

Mark Scheme (Results) November 2009

IGCSE

IGCSE Economics (4350) Paper 2H

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Question Number	Answer	Mark
1(a)(i)	1 mark for perfectly inelastic supply	(1)

Question Number	Answer	Mark
1(a)(ii)	Example 1 mark e.g. rice, oil(accept agricultural goods/minerals)	(1)

Question Number	Answer	Mark
1(a)(iii)	Product B	(1)

Question Number	Answer	Mark
1(a)(iv)	Must use the data for full marks. E.g. Elastic because as price rises TR falls (1 mark) and vice versa Price 8 TR = 160 Price 10 TR=100 (2 marks) Or calculation of elasticity: $+100/-20=-5$ (2 marks)	(3)

Question Number	Indicative content	
1(a)(v)		
Level	Mark	Descriptor
Level 1	1-2	Each factor affecting elasticity of demand of rice and/or chocolate e.g. rice = necessity chocolate = luxury
Level 2	3-4	Factors identified and developed. Must have a factor for rice and a factor for chocolate for 4 marks.
Level 3	5	Must have evaluative statement as well as factors identified and developed including a factor for rice and a factor for chocolate. E.g. Rice can be considered a necessity, when price rises people's demand falls only by a small amount. Whereas chocolate is a luxury that people can live without so as price rises the demand will fall a great deal. Some might argue that both have substitutes (potatoes for rice) (biscuits for chocolate)and both might be elastic but I think that rice will be more inelastic because it is more essential than chocolate.

Question Number	Answer	Mark
1(b)(i)	Each characteristic identified, 1 mark development 1 mark. e.g. some parts owned by state (1 mark) providing essential services like public transport (1mark), some parts owned by private sector (1 mark) and they aim to make a profit (1mark).	(4)

Question Number	Answer	Mark
1(b)(ii)	Each reason identified, 1 mark, development, 1 mark	

	e.g. introduction of MWR (1 mark), government passes a law which makes firms pay a MWR (1 mark), shortage of skilled labour, rise in demand for labour. 2+2 marks	(4)
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Question Number		Indicative content
1(b)(iii)		
Level	Mark	Descriptor
Level 1	1-2	Each statement relating to relationship between wages and employment, 1 mark. E.g. wages are the price of labour so if price goes up demand/employment falls.
Level 2	3-4	Each statement relating to relationship between wages and employment, 1 mark and developed, 1 mark. E.g. wages are the price of labour so if price goes up demand/employment falls. The rise in wages may be due to introduction of MWR (1 mark). Accept other factors which might lead to increase in wages and/or increased employment.
Level 3	5-6	Must have evaluative statement which refers to the importance of other factors for 6 marks. E.g. wages are the price of labour so if price goes up demand/employment falls (1 mark). The rise in wages may be due to introduction of MWR (1 mark). The extent of the fall in employment may depend on the elasticity of demand for labour (1 mark). If there are no substitutes for labour then the firm will continue to demand labour at a higher wage rate (1 mark). There are other factors which might limit the fall in employment. If workers are members of a powerful trade union (1 mark) and the firm may not make workers unemployed for fear of industrial unrest (1 mark)

Question Number	Answer	Mark
2(a)	160 €	(1)

Question Number	Answer	Mark
2(b)(i)	60€	(1)

Question Number	Answer	Mark
2(b)(ii)	Only fixed costs need to be paid, 1 mark. Development, 2 marks e.g. No pizzas being made on Monday (1 mark) therefore no variable costs (1 mark)	(3)

Question Number	Answer	Mark
2(c)(i)	As output increases (1 mark) average costs fall (1 mark)	(2)

Question Number		Indicative content
2(c)(ii)		
Level	Mark	Descriptor

Level 1	1-2	Each benefit and/or disadvantage identified, 1 mark. E.g. lower average costs. Also accept types of economies of scale e.g. financial economies. Reward other relevant benefits/disadvantages of growth, e.g. loss of control, bureaucracy.
Level 2	3-4	Disadvantages and/or benefits explained. Must have both disadvantage and benefit explained for 4 marks.
Level 3	5	Must have evaluative statement for full marks e.g. the main benefit of economies of scale is the reduced unit cost (1 mark) due to economies like bulk buying (1 mark). There are disadvantages. If the firm grows too large it may become too bureaucratic (1 mark) and may lose touch with the preferences of its customers (1 mark). Overall, most firms benefit from growth and economies of scale and this is shown in their increased profits.

Question Number	Answer	Mark
2(c)(iii)	Each advantage identified 1 mark, development, 1 mark e.g. decreased prices as firms compete for market share, innovation, increased choice. 2+2	(4)

Question Number	Answer	Mark
2(d)(i)	An external cost	(1)

Question Number	Answer	Mark
2(d)(ii)	Each policy identified, 1 mark, development, 1 mark. E.g. financial incentives (1 mark) to firms so that they change to less harmful production methods (1 mark). Also accept taxation, licences, legislation.	(4)

Question Number		Indicative content
2(d)(iii)		
Level	Mark	Descriptor
Level 1	1	Each positive or negative effect, 1 mark.
Level 2	2-3	Each positive or negative effect, 1 mark, development, 1 mark.
Level 3	4	Must have both positive and negative effects for full marks e.g. Pollution policies usually cost firms money and add to costs (1 mark). This can increase the price for the consumer (1 mark). If consumers live in the country with the pollution then the policies will benefit them (1 mark) as they will have cleaner air and a better environment (1 mark).

Question Number	Answer	Mark
3(a)(i)	It has increased, 1 mark. 1 mark for referring to data e.g. 61p to about 67p	(2)

Question	Answer	Mark
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Number		
3(a)(ii)	Regressive	(1)

Question Number	Answer	Mark
3(a)(iii)	Explanation 2 marks e.g. It is an indirect tax, (1 mark), so everyone who buys petrol has to pay it regardless of income (1 mark) or tax would take larger % from a lower income earner than a high income earner.	(2)

Question Number	Answer	Mark
3(a)(iv)	1 mark for reason, 1 mark for development. e.g. to raise revenue to spend on education. Reduce car use and therefore reduce pollution. 2+2	(4)

Question Number	Answer	Mark
3(a)(v)	Objective identified, 1 mark Accept, balance of payments, inflation, unemployment, economic growth and environment.	(1)

Question Number		Indicative content
3(a)(vi)		
Level	Mark	Descriptor
Level 1	1-2	Each benefit or disadvantage identified, 1 mark. E.g. can reduce pollution, increase inflation.
Level 2	3-4	Benefits and/or disadvantages explained. Must have both benefit and disadvantage explained for 4 marks.
Level 3	5	Must have evaluative statement for full marks e.g. Taxing petrol can reduce pollution (1 mark) as the price will increase so people may find alternative forms of transport (1 mark). Taxes on petrol will increase a firm's transport costs (1 mark) and so lead to inflation (1 mark). As cars pollute the environment and petrol is a scarce resource then an economy will benefit from taxing petrol (1 mark).

Question Number	Answer	Mark
3(b)(i)	Definition, 1 mark, example, 1 mark. E.g. Structural unemployment is caused by the fall in demand (1 mark) for the goods produced by an industry (1 mark). The jute industry in Bangladesh (1 mark).	(3)

Question Number		Indicative content
3(b)(ii)		
Level	Mark	Descriptor
Level 1	1-2	Each effect (successes or failures) on structural unemployment

		identified, 1 mark.
Level 2	3	Each effect (successes or failures) on structural unemployment identified, 1 mark, development, up to 2 marks. E.g. Their old skills are no longer required but education and training can give workers new skills (1 mark) which will enable them to find jobs in other industries (1 mark).
Level 3	4-5	Must have successes and failures for 4 marks. For 5 marks must also have evaluative statement. e.g. Education and training can give workers new skills (1 mark) which will enable them to find jobs in other industries (1 mark). Unfortunately the jobs might not be in the local area (1 mark) and the workers may not want to leave their homes (1 mark). Education and training gives the workers the opportunity to find work in different industries but it may not always be successful (1 mark).

Question Number	Answer	Mark
3(b)(iii)	Policy identified, 1 mark development, 1 mark. Accept general policies e.g. fiscal/monetary/regional and also specific e.g. grants to new industries, job centres.	(2)

Question Number	Answer	Mark
4(a)(i)	Trading bloc	(1)

Question Number	Answer	Mark
4(a)(ii)	Reason identified, 1 mark, development, 1 mark. E.g. no tariffs (1 mark) so traded goods are cheaper/ increases demand (1 mark)	(2)

Question Number	Answer	Mark
4(a)(iii)	Reason identified, 1 mark, development, 1 mark. E.g. external tariff (1 mark) so traded goods are more expensive /reduces demand (1 mark)	(2)

Question Number	Answer	Mark
4(a)(iv)	63.5	(1)

Question Number	Answer	Mark
4(b)(i)	It has depreciated	(1)

Question Number		Indicative content
4(b)(ii)		
Level	Mark	Descriptor
Level 1	1-2	Each effect on balance of payments current account, 1 mark e.g. imports decrease, exports increase.
Level 2	3-4	Each effect identified, 1 mark, development 1 mark.
Level 3	5	Must have reason explained why it may not always lead to

		improvement for full marks e.g. Depreciation of the currency will lead to imports being more expensive (1 mark) and exports cheaper (1 mark). This will lead to an improvement in the current account as more the demand for imports fall (1 mark) and the demand for exports rise (1 mark). If the demand for imports is inelastic and/or demand for exports inelastic then the changes may not be of benefit to the current account. (1 mark) Accept reference to elasticities or factors affecting elasticity of demand for imports and exports for both evaluation marks.
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Question Number	Answer	Mark
4(c)(i)	Quota. 1 mark for price when quota imposed. 1 mark for showing new lower price at new equilibrium D=S when quota removed.	(2)

Question Number	Answer	Mark
4(c)(ii)	Tariff 1 mark for shift of supply curve to left. 1 mark for labelling new equilibrium price and quantity	(2)

Question Number	Indicative content	
4(c)(iii)		
Level	Mark	Descriptor
Level 1	1-2	Reasons to support decision identified, 1 mark each. E.g. tariffs raise revenue. Tariffs are easy to administer.
Level 2	3	Must consider both tariffs and quotas for 3 marks. E.g. tariffs raise revenue (1 mark) whereas quotas just raise price (1 mark). Tariffs are easier to implement (1 mark).
Level 3	4	Justified reason for their preference.

Question Number	Indicative content	
4(d)		
Level	Mark	Descriptor
Level 1	1-2	Each method of promoting free trade identified, 1 mark. E.g. trade rounds, settling disputes.
Level 2	3	Each method of promoting free trade identified, 1 mark, development up to 2 marks. E.g. the WTO organises trade talks (1 mark) where member countries agree to reduce trade barriers between themselves (1 mark). This can be a % reduction in tariff barriers (rounds) (1 mark).
Level 3	4-5	Must have reason for failure identified for 4 marks. Must have evaluation for 5 marks. E.g. the WTO organises trade talks (1 mark) where member countries agree to reduce trade barriers between themselves (1 mark). This can be a % reduction in tariff barriers (rounds) (1 mark). Not all members agree to the reductions (1 mark) so the success of the WTO is limited by some countries who, although members, protect their own interests (1 mark). Credit valid examples.

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