark for development of the feature High barriers to entry **(1)** therefore new firms cannot enter the market **(1)** OR Unique product **(1)** to allow the firm to remain alone in the market **(1)** Accept any other appropriate response	**(2)**

Question number	Explain **one** reason why the Italian Government may have introduced legislation that makes it easier for new taxi firms to enter the market. **Answer**	**Mark**
2(f)	**AO2 3 marks** Award 1 mark for identifying a relevant reason Award 1 mark for developing the reason Award 1 mark for the response being in context • The legislation would increase the competition **(1)** therefore increasing the choice of taxis **(1)** meaning it will be easier for the public to find/hire a taxi **(1)** • The legislation would reduce barriers to entry **(1)** reducing the power of taxi firms to charge high fares **(1)** meaning it would be cheaper for the public to travel **(1)** Accept any other appropriate response	**(3)**

Question number	With reference to the data above and your knowledge of economics, assess the effectiveness of trade unions in increasing wages, such as for the transport workers in Germany. **Indicative content**
2(g)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Trade unions can help raise wages for workers by putting pressure on employers during negotiations • In this case a major strike was organised by the trade unions, which makes employers more likely to negotiate • Verdi is Germany's second largest trade union, meaning it could have a lot of influence on employers • 2.5 million transport workers were helped by the union, in obtaining a 5.5% pay increase • Therefore, other firms may be willing to discuss wages with trade unions in order to benefit from increased productivity and/or reduced disruption **AO4** • However, the effectiveness of the trade unions depends upon how many members support the strike action • Verdi was aiming to increase wages by 10.5% for transport workers, meaning trade union membership was only partially effective • Workers may not think it worth paying a membership fee to a trade union if it is unable to deliver wage increases • The effectiveness of trade unions may depend on whether firms can pass on increased costs through increased prices, such as higher prices for passengers to travel by train on German railways • The alternative may be reduced profit margins for the transport firms, meaning they would be less likely to agree to pay increases

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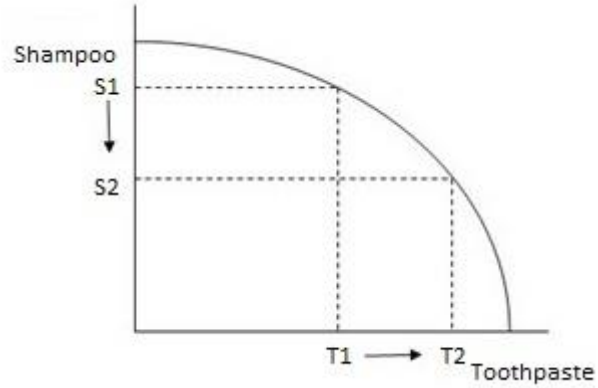
Level 1	1–3	• Demonstrates basic knowledge and understanding by developing relevant points. Limited application of economic terms, concepts, theories and calculations (AO2). • Information presented will lack selectivity and organisation. Interpretation of economic information will be limited, with a 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	• 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	• 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	Which **one** of the following is most likely to cause a shift to the left of the demand curve? **Answer**	Mark
3(a)	**AO1 1 mark** The only correct answer is: **D** Decreased incomes A is not correct because this would increase demand B is not correct because this would increase supply C is not correct because this would reduce supply	**(1)**

Question number	Which **one** of the following best describes the type of goods with an income elasticity of demand (YED) of -1.3? **Answer**	Mark
3(b)	**AO1 1 mark** The only correct answer is: **A** Inferior B is not correct because unitary goods have a numerical value equal to 1 or -1 C is not correct because this would have a high positive numerical value D is not correct because this would have a positive numerical value	**(1)**

Question number	In the box below, draw a production possibility curve (PPC) for a firm that can produce shampoo and/or toothpaste. On your PPC, draw and label what would happen if production of toothpaste was increased. **Answer**	Mark
3(c)	**AO2 3 marks** Award 1 mark for drawing a production possibility curve (PPC) with correctly labelled axes Award 1 mark for showing a decrease in shampoo on the PPC Award 1 mark for showing an increase in toothpaste on the PPC  	**(3)**

Question number	With reference to the data above and your knowledge of economics, analyse the likely impact of an increase in the national minimum wage on the supply of labour in Barbados. **Indicative content**
3(d)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • The minimum wage in Barbados increased by $2.25 (36%) per hour • This means that a higher income is received by people who may have struggled with basic needs if the national minimum wage was left at $6.25/hour • A 36% increase could be quite a substantial increase in the wages earned for some people in Barbados • Therefore, more workers would be encouraged to work because they can enjoy a higher standard of living • Thus, there is likely to be an increase in the quantity of labour supplied

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	0	No rewardable material.
Level 1	1–2	• 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	• 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	• 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	With reference to the data above and your knowledge of economics, assess the importance of the quality of labour on productivity in a country. **Indicative content**
3(e)	**AO2 (3 marks)/AO3 (3 marks)/AO4 (3 marks)** **AO2 and AO3** • Quality of labour may increase as a result of education because workers would be able to develop skills with which they could become more efficient in the tasks needed to produce goods and services in the workplace • Therefore, workers are likely to be able to produce more goods and services in a shorter period of time, leading to lower costs of production for firms • This increase in productivity means that a firm may be able to enjoy higher profits due to lower costs, as well as a possible increase in revenue, if more products are available to sell • An increase in immigration may lead to an increase in the quantity and quality of labour supplied • This may result in increased competition between workers to provide the most efficient labour to firms in order to reduce their costs of production • This may mean that some workers may aim to increase their education to become more productive **AO4** • However, it takes time for education to become effective as periods of study need to be completed before being used in the workplace • This means that education may only impact productivity at a later date, making it difficult to measure its impact • Skilled workers may emigrate, taking their ability to increase efficiency for a firm with them • Immigration which increases the supply of skilled labour may lead to a reduction in wages, potentially demotivating workers and discouraging productivity • Therefore, productivity may not always increase due to quality of labour, at least not in the short-run • It may depend on the country and the levels of productivity within it or on technological advances in capital or land use

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	0	No rewardable material.
Level 1	1–3	• 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	• 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	• 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	Calculate, the **excess demand** for the product for the first three months of 2024, if the quantity supplied during each month was 11,000 (33,000 in total). You are advised to show your working. **Answer**	**Mark**
4(a)	**AO2 2 marks** Award 1 mark for showing correct calculation (13,600 + 14,200 + 11,700) - 33,000 **(1)** **OR** 39,500 - 33,000 **(1)** Award 1 mark for correct excess demand = 6,500 **(1)** Award 2 marks if excess demand is correctly calculated as 6,500 even if no calculations are shown Do not award marks for the formula	**(2)**

Question number	With reference to the data above and your knowledge of economics, analyse a possible reason why the market for tourism services is an inefficient allocation of resources. **Indicative content**
4(b)	**AO2 (3 marks)/AO3 (3 marks)** **AO2 and AO3** • Inefficiency occurs when market failure is/externalities are present • One example of market failure is a lack of information for the consumer • The market for tourism shows visitors to Saint Vincent do not have all the information about prices when booking online before visiting the island • As a result, tourists can pay up to $14 more for a guide than if they waited to obtain all the information once arriving on the island • Therefore, an inefficient allocation of resources occurs in the market

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	• 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	• 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	• 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	With reference to the data above and your knowledge of economics, evaluate whether X is likely to benefit from economies of scale. **Indicative content**
4(c)	**AO2 (4 marks)/AO3 (4 marks)/AO4 (4 marks)** **AO2 and AO3** • The number of users of the newly named X increased to a new high of 530 million people within the first year • This means that the (long-run) average costs are likely to be reduced because they are spread over a larger number of users • By creating a platform that enables users to perform multiple tasks, such as messaging, making payments and having food delivered, fewer resources would be needed, leading to lower (long-term) average costs (technical economies) • The cost of developing the advanced technology may be lower for X, as a substantial amount of research/components are likely to be required, possibly leading to purchasing economies • Due to the increase in size, managerial economies may be present as specialist managers could oversee separate functions of X, bringing in specialist expertise and lowering (long-run) average costs • (Long-run) average costs could also be reduced as all tasks could be advertised together, therefore spreading the marketing costs and allowing marketing economies to take place • The takeover cost of $44bn suggests the platform is extremely large, therefore, financial economies are likely because it should be able to get access to money more cheaply than a smaller firm, including to purchase/develop the advanced technology **AO4** • If a firm grows too large, average costs are likely to rise due to diseconomies of scale • The loss of around 65% advertising revenue may reduce X's ability to create the platform envisaged by Elon Musk • Thousands of workers lost their jobs as a result of the purchase by Elon Musk, meaning a decrease in efficiency of remaining workers may be likely if they are worried about losing their jobs too • This means diseconomies of scale may occur as the average costs may increase due to less productive workers • The renaming of the platform from Twitter to X, alongside other major changes may cause further issues for X, such as workers being demotivated • Communication problems and a lack of control may be caused by having such a large firm trying to integrate resources. As the platform relies on technology being used effectively, this may lead to diseconomies of scale

	• As the combined number of users is already more than 530 million, the platform may have already reached the most efficient point and the lowest (long-run) average cost • It will take time for the technology to be successfully implemented and so economies of scale may not occur for several years • If users do not agree/like the changes they may move to a competitor • Workers may actually be more productive due to the high number of job losses, as they want to prove worthy of keeping employment. This could help to lower average costs • It may take time to understand the implications of the changes for X and whether economies or diseconomies of scale occur will therefore depend on the outcome

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–4	• 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	• 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	• 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).

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