

Mark Scheme (Results)

Summer 2010

IGCSE

IGCSE ECONOMICS(4350) Paper 2H

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| Question Number | Answer | Mark |
|-----------------|--|------|
| 1(a)(i) | New demand curve to the left of D, 1 mark. | (1) |

| Question Number | Answer | Mark |
|-----------------|--|------|
| 1(a)(ii) | New price 1 mark, new quantity 1 mark. | (2) |

| Question Number | Answer | Mark |
|-----------------|------------------|------|
| 1(a)(iii) | Opportunity cost | (1) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 1(b)(i) | 2 marks for correct definition or formula. E.g. Responsiveness of quantity demanded to a change in price. 1 mark for vague definition. | (2) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 1(b)(ii) | Reason, 1 mark. Explanation, 1 mark. E.g. cigarettes are habit forming (1 mark) as price changes demand changes by only a small amount (1 mark). | (2) |

| Question Number | Answer | Mark |
|-----------------|--|------|
| 1(b)(iii) | Tobacco is an agricultural commodity (1 mark) so supply cannot be increased quickly as it takes time to grow (1 mark). | (2) |

| Question Number | | Indicative content |
|-----------------|------|---|
| 1(b)(iv) | | |
| Level | Mark | Descriptor |
| Level 3 | 5-6 | Evaluative judgement. Elasticity of demand is important as it means the government will earn great amounts of revenue if it is inelastic. However if the reason for the tax is to reduce demand then it is not successful. |
| Level 1 & 2 | 1-4 | Explanation of relationship between price elasticity of demand and indirect taxation. E.g. tax will increase price (1 mark). If demand is inelastic then this results in small change in demand (1 mark) so government earns high tax revenue (1 mark). Also credit other factors which influence taxation (1 mark) e.g. reasons for tax - health reasons |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 1(c)(i) | Each method, 1 mark e.g. incentives, machinery, division of labour. Development, 1 mark, e.g. increase wages, increased technology, increased | (4) |

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| | skills/specialisation. | |
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| Question Number | | Indicative content |
|-----------------|------|--|
| 1(c)(ii) | | |
| Level | Mark | Descriptor |
| Level 3 | 5 | Must have evaluative judgement. The demand for cigarettes is more important than supply of workers because if demand falls then workers won't be need so wages will fall regardless of supply. |
| Level 2 | 3-4 | Must consider more than one factor. Development up to 2 marks e.g. if the demand for cigarettes rises (1 mark) then there will be an increase in the demand for workers and this will lead to increase wages (1 mark). If there are no skilled workers available (1 mark) then this will mean wages will have to rise until the employers can find machines to do the work (1 mark)/or train new workers. |
| Level 1 | 1-2 | Factors identified up to 2 marks. E.g. demand for cigarettes, minimum wage rate, supply of workers, Trade Unions, Productivity (piece rates).), danger, the different jobs in the factory and different qualifications needed. |

| Question Number | Answer | Mark |
|-----------------|--|------|
| 2(a)(i) | State, 1 mark Private, 1 mark | (2) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 2(a)(ii) | Secondary, 1 mark Tertiary, 1 mark | (2) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 2(b)(i) | Differences identified, 2 marks examples, 2 marks. e.g. monopoly means the market is in the hands of one major firm (1 mark) e.g. Microsoft (worldwide) (1 mark) whereas an oligopoly has a few large firms (1 mark)e.g. supermarkets in UK (1 mark). Credit official definitions of monopoly e.g. 25% market share. | (4) |

| Question Number | | Indicative content |
|-----------------|------|--|
| 2(b)(ii) | | |
| Level | Mark | Descriptor |
| Level 3 | 5 | Evaluative conclusion, 1 mark. E.g. <i>If the firm/industry privatised is provides an essential good or service e.g. electricity then the consumer will not benefit as if the price goes up(1 mark) he/she will have to pay the higher price which might be charged by the private firm wishing to make high profits (1 mark). Sometimes competition (1 mark) can lead to greater efficiency and variety (1 mark) in the market but in cases like electricity it may lead to wasteful competition so privatisation will not benefit consumer (1 mark).</i> |
| Level 2 | 3-4 | Development 2 marks. Must have both advantages and disadvantages for 4 marks . One sided argument maximum marks = 3. E.g. <i>the price may be lower for the consumer (1 mark) due to more firms in the market/greater competition (1 mark). The profit motive of the private sector (1 mark) may lead to higher prices for the consumer (1 mark).</i> |
| Level 1 | 1-2 | Each advantage/disadvantage identified, 1 mark up to 2 marks. Lower price/higher price (can only have 1 mark unless both explained in level 2). |

| Question Number | Answer | Mark |
|-----------------|--------------|------|
| 2(c)(i) | Unemployment | (1) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 2(c)(ii) | Financial incentive identified, 1 mark e.g. loans, subsidies, grants, tax holidays. Non financial incentive identified, 1 mark. E.g improved infrastructure, advice. Training can be financial or non financial but only award 1 mark if it is put as both. | (2) |

| Question Number | | Indicative content |
|-----------------|------|--|
| 2(c)(iii) | | |
| Level | Mark | Descriptor |
| Level 3 | 5 | Must have evaluation for this level. Reference to why one is better than the other. E.g. businesses will always put costs above other considerations so financial incentives are more successful. |
| Level 2 | 3-4 | Development up to 2 marks. Must have some comparison between financial and non financial for this level. E.g. financial incentives may reduce costs (1 mark) of moving to an area but if the area is one which the entrepreneur doesn't know or doesn't like then he may want to stay where he is (1 mark) unless he is given some advice and knowledge about the area (1 mark). |
| Level 1 | 1-2 | Each advantage/disadvantage identified, 1 mark up to 2 marks. |

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| | E.g. financial incentives reduce costs, may not move because don't know the area. |
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| Question Number | Answer | Mark |
|-----------------|--------------|------|
| 2(c)(iv) | Social costs | (1) |

| Question Number | Answer | Mark |
|-----------------|--|------|
| 2(c)(v) | External cost identified, 1 mark e.g. pollution (accept different types), congestion. Method identified, 1 mark. Development 1 mark. e.g. tax the polluter. This will increase their costs so supply will fall. | (3) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 3(a)(i) | Each relevant point, 1 mark up to 2 marks. Reference to data, 2 marks. E.g. the rate of inflation in Germany is higher than in Armenia from 2007-2009 (1 mark). In 2007/08 it is 1% higher and in 2009 only 0.6% higher (1 mark). The rate rises 2007/08 in both countries and falls in 2009 to its lowest level (1 mark) 2% in Germany and 1.4% in Armenia (1 mark). Need some comparison for 4 marks. | (4) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 3(a)(ii) | Calculation 4% of $100 = 4$ (1 mark) Basket will cost 104 euros in 2008 (1 mark) Accept $100 + 4 = 104$ for 2 marks Accept $100 * 1.04 = 104$ for 2 marks | (2) |

| Question Number | | Indicative content |
|-----------------|------|---|
| 3(a)(iii) | | |
| Level | Mark | Descriptor |
| Level 3 | 5 | Need reasoned conclusion for this level. E.g. <i>"Statement is correct because inflation reduces their incomes in real terms (1 mark) and purchasing power is reduced (1 mark). When creditors are repaid they can buy less with the money (1 mark) so both groups suffer (1 mark) unlike those who can bargain for higher wages (1 mark)."</i> Also credit reference to "creditors can increase interest rates so don't suffer as much" and "fixed incomes may suffer more than creditors". |
| Level 2 | 3-4 | Comparison required for 4 marks. E.g. debtors "win" as their repayments have gone down in real terms. Workers not on fixed incomes can get pay rises. Up to 3 marks for one sided responses i.e. either fixed income or creditors. |
| Level 1 | 1-2 | Each reason identified, 1 mark up to 2 marks. |

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| | e.g. creditors - amount repaid is worth less, fixed income = incomes worth less - can't buy as much. |
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| Question Number | Answer | Mark |
|-----------------|--|------|
| 3(a)(iv) | Reduce government investment | (1) |
| Question Number | Answer | Mark |
| 3(b)(i) | Economic growth is positive (1 mark) Real GDP is rising (1mark). Either GDP is rising more slowly (1 mark) or relationship between economic growth and GDP i.e. economic growth is measured by changes in real GDP. (1 mark). Reference to data, 1 mark. | (3) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 3(b)(ii) | Similarity identified, 1 mark e.g. both decrease in 2007 and 2008. Difference identified, 1 mark e.g. Growth higher in Armenia in both years or decrease is higher in Armenia. Reference to data up to 2 marks. | (4) |

| Question Number | Indicative content | |
|-----------------|--------------------|---|
| 3(b)(iii) | | |
| Level | Mark | Descriptor |
| Level 3 | 5-6 | Must have reasoned conclusion at this level. E.g. negative economic growth is associated with unemployment (1 mark) which means people in the country are faced with a fall in their standard of living (1 mark). Positive economic growth can also have problems associated with growing industries (1 mark) like air pollution (1 mark). The problems from negative economic growth are greater as the government can legislate against pollution which affects a few people (1 mark) but it is more difficult to overcome the problems of unemployment and falling living standards (1 mark). |
| Level 2 | 3-4 | Development of problems up to 2 marks. Must have problems of both positive and negative economic growth for 4 marks. E.g. positive = pollution, overcrowding Negative = unemployment, falling standard of living. If only identify and develop problems of either positive or negative growth then maximum 3 marks. |
| Level 1 | 1-2 | Problems identified, 1 mark up to 2. |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 4(a)(i) | A large company operating in a number of countries. | (1) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 4(a)(ii) | Each reason, 1 mark. E.g. lower labour costs, lower rent, closer to markets. 1 mark for development of each reason identified. | (4) |

| Question Number | Indicative content | |
|-----------------|--------------------|--|
| 4(a)(iii) | | |
| Level | Mark | Descriptor |
| Level 3 | 5-6 | Need reasoned conclusion for this level. E.g. When a multinational leaves the problem of unemployment will be greater as domestic firms have closed down so there will be no firms to take on the unemployed. |
| Level 2 | 3-4 | Must have problems of both setting up in a country and leaving for 4 marks. Development of problems identified in level 1 up to 2 marks each but one sided answers maximum 3 marks. E.g. When a multinational sets up it may cause domestic firms to close down (1 mark) and this may lead to unemployment (1 mark). This can also be the case when the firm leaves as it will no longer be an employer in the country (1 mark) and as it is usually a large firm this will leave many unemployed (1 mark). |
| Level 1 | 1-2 | Problems identified, 1 mark, up to 2. |

| Question Number | Answer | Mark |
|-----------------|------------------------------------|------|
| 4(b)(i) | Trade or visibles or visible trade | (1) |

| Question Number | Answer | Mark |
|-----------------|--------|------|
| 4(b)(ii) | -\$47m | (1) |

| Question Number | Answer | Mark |
|-----------------|--------|------|
| 4(b)(iii) | -\$40m | (1) |

| Question Number | Answer | Mark |
|-----------------|---|------|
| 4(b)(iv) | Each policy identified, 1 mark, development, 1 mark. E.g. methods to increase exports, methods to reduce imports. The government can increase exports (1 mark) by giving exporting firms subsidies to reduce costs (1 mark). Imports can be reduced by tariffs (1 mark) which will increase prices and reduce demand (1 mark). | (4) |

| Question Number | Answer | Mark |
|-----------------|--|------|
| 4(c)(i) | A group of countries which join together (1mark) and have free trade between them (1 mark) | (2) |

| Question Number | | Indicative content |
|-----------------|------|--|
| 4(c)(ii) | | |
| Level | Mark | Descriptor |
| Level 3 | 5 | Must have reasoned conclusion for this level. E.g. It will be beneficial if the country has low costs and can take advantage of free trade to increase its exports. (1 mark) |
| Level 2 | 3-4 | Development of effects up to 3 marks. Must have both benefits and disadvantages for 4 marks. E.g. Membership will increase trade between member countries (1 mark). This will give people variety and choice (1 mark). If the country can't compete with other member countries (1 mark) then its imports might be greater than exports (1 mark). |
| Level 1 | 1-2 | Each effect of joining trading bloc, 1 mark up to 2 marks. |

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