

Examiners' Report
June 2019

IGCSE Economics 4EC1 01

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Introduction

A good awareness of economics was shown by students taking this, the first paper of the new International GCSE specification.

In general, candidates appeared to be prepared well for the topic areas required by paper 1. Where applicable on the new levels-based questions, the ability of the more able candidates was shown through relating their knowledge and understanding to the evidence presented. Those candidates who found such concepts difficult, typically answered questions with a more generic approach.

The levels of response questions required understanding to be developed and applied to the relevant evidence. Although some candidates adopted this approach, there were instances where a more basic understanding was demonstrated, thus limiting the attainment of higher levels.

Question 1 (c)

'What is meant by' questions have two marks and require two parts in the explanation of the term.

No marks are awarded for examples.

With this question, vague answers missing either *able* or *willing* to buy would not have received that mark.

(c) What is meant by the term demand?

(2)

Demand is the ability and the willingness of the consumers to buy a good or service at a given price at a time.



Credit is given for:

- 'ability and willingness...to buy' (1)
- 'at a given price' (1)

2 marks



A 2-mark question will normally need two items of information

Question 1 (d)

There is only one mark available for this question, therefore examiners do not expect candidates to write extensively.

(d) State the formula for social costs.

(1)

social costs = private costs + external costs.



Credit is given for the correct formula.

1 mark



1-mark questions require a short response

Question 1 (e)

'Define' questions are only looking for a definition of the term.

(e) Define the term tertiary sector.

(1)

It is the sector in the economy that
focused on the provision of services



The candidate gives correct reference to the provision of services.

1 mark



Candidates will not receive the mark for providing only an example.

Question 1 (f)

Calculate questions require appropriate units to be used in the answer and so some candidates received only 1 mark for the correct calculation of $\$12\,100 / 2\,000$ but not the second mark if they missed the \$ form \$6.05.

Figure 1 shows the costs of production per month for a firm making 2,000 units.

Quantity	Total fixed costs	Total variable costs
2,000	\$7 340	\$4 760

Figure 1

- (f) Calculate the average cost per unit for the firm when it makes 2,000 units. You are advised to show your working.

(2)

$$\text{Total cost} = 7\,340 + 4\,760 \\ = \$12\,100$$

$$\text{Average cost} = \frac{12\,100}{2\,000}$$

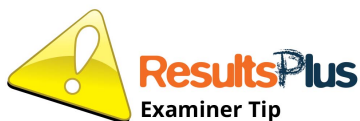
$$= \$6.05 \text{ per unit.}$$



Credit is awarded for \$6.05.

The response also shows the calculation, which could earn one mark if there was an error in the correct answer.

2 marks



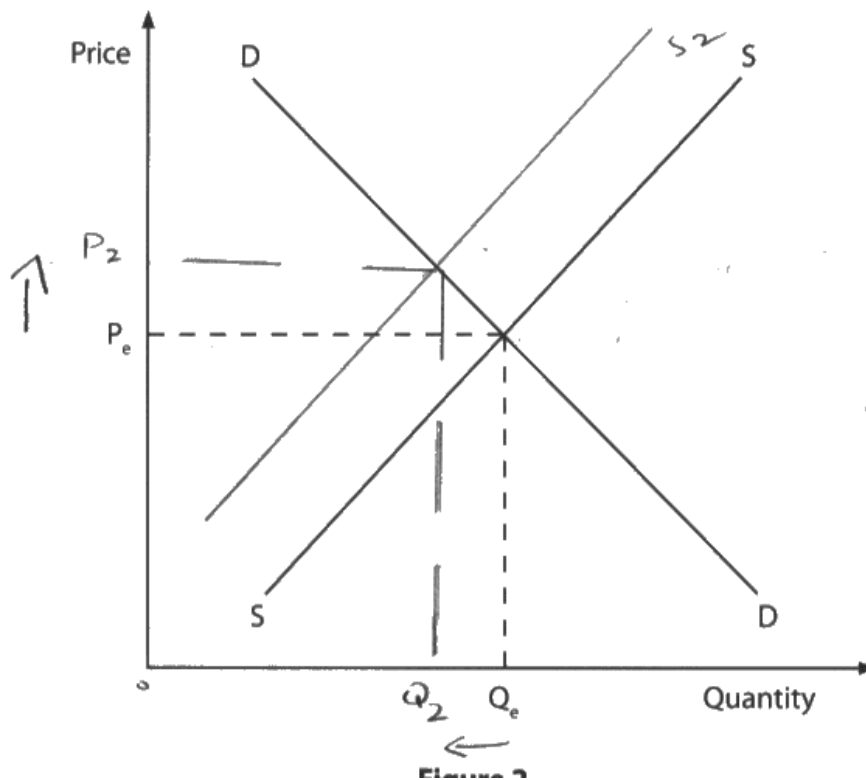
Make sure you **always** use the correct units for 'calculate' questions

Question 1 (g)

On the whole this question was answered well. However, some candidates did not label either the shift or the new equilibrium points and so did not receive full marks.

(g) Using the diagram below, draw the effects on the market for crops after a hurricane destroys farm land. Label the new curve, new equilibrium price and new equilibrium quantity.

(3)



Marks are awarded for:

- A leftward shift in supply, which has been labelled (1)
- The labelled new equilibrium price (1)
- Quantity on the axes (1)

3 marks



You **must** label the new shift and the new equilibrium points to gain marks.

Question 1 (h)

Some candidates did not receive all three marks because they defined 'price elastic', rather than provide a developed explanation in context.

Concert tickets to see the most popular music artists can sell for very high prices.

(h) Explain **one** reason why the demand for these tickets might be price inelastic.

(3)

Because regardless of price there will always be dedicated fans of these artists who will want to see him. Also because they are his fans his music is unique so there are very little if any substitutes.



Full marks are awarded for a developed reason, which is in context.

The music is unique to the fans and therefore there can be little/no substitutes.

3 marks



'Explain' questions require a reason/way/advantage etc, which is in context and developed, for all three marks.

Question 1 (i)

There was some confusion by some candidates who referred to market share, rather than the shares in Inca Kola purchased by Coca Cola. However, those with a better understanding of the topic area were better placed to provide analysis with reasonable developed points.

Introduced in 1935, Inca Kola is a yellow-gold coloured, fizzy, soft drink that is popular all over Peru. By 1995, Inca Kola had grown to become a strong competitor of Coca-Cola. Inca Kola had a 32.9% market share compared to Coca-Cola's 32.0% in Peru.

By 2014, Coca-Cola owned 48.5% of Inca Kola shares.

(Source: adapted from Peru's 'improbable' Inca Kola wins out over Coke by Andres Schipani © Financial Times September 2014)

- (i) With reference to the data above and your knowledge of economics, analyse the possible reasons for Coca-Cola purchasing shares in Inca Kola.

(6)

There are many reasons as to why large firms such as coca-cola decide to do so. It is seen how in a 60 year period Inca Kola grew to become a large competitor of Coca-cola with a 32.9% market share, Coca-cola would have found it difficult to compete with Inca Kola, in terms of both non-price and price competition because Coca-Cola had a lower market share than Inca Kola at 32%. Therefore they would have decided to purchase Inca Kola shares in order to gain insight and control of Inca Kola as shareholders, while also earning dividends. Thus giving Coca-cola both market knowledge and money.

Another reason they would have chose to do so is to partake in the profits that Inca Kola has managed to receive, and thus manage to dominate the market of soft drinks.



This response is awarded Level 3.

There is applied analysis of some issues but points are not very well developed.

5 marks



Candidates should not present a counter argument for 'analyse' questions. There are no marks for doing this and it will result in less time to spend on other questions.

Question 2 (c)

Many candidates were able to calculate correctly the price elasticity of demand and it was pleasing to see the calculation shown to arrive at this answer. However, some candidates did not show the minus sign either in the calculation or the answer.

- (c) Calculate the price elasticity of demand for a product when price increases by 15% and quantity demanded falls by 12%. You are advised to show your working. (2)

$$PED = \frac{\% \Delta Q_d}{\% \Delta P} = \frac{-12}{15} = \underline{-0.8}$$



The correct answer of -0.8 is given.

If the correct answer had not been given, one mark is still available for a correct calculation of -12/15.

2 marks



Do not ignore the minus sign when calculating elasticity

Question 2 (d)

This was very well-answered by many candidates but some wrote a very vague reference to 'an idea' and therefore did not receive the mark.

(d) Define the term innovation.

Innovation is when new products with better features are produced ~~or~~ or introduced. (1)



Reference to new products earns credit.

1 mark



A 1-mark 'define' question does not require examples

Question 2 (e)

There were several possible answers to this question, as per the specification.

It was important to state the 'decrease in incomes' and not just 'incomes', because this alone would not show the direction of the shift in a demand curve.

(e) State **one** factor that will cause a demand curve to shift to the left.

(1)

Decrease in the incomes of citizens.



One mark is awarded for the correct factor.

1 mark



When only one factor is requested, stating two will not result in additional marks.

Question 2 (f)

This question required an advantage and development of the advantage for both marks. Some candidates did not read the question properly and made reference to price in their response.

Beating the congestion in Dhaka

Nearly 17 million people live in Dhaka, the capital of Bangladesh. The majority of people live in the city centre and traffic congestion is a problem. However, there are many auto rickshaws (a small, three-wheeled vehicle, driven by a motorcycle engine) competing in the city centre to take passengers to their destinations. Fares tend to be cheaper in the city centre than they are outside the city centre and are usually agreed between passengers and drivers.

Dhaka has a large number of auto rickshaws competing for fares.

(f) Apart from price, describe **one** advantage for passengers of this competition.

(2)

The autorickshaw drivers may provide their customers with a better quality of service and improving the conditions of the rickshaws to hold their competitive edge in the market. They may also accept to using shortcuts and alternative routes



Both marks are given for:

- an advantage 'better quality of service' (1)
- development of 'competitive edge' (1)

2 marks



Only one advantage/way/factor etc is required for one mark.

The second mark will always be for development of this, and not for a list of advantages etc.

Question 2 (g)

A good range of reasons was provided by candidates for this question, many of them developed. However, a definition was sometimes offered instead of putting the response in context.

(g) With reference to the information given in 'Beating the congestion in Dhaka', explain **one** reason why prices for journeys using an auto rickshaw might be higher outside the city centre. *compensate*

(3)

It is clear that with the 17 million people living in Dhaka there will be a lot of demand and competition for auto-rickshaws, therefore, this competition in Dhaka forces drivers to compete in price competition in order to increase the sales of their service. However outside the city there may not be as much demand due to a population of less density and there may not be many auto rickshaws, and therefore to compensate for differentials due to the smaller demand on the outskirts, auto rickshaw drivers may not engage in price competition and charge high prices.



This response has more than is needed to receive full marks.

Marks are given for:

- a reason – less demand (1)
- context – less dense population (1)
- development – not many auto rickshaws...(1)

3 marks



Avoid repeating the question – there are no marks for doing this

Question 2 (h)

A two-sided argument, which used the evidence, was offered by more able candidates.

However, a number of responses simply repeated the information provided, rather than use it to answer regarding the reduction in the shortage of car parking spaces.

A lack of space in many busy cities means parking is an increasing problem. Japan has developed the first Automated Parking Systems (APS). These are car parks where the cars are automatically stacked. The driver takes the car to the entrance, then technology takes over, placing each car on racks, one above the other. This allows many cars to be parked in a very small area. Not only do they offer a more practical use of space than traditional multi-storey car parks, but they cost less to build. The drivers benefit from cheaper parking fees and they save time.

(Source: adapted from <http://japantravelmate.com/cool-japan/things-see-japans-automated-rotary-parking-systems>)

expensive developed

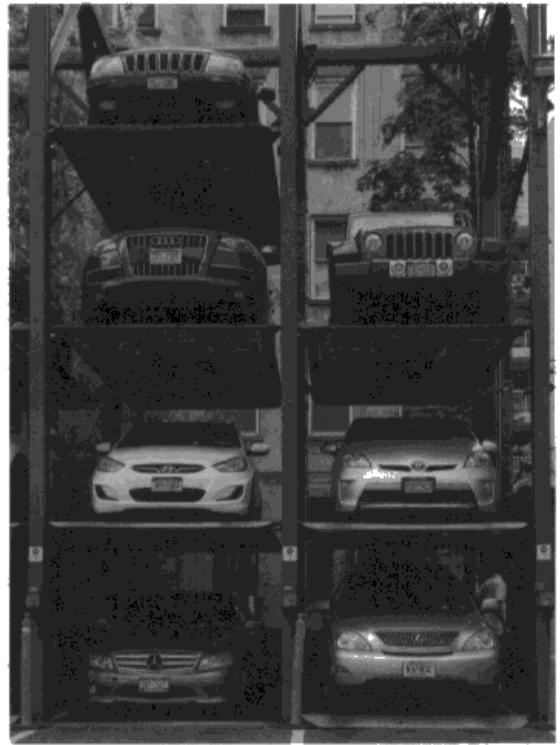
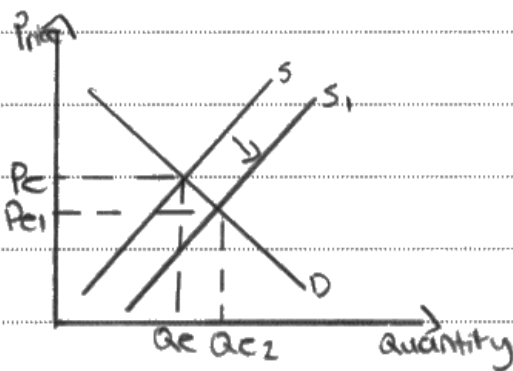


Figure 4

(Source: © pio3/Shutterstock)

- (h) With reference to the data above and your knowledge of economics, assess the extent to which changes in technology may reduce the shortage of car parking spaces in city centres.

(9)



Improvements in technology could play a major role in reducing the shortage of car parking space. It is seen how this development costs less to build as well, and therefore encourages many people to employ this automated parking system. Japan has

developed. This development in technology is likely to increase the supply of car parks due to the decrease costs of building them, and the drivers too benefit from cheaper parking fees, and saves time. Therefore taking a step forward in efficiently reducing the shortage of car park space. ^{as the excess money could be used to purchase land in city centres} Another advantage of a system such as this is that it allows cars to be stacked vertically and in a very small place, this development is particularly important in city centres which have a high population density and a scarcity of space, thus, yet again aiding the quest to reduce the shortage of car park space.

However there may also be a downside to such a system. Japan is a very developed, and technologically inclined country which can afford to use technology to construct such structures. However countries such as Bangladesh and areas in India do not have access to such technology and therefore this technology may only be able to reduce the shortage of car parking spaces in particular city centres within a narrow segment of the globe. Moreover this technology is the first of its kind, and defects may still exist. These defects may not be suitable.

In conclusion changes in technology may reduce the shortage of cars only to a certain extent

(Total for Question 2 = 20 marks)



This response was awarded full marks.

It has a balanced, applied, two-sided argument.

It was not necessary to include a diagram but, in this case, it, and the explanation, added to the analysis.

Level 3

9 marks



Simply copying the extract or re-writing parts of it is not going to lead to high marks!

High level arguments need to use the evidence, rather than repeat it, to present arguments that are applied to the question.

Question 3 (c)

Pleasing numbers of candidates were able to respond appropriately to this question. Clear labels allowed access to all three marks.

- (c) Using the diagram below, draw the effects of a minimum wage (W_1) being set above the equilibrium wage (W_e). Label the new quantity of labour demanded and the new quantity of labour supplied.

(3)

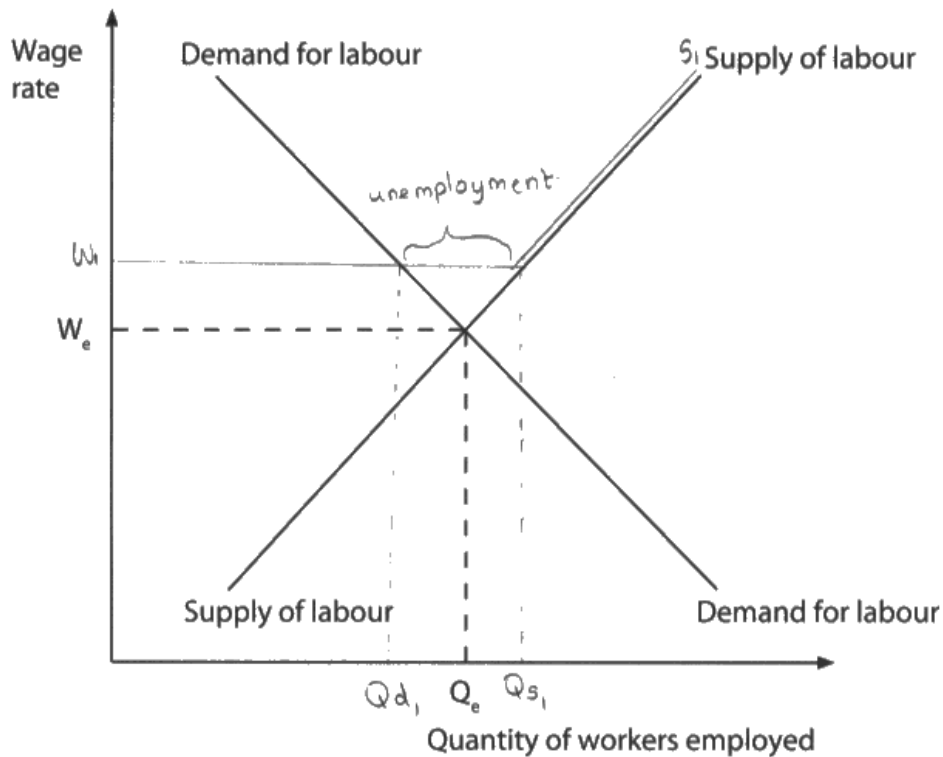


Figure 5

Q_{s_1} = new quantity of labour supplied
 Q_{d_1} = new quantity of labour demanded
 W_1 = minimum wage



Marks were awarded for:

- drawing and labelling the new equilibrium wage (1)
- the new quantity of demand (1)
- the new quantity of supply (1)

3 marks



Always label your diagram. Without it, you may not receive many marks!

Question 3 (d)

The evidence was used well by candidates who achieved level 3 on this question. There was also a good awareness of understanding shown in developed points.

Firms in Canada, the world's second largest country, have been struggling to find the labour needed for specialist positions such as computer engineers and web designers. The 'Global Talent Stream' is a government programme that provides firms with a quick way to hire highly skilled foreign workers. High costs and long time commitments often stop Canadians from training. Although a processing fee is payable for each new employee, firms have welcomed the programme.

(Source: adapted from <http://www.canada.ca/en/employment-socialdevelopment/>)

(d) With reference to the data above and your knowledge of economics, analyse why Canadian firms may have been struggling to hire the labour they need.

(6)

Computer engineers and web designers require a lot of training in coding, which can take a lot of time. Young students may be discouraged by this profession because of how much effort it takes. This results in a decreased number of workers available for this line of work. However, as supply is so low, companies are willing to pay a lot for them, which would mean more people in the future will be available as they are attracted by the high pay.

Furthermore, many workers may have been unsure of the profession to study it, as the IT industry is fairly new and unproven. This results in less people wanting to take the risk of following into the industry.

Next, as the online business becomes more popular, ^{more} less workers are demanded, which may not be met by supply as a limited amount is available and trained at the time.



There are some valid, applied points made in this response.

The counter-argument was ignored.

Although the response starts well, it then becomes descriptive and therefore does not qualify for full marks.

Level 3

5 marks



One-sided arguments only are needed for 'analyse' questions.

Focus on developing applied points to present a strong analysis of the situation.

Question 3 (e)

Top level responses provided a balanced evaluation of alternative ways to increase productivity and/or of why education and training may not be effective.

Productivity is a measure of how efficiently goods and services are produced and is the single most important determinant of a country's per capita income. Canada's labour productivity growth has been lower than that of other leading economies for many decades, reducing its international competitiveness. Since 2011 however, Canada's labour productivity has greatly improved and it is now the 3rd most productive of the 16 leading economies.

- train education institutions
the big government cost
- (e) With reference to the data above and your knowledge of economics, assess the extent to which an increase in education and training is the best way to increase productivity.

(9)

By an increase in training, workers are able to get more skilled in their jobs and hence work more efficiently and make less mistakes when working, since they have been trained to do their jobs. This is a very important method in increasing Canada's productivity as Canada's labour productivity has greatly improved and it is now the 3rd most productive economy as mentioned in the extract. Therefore training plays an important extent in increasing the productivity of Canada.

However, training of workers in Capital Intensive firms will be of no use as it would be better to invest in high techology machinery, as a firm used more Capital the labour. Thus training an increase in training of workers in a capital intensive product or company will not improve productivity significantly.

An increase in education will also help improve productivity. This is because people will gain more knowledge and hence be able to work more complex jobs and perform complex calculations as they are more educated it how to carry out the complex job. Thus an increase in education will increase productivity.

However, when increasing education, there is a long time lag when expecting improvements in productivity. (Total for Question 3 = 20 marks)

This is because it takes time to educate workers and hence by increasing education more people will be stuck at school for longer. This can be seen in the extract as it mentions that Canada's ^{productivity} has only greatly improved after decades. This states that it took a long time to increase the productivity of Canada due to education.



High marks are awarded for this response.

It presents an applied, two-sided argument but the evaluation is not balanced.

8 marks



'Assess' questions require a balanced, two-sided argument, which is applied.

There is no requirement for a conclusion or judgement but the argument(s) and counter argument(s) presented should be developed and thorough.

Question 4 (a)

Units, quantity or goods were accepted if written after 30, because these showed understanding but \$, £ or % are not rewarded because they are incorrect.

One mark was available for only a calculation of 50 - 20.

4 Figure 6 shows the quantity of a good supplied and demanded at different price levels.

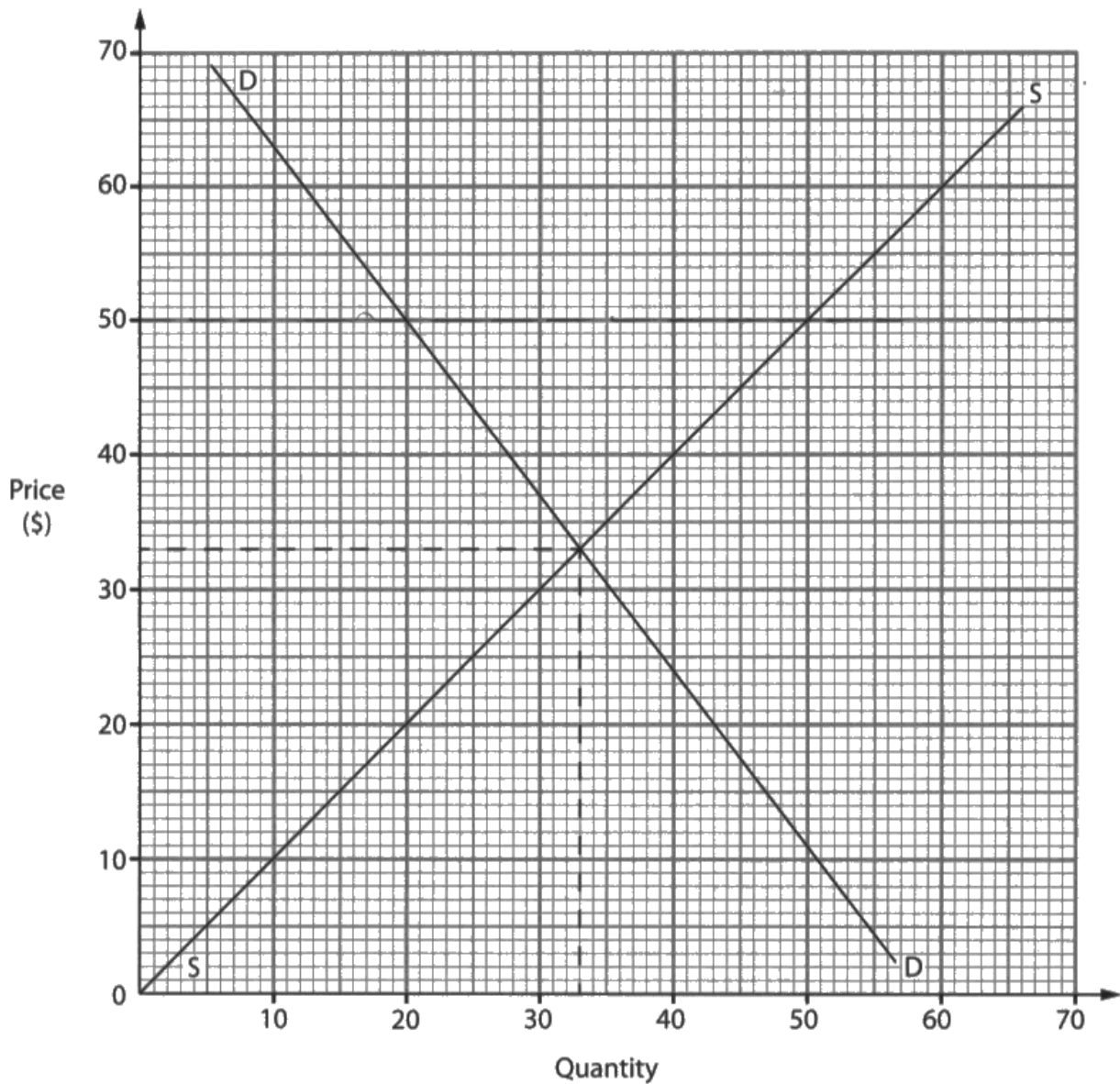


Figure 6

(a) Using the information in Figure 6, calculate the excess supply of goods in the market at a price of \$50. You are advised to show your working.

(2)

$$\begin{array}{c} S \quad D \\ 50 - 20 = 30 \end{array}$$



Marks are awarded for a correct answer of the excess supply = 30.

2 marks



It is recommended that you **always** show your working in a 'calculate' question

Question 4 (b)

Knowledge and understanding of collusion was sometimes lacking in responses but many candidates were able to present information with some analysis of the issues.

Competition and Markets Authority warns online sellers about collusion

The Competition and Markets Authority (CMA) is a UK government department that aims to increase competition. It has reminded online sellers of electrical equipment that collusion is illegal and can result in serious penalties. The CMA stated that buying electrical equipment online, such as laptops and games consoles, means consumers can search a wide range of deals from many different sellers. However, it also stated that collusion is a threat.

(Source: adapted from © Crown Copyright)

- (b) With reference to the data above and your knowledge of economics, analyse why collusion may be a disadvantage for online consumers buying electrical equipment.

(6)

The market existing for electrical equipment online is an oligopoly. A collusion is when firms in the oligopoly agree to reduce competition.

If collusion takes place - the person buying the electrical equipment will be charged a high price. This is because all firms producing the good are not being competitive and the consumer does not have another cheaper alternative or substitute.

Furthermore, the consumer will experience a decreased choice or variety of goods as well as a decrease in the quality. This is because the firms do not need to be more efficient or innovative as the pressure of competition is decreased. Therefore, they do not need to hold onto their competitive edge in the market and the quality decreases.

There will also be a lack of product differentiation in the online market for electrical equipment.



This response is a good match to the Level 3 descriptor:

- clear knowledge
- appropriate application of economic terms
- excellent selectivity and interpretation of economic information
- a thorough analysis of the issues

It receives full marks.

Level 3

6 marks



Focus on developing each applied chain of reasoning, rather than listing several separate points

Question 4 (c)

Very good use of the evidence was presented by candidates attaining level 3 but this was in conjunction with balanced, two-sided arguments. Some candidates simply repeated the evidence rather than using it, this reduced their ability to reach higher levels.

Figure 7 shows the market share of supermarkets in the Netherlands in 2017.

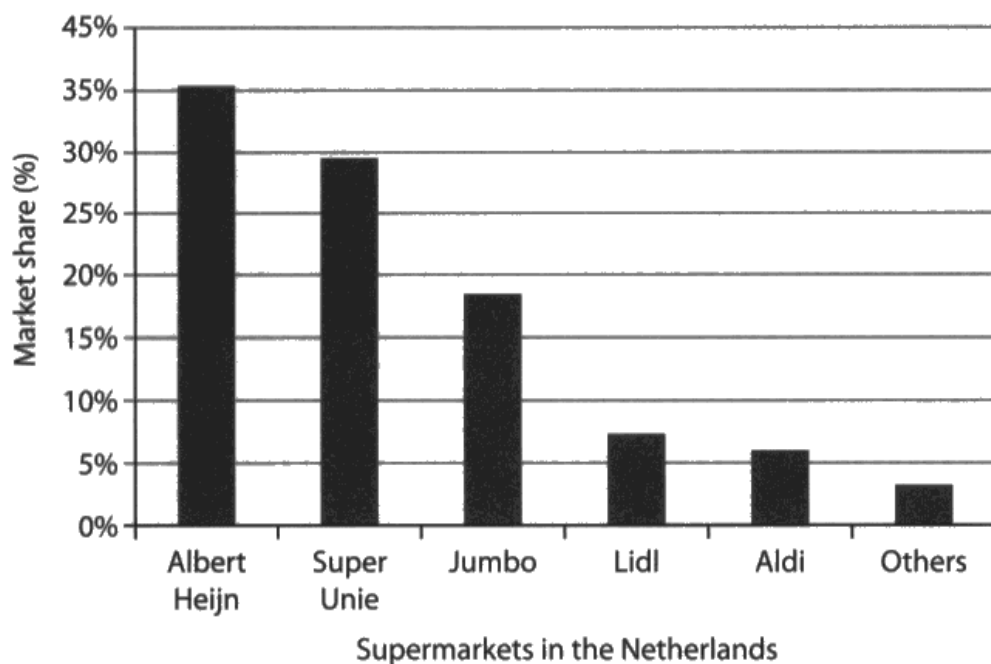


Figure 7

- (c) With reference to the data above and your knowledge of economics, evaluate how firms might be influenced by competing in an oligopoly, such as supermarkets in the Netherlands.

In Netherlands, six large supermarkets occupy the majority of the markets. (12)

Oligopoly is when a few large firms dominate the market.

In an oligopoly, there are more non-price competitions ~~between~~ where different supermarkets try to provide better services and shopping experiences to attract customers and compete with rivals.

They will try to improve the quality of goods that they provide, such as fresher fruits and wider range of choice. They are afraid of price war, where one supermarket starts to cut the price causing others to do the same so the price get lower and lower and the firms cannot make good profits.

The products they sell are close substitutes to

each other, such as food and clothes but they will try to differentiate their product by advertising and innovating so as to attract demand. The barrier to entry is ~~not~~ relatively high because the big supermarkets ~~can~~ ~~do~~ make a lot of advertisements and to enhance brand loyalty. But some small supermarkets might survive by serving niche markets such as for different demographic groups like Korean supermarket. ~~As~~ ^{though} oligopoly, firms have no control over price, ~~they~~ ~~usually~~ ~~provide~~ ~~better~~ ~~services~~ they should be able to exploit economies of scale because they are all quite large. They can have enjoy ~~cost~~ benefits such as bulk buying and risk-bearing or managerial and financial economies. They might be tempted to collude and agree on pricing or output level to gain a better profit but one discovered they will be ~~penalised~~ ~~for~~ as cartel is illegal, ~~in~~ in most countries. Firms will attempt to ~~take over~~ each other or merge to reduce competition but this is controlled and monitored by government watchdog to prevent monopoly. There is also a free flow of information in the market for firms to adjust price level.

In conclusion companies are encouraged to improve quality

of services and goods and the competition level is really high in oligopoly. Consumers are likely to benefit as long as there is no cartel.



This response is another example of a close match to the descriptor table.

It meets the requirements for Level 3, with the exception of having a supported judgement, which is relevant. Therefore, it is not quite at the top of the level.

11 marks



A supported conclusion/judgement is needed for 'evaluate' questions

Paper Summary

Based on their performance in this exam, candidates are offered the following advice:

- Be careful to read the whole of the question. Certain requirements were given that were not acted upon by some candidates in this series, e.g. when answers are required 'to two decimal places'
- Candidates need to understand the requirements of the command words in the questions. This will allow them to access marks relating to the four assessment objectives
- Quantitative Skills will be tested throughout the paper. These may be in the form of diagrams/graphs, calculations or using the data in the extracts, to provide the application in the questions
- Application marks will not be awarded simply for repeating evidence in the extracts. The evidence needs to be used in the response
- 'Analyse' questions do not require evaluation but the command words 'assess' and 'evaluate' do require a two-sided argument in order to achieve full marks. The 'evaluate' question also requires a judgement/conclusion
- There may be more answer space provided than needed for responses. This is also indicated on the front cover of the question paper
- The use of relevant evidence is required throughout and this can be from the extracts provided or using examples provided by the candidates themselves. The extracts are there for a reason: please use them
- The descriptor tables for analyse, assess and evaluate questions do not change between questions with the same command word or exam series. Candidates are advised to practice writing responses using these tables

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