



# Mark Scheme (Results)

January 2022

Pearson Edexcel International A

Level in Economics (WEC11)

Unit 1: Markets in action

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## General Marking Guidance

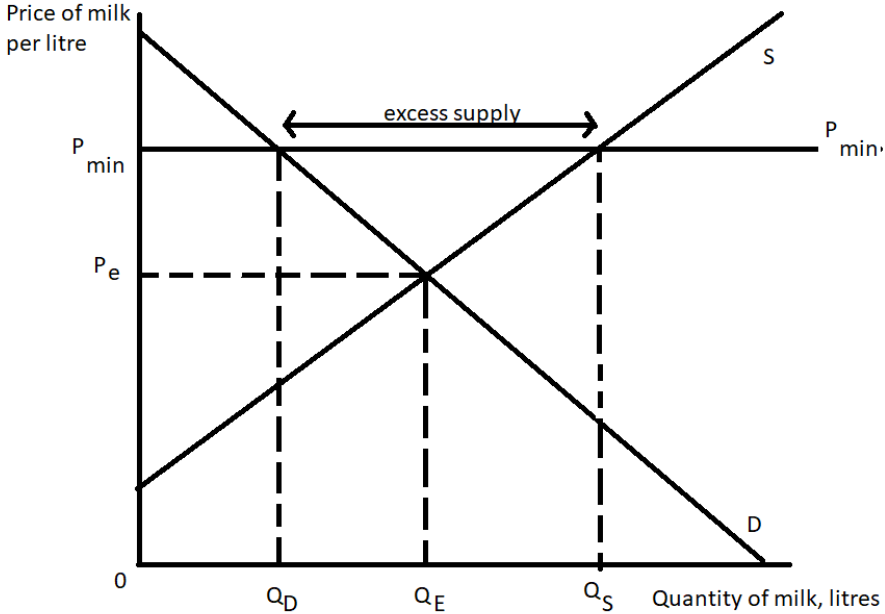
- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should 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.

## Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is A</b>  B is not correct because firms would supply less if the price decrease C is not correct because the price decrease would be caused by lower demand D is not correct because government intervention is not a function of the price mechanism	(1)
2		<b>The only correct answer is C</b>  A is not correct because increased boredom is a disadvantage B is not correct because costs to make each garment are likely to decrease D is not correct because less time will be required for training as they focus on fewer parts of the production process	(1)
3	QS8: Make calculations of elasticity and interpret the result QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is C</b>  A is not correct because Caribbean holidays are a luxury/normal good B is not correct because healthcare does not have an income elasticity of demand value above +1 D is not correct because there is no data on price elasticity of demand	(1)
4	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is D</b>  A is not correct because $Q_1$ is the market equilibrium output B is not correct because $Q_2$ is the social optimum output C is not correct because ABC is the welfare gain	(1)
5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is D</b>  A is not correct because if too few permits were issued the price would be higher B is not correct because if too many permits were issued the price for carbon permits would be falling/lower C is not correct because a decrease in the demand for permits would reduce their price	(1)

<b>6</b>	<b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is B</b> <b>A</b> is not correct because the utility is maximised at four glasses of fruit juice <b>C</b> is not correct because diminishing marginal utility sets in at the fourth glass <b>D</b> is not correct because the consumer experiences maximum utility with the fourth glass	<b>(1)</b>
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## Section B

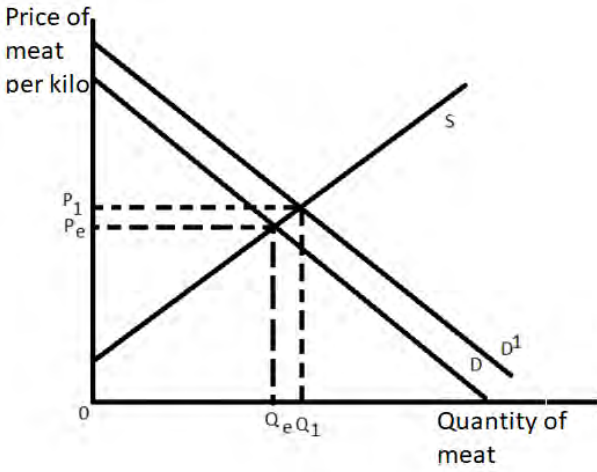
Question	Draw a diagram to illustrate the impact of the introduction of a minimum price for milk in India.	Mark
7	<p><b>Answer</b></p> <p><b>Knowledge 1, Application 3</b> Quantitative skills assessed: <b>QS4:</b> Construct and interpret a range of standard graphical forms <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>1 mark for showing knowledge on diagram</p> <ul style="list-style-type: none"> <li>• Original supply, demand and equilibrium price and quantity (1)</li> </ul> <p><b>Application</b></p> <p>Up to 3 marks for the following information included on diagram:</p> <ul style="list-style-type: none"> <li>• Minimum price set above the market equilibrium (1)</li> <li>• The quantity supplied and quantity demanded with the minimum price in place (1)</li> <li>• Clearly identifying the excess supply (1)</li> </ul>  <p>The prices Rs20 (<math>P/P_e</math>) or Rs30 (<math>P_{min}</math>) are also acceptable</p>	(4)

<b>Question</b>	With reference to Munich's housing market, explain what is meant by a 'market bubble'.	<b>Mark</b>
<b>Answer</b>		
8	<p><b>Knowledge 2, Application 2</b></p> <p>Quantitative skills assessed:</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>2 marks for understanding 'market bubbles'</p> <ul style="list-style-type: none"> <li>• A bubble is created by speculation/consumers buying in the hope of selling at higher price/expectations of further price increases <b>(1)</b></li> <li>• To a level which is overinflated/above expected prices/increase to extreme levels/increasing constantly <b>(1)</b></li> <li>• Price is unsustainable/price is higher than true/real value <b>(1)</b></li> <li>• A market bubble is an examples of a market failure <b>(1)</b></li> </ul> <p><b>Application</b></p> <p>2 marks for applying to Munich's housing market e.g.:</p> <ul style="list-style-type: none"> <li>• Munich has the highest risk of a housing market bubble <b>(1)</b></li> <li>• Between 2010 and 2020 the average price of a house more than doubled <b>(1)</b></li> <li>• House prices may be at risk of falling/the housing price bubble may be at risk of bursting/demand may fall when potential buyers can no longer borrow money/loss of confidence about future price rises <b>(1)</b></li> </ul>	<b>(4)</b>

Question	In the USA the price elasticity of demand for residential natural gas is estimated at -0.1. Explain one reason why the price elasticity of demand for residential natural gas is only -0.1.	Mark
9	<p><b>Answer</b></p> <p><b>Knowledge 1, Application 1, Analysis 2</b></p> <p><b>QS8:</b> Make calculations of elasticity and interpret the result.</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>1 mark for definition/understanding of inelastic demand e.g.:</p> <ul style="list-style-type: none"> <li>• Inelastic demand is where a change in price will result in a smaller percentage/proportionate change in quantity demand</li> <li>• PED value between 0 and -1 <b>(1)</b></li> </ul> <p><b>Application</b></p> <p>1 mark for applying to the stem, e.g.:</p> <ul style="list-style-type: none"> <li>• -0.1 means the PED is inelastic/demand is price inelastic/highly price inelastic/relatively price inelastic <b>(1)</b></li> </ul> <p><b>Analysis</b></p> <p>Up to 2 marks for explaining one reason e.g.:</p> <ul style="list-style-type: none"> <li>• There are few substitutes for natural gas <b>(1)</b> so even when price changes people will continue to demand natural gas <b>(1)</b></li> <li>• Consumers are reliant on the product/see the good as necessary <b>(1)</b> and would find it difficult to reduce consumption <b>(1)</b></li> <li>• Expenditure on natural gas is a small proportion of total expenditure/income <b>(1)</b> so an increase in price will not discourage consumers from buying <b>(1)</b></li> </ul>	<b>(4)</b>



Question	Ceteris paribus, calculate the price elasticity of demand for sugar. Show your workings.  <b>Answer</b>	Mark
10	<p><b>Knowledge 1, Application 3</b> Quantitative skills assessed: <b>QS8:</b> Make calculations of elasticity and interpret the result. <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b> 1 mark for definition/the formula for price elasticity of demand  <math display="block">\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}} \quad (1)</math></p> <p><b>Application</b> Up to 3 marks for calculations:</p> <ul style="list-style-type: none"> <li>• Change in quantity <math>\div</math> original quantity <math>\times</math> 100  <math>-1\,020 \div 172\,620 \times 100 = -0.59\% \quad (1)</math></li> <li>• Change in price <math>\div</math> original price <math>\times</math> 100  <math>3.78 \div 11.28 \times 100 = 33.51\% \quad (1)</math></li> </ul> <p><math display="block">\frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}</math></p> <ul style="list-style-type: none"> <li>• <math>-0.59 \div 33.51 = -0.0176 \quad (1)</math></li> </ul> <p><b>NB: if correct answer (e.g. -0.0176/-0.018/-0.02) is given, award full marks regardless of working.</b> <b>Award three marks if negative sign omitted.</b></p>	(4)

Question	<p>The cross elasticity of demand for meat with respect to fish is estimated to be +0.13 in Bangladesh</p> <p>Explain the likely impact of a 10% increase in the price of fish on the demand for meat in Bangladesh.</p>	Mark
11	<p><b>Answer</b></p> <p><b>Knowledge 1, Application 1, Analysis 2</b></p> <p>Quantitative skills assessed:</p> <p><b>QS8:</b> Make calculations of elasticity and interpret the result.</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <ul style="list-style-type: none"> <li>1 mark for definition or formula of cross elasticity of demand e.g.: Responsiveness of demand for one product to a change in the price of another product</li> </ul> $\frac{\% \text{ change in quantity demanded of good x}}{\% \text{ change in price of good y}} \quad (1)$ <p><b>Application</b></p> <p>1 mark for application to meat and fish</p> <ul style="list-style-type: none"> <li>Meat and fish are substitutes (1)</li> <li>XED between fish and meat is positive (1)</li> </ul>	
	<p><b>Analysis</b></p> <p>Up to 2 marks for calculating the likely impact on demand for meat</p> <ul style="list-style-type: none"> <li>An increase in demand (1) of 1.3% (<math>0.13 \times 10</math>) (1)</li> </ul> <p><b>Or</b></p> <p>Up to 2 marks for using a diagram to show the likely impact on demand for meat</p>  <ul style="list-style-type: none"> <li>For showing increase in demand (1)</li> <li>For showing increase in equilibrium price/quantity (1)</li> </ul>	

**Or**

2 marks for alternative written explanation.

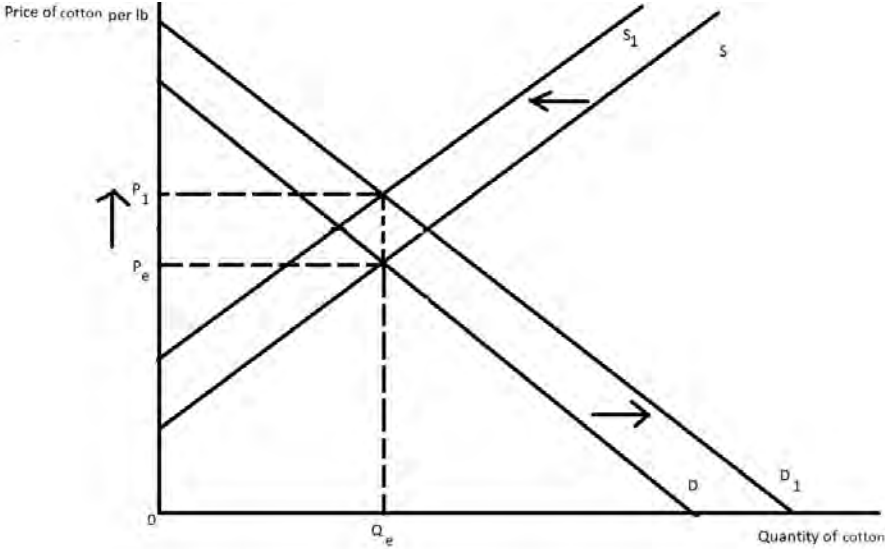
- If the price of fish increases consumers will buy more meat causing the demand for meat to increase **(1)** the percentage increase will be less than 10% as the cross elasticity is inelastic **(1)**
- Not close substitutes **(1)** so the impact so will result in a less than proportionate impact on quantity of meat demanded **(1)**

**(4)**

## Section C

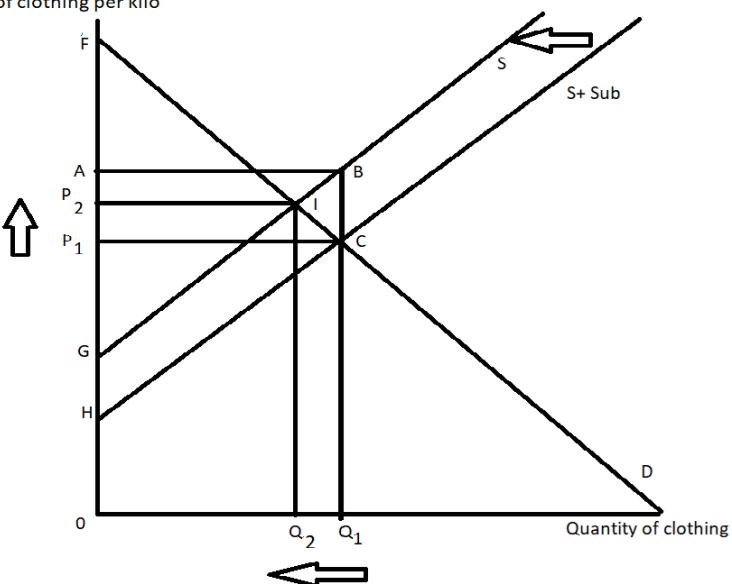
Question	Define the term 'indirect tax' (Extract B, line xx).  <b>Answer</b>	Mark
12 (a)	<p><b>Knowledge 2</b> 1 mark for:</p> <ul style="list-style-type: none"> <li>• Expenditure/sales/consumption tax/tax added to the price of a good (1)</li> </ul> <p>And 1 mark for any 1 of the following:</p> <ul style="list-style-type: none"> <li>• Paid to the government through a third party (1)</li> <li>• Could be ad valorem or specific tax (1)</li> <li>• Increases costs (1)</li> <li>• Decreases supply (1)</li> <li>• Used to discourage consumption (1)</li> <li>• Examples of indirect taxed including VAT/excise duties/customs duties (1)</li> <li>• Ireland plans to introduce an indirect tax on clothing (1)</li> </ul>	<b>(2)</b>

Question	With reference to the <b>titles</b> of Extract A and Extract B, explain the difference between positive statements and normative statements.  <b>Answer</b>	Mark
12 (b)	<p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge 2 Application 2</b> <b>Knowledge</b> 1 mark for definition of positive statements:</p> <ul style="list-style-type: none"> <li>• Based on facts/can be proven with evidence/value free/objective/scientific approach to decision making (1)</li> </ul> <p>1 mark for definition of normative statements:</p> <ul style="list-style-type: none"> <li>• Based on value judgments/not based on facts/cannot be proven with evidence/ subjective/non-scientific approach to decision making (1)</li> </ul> <p><b>Application</b> Up to 2 marks for application:</p> <ul style="list-style-type: none"> <li>• 'World cotton price rises' is a positive statement as the price data/Figure1 can be used to prove prices rose (1)</li> <li>• 'Clothing manufacturers should reduce environmental costs' is a normative statement as indicated by reference to 'should' (1)</li> </ul>	<b>(4)</b>

Question	With reference to Figure 1 and Extract A, analyse <b>two</b> reasons why between 1st April 2020 and 1st January 2021 the world price of cotton increased. Illustrate your answer with a supply and demand diagram.	Mark
12 (c)	<p><b>Answer</b></p> <p><b>Knowledge 2, Application 2, Analysis 2</b></p> <p>Quantitative skills assessed:  <b>QS4:</b> Construct and interpret a range of standard graphical forms  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>Up to 2 marks for the diagram showing:</p> <ul style="list-style-type: none"> <li>• Original supply, demand and equilibrium (1)</li> <li>• Final equilibrium showing higher equilibrium price and change in quantity (1)</li> </ul> <p><b>Analysis</b></p> <p>Up to 1 mark for analysis linked to demand factor e.g.:</p> <ul style="list-style-type: none"> <li>• Increased demand for cotton as more demand for masks/bedsheets/surgical gowns/for healthcare (1)</li> </ul> <p>Up to 1 mark for analysis linked to supply factor e.g.:</p> <ul style="list-style-type: none"> <li>• Pakistan crop decreased/decrease in amount of cotton produced/high temperatures in Pakistan (1)</li> </ul> <p><b>Application</b></p> <p>1 mark for application to Figure 1</p> <ul style="list-style-type: none"> <li>• Price increased from \$0.54 per lb to \$0.80 per lb between 1 April 2020 and 1 January 2021</li> </ul> <p>Up to 2 marks for diagram:</p> <ul style="list-style-type: none"> <li>• Rightwards shift in demand (1)</li> <li>• Leftwards shift in supply (1)</li> </ul> 	
	NB: Quantity may rise or fall dependent on size of shifts in S and D	(6)

Question	With reference to Extract B, examine <b>two</b> external costs associated with the production of clothing.	Mark
<b>12(d)</b>	<p><b>Answer</b></p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <p><b>Application, Knowledge and Analysis</b></p> <p>Up to 2 marks for reference to Extract B and up to 2 marks for identifying two effects and up to 2 marks for linked explanations , e.g.:</p> <ul style="list-style-type: none"> <li>• Definition of ‘external costs’ – negative impacts on third parties outside a transaction <b>(1K)</b></li> <li>• Jeans use 3 781 litres of water <b>(1Ap)</b> leaving less for drinking water <b>(1K)</b> which may push up prices of drinking water <b>(1An)</b></li> <li>• Jeans produce 33.4kg of carbon emissions <b>(1Ap)</b> which are greenhouse gases contributing to global warming <b>(1K)</b> which may cause rising sea levels/flooding <b>(1An)</b></li> <li>• Globally clothing manufacturing uses 93 billion cubic metres of water <b>(1Ap)</b> leaving less clean water for water companies <b>(1K)</b> which may mean more needs spending on water treatment <b>(1An)</b></li> <li>• Clothes dyeing produces 20% of waste-water <b>(1Ap)</b> which may need cleaning by water companies <b>(1K)</b> adding to their costs which are passed on as higher prices to consumers <b>(1An)</b></li> <li>• Burning clothing <b>(1Ap)</b> causes air pollution which may cause breathing difficulties <b>(1K)</b> and costs to health services <b>(1An)</b></li> <li>• Clothing manufacturers produce 10% of annual global carbon emissions <b>(1Ap)</b> which contribute to global warming <b>(1K)</b> which may make it difficult to farm certain crops as the weather is no longer ideal <b>(1An)</b></li> </ul> <p><b>1 A mark for a correctly drawn external costs of production diagram</b></p> <p><b>Evaluation</b></p> <p>Up to 2 marks for evaluative comments, e.g.:</p> <ul style="list-style-type: none"> <li>• Magnitude of costs- 93 billion cubic metres is a significant number <b>(1+1)</b></li> <li>• Measurement – it is hard to measure the size of external costs- e.g. the value placed on clean air/water <b>(1+1)</b></li> <li>• Manufacturing countries will experience higher levels of external costs <b>(1+1)</b></li> <li>• May be substantial external benefits- employs 75 million people who spend money where they live boosting the economy <b>(1+1)</b></li> </ul>	<b>(8)</b>

<b>Question</b>	<p>With reference to Extract C, discuss the impact of the removal of the subsidy paid to Indian clothing manufacturers on consumers and manufacturers. Illustrate your answer with an appropriate diagram.</p> <p><b>Indicative content</b></p>
<b>12(e)</b>	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.</p> <p>The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Quantitative skills assessed</b></p> <p><b>QS4:</b> Construct and interpret a range of standard graphical forms</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge, Application and Analysis (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Subsidy- cash grant paid to encourage production</li> <li>• Removal of subsidy- increases costs of production</li> <li>• Decreases supply <math>S+Sub</math> to <math>S</math></li> <li>• Increases price <math>P_1</math> to <math>P_2</math></li> <li>• Decreases quantity <math>Q_1</math> to <math>Q_2</math></li> <li>• Reduced government spending <math>ABCP_1</math></li> <li>• Consumer surplus falls from <math>FCP_1</math> to <math>FIP_2</math></li> <li>• Producer surplus falls from <math>CHP_1</math> to <math>GIP_2</math></li> <li>• A risk to the 35 million who work in clothing manufacturing in India</li> <li>• Unemployment in the Indian clothing industry</li> <li>• Clothing exports from India may fall from their current level of 12% of total exports</li> <li>• US and Turkish clothing manufacturers will be able to better compete with Indian clothing manufacturers</li> <li>• After being protected Indian firms may be uncompetitive</li> <li>• Money saved can be reallocated to health and education</li> </ul> <p>Diagram</p>

	<p>Price of clothing per kilo</p>  <p>Consumers and manufacturers must both be considered to achieve level 3.</p>	
	Mark	Descriptor
	0	No rewardable material
Level 1	1–3	<p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Use of generic material or irrelevant information or inappropriate examples.</p> <p>Descriptive approach, which has no chains of reasoning.</p>
Level 2	4–6	<p>Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to apply knowledge and understanding to some elements of the question.</p> <p>Some evidence and contextual references are evident in the answer.</p> <p>Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.</p>
Level 3	7–8	<p>Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.</p> <p>Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question.</p> <p>Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.</p>
	<p><b>Evaluation (6 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Magnitude- no data on the size of the subsidy being removed</li> <li>• Impact on Indian firms may depend on whether demand is price sensitive- if demand is inelastic then less impact/ depends if Indian clothing is demanded for its quality rather than price competitiveness</li> <li>• Value of PED is important for the impact on consumers</li> <li>• Higher production costs in Turkey and USA may mean firms in India remain price competitive even after removing subsidy</li> <li>• Little impact on consumer surplus in India as many goods are exported</li> </ul>	



		<ul style="list-style-type: none"> <li>• The fact 35 million people are employed in clothing suggests many Indian firms will perform well without the subsidy</li> <li>• Time lag- short run and long run impacts after subsidies removed</li> <li>• Reduced government spending will enable reduction in taxation/government spending elsewhere</li> </ul>
Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

## Section D

<b>Question</b>	Evaluate the possible benefits of an economy moving closer to being a ‘free market economy’.	
	<b>Indicative content</b>	
<b>13</b>	<p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.</p> <p>The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Knowledge, application and analysis (12 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Definition of free market economy- resources are allocated by the price mechanism with little/no government intervention</li> <li>• Mixed economy- where resources are allocated by the price mechanism and government</li> <li>• Ireland is a mixed economy with government spending 35.9% of GDP in 2007 and 25.1% in 2019</li> <li>• Reduced by 10.8 percentage points over 12 years</li> <li>• Movement towards more free market- more resources are allocated by price mechanism and less by the government</li> </ul> <p>Benefits of a free market economy</p> <ul style="list-style-type: none"> <li>• Resources are allocated efficiently to where expected profit is highest</li> <li>• Competition between firms creates better products for consumers</li> <li>• The profit motive encourages firms to spend money to create better products</li> <li>• Resource allocation is determined by the pattern of consumer demand rather than by the government</li> <li>• Competition between firms encourages them to lower prices to keep customers</li> <li>• Reduces risk of government failure as less resources wasted in expensive administration by governments</li> <li>• Incentive to work harder as workers can earn more</li> </ul> <p>Candidates should be rewarded for relevant use of a diagram.</p>	
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
<b>Level 2</b>	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.

<b>Level 3</b>	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
<b>Level 4</b>	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context, using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p><b>Evaluation (8 marks) – indicative content</b></p> <p>Disadvantages of free market economy</p> <ul style="list-style-type: none"> <li>• Can lead to significant inequality</li> <li>• Some firms can become powerful raising prices</li> <li>• Non- provision of public goods</li> <li>• Underprovision of goods with external benefits such as health and education</li> <li>• Overprovision of goods that cause external costs</li> <li>• Instability- e.g. after financial crises/lockdown</li> </ul> <p>Other evaluative comments</p> <ul style="list-style-type: none"> <li>• Magnitude- sizeable reduction in government spending as a proportion of GDP- 10.8 percentage point substantially less government involvement</li> <li>• Ireland is still a mixed economy despite the reduction in the share of government spending</li> <li>• The amount of government spending in Ireland may not have fallen despite the percentage falling if GDP was increasing</li> <li>• 25.1% may mean that the public goods and key public services are still provided</li> <li>• Need data on other factors to determine whether Ireland has benefitted or not by its movement towards free market economy</li> <li>• Just over €1 in every €4 is still government spending so still significant government involvement in the economy</li> </ul>		
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate ways that would encourage and enable consumers to make rational decisions. <b>Indicative content</b>
14	<p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Indicative content guidance</b> Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Knowledge, application and analysis (12 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Define rational decisions- where consumers maximise utility/welfare/satisfaction</li> <li>• Utility- satisfaction achieved by consumers</li> <li>• Banking 50% never moved banks- despite paying AUD1500 more per year</li> <li>• Broadband loyal customers pay 12% more than those that switch in UK</li> </ul> <p>Barriers to rational behaviour and ways that would encourage and enable consumers to make rational decisions</p> <ul style="list-style-type: none"> <li>• The influence of other people’s behaviour (herding) <ul style="list-style-type: none"> <li>○ Ensure banks/electricity/gas/broadband providers explain the best deal available to them</li> <li>○ Hopefully as they switch to better deals will advise other people to switch too</li> </ul> </li> <li>• Habitual behaviour <ul style="list-style-type: none"> <li>○ Provide information on the costs of loyalty e.g. AUD1500/ 12% higher price</li> <li>○ Other providers might offer incentives to switch- bonuses/ cash payment</li> </ul> </li> <li>• Inertia <ul style="list-style-type: none"> <li>○ Regulation and laws ensure banks and electricity/gas/broadband suppliers provide tariff information so that consumers can easily compare tariffs</li> <li>○ Comparison sites then compare deals on different networks and the process happens automatically without any effort from the consumer</li> </ul> </li> <li>• Poor computational skills <ul style="list-style-type: none"> <li>○ Provision of websites- which calculate savings and compare banks/electricity/gas/broadband suppliers deals</li> <li>○ Regulation and laws that insist banks and electricity/gas/broadband suppliers provide information on their best deals and are clear about the tariff they are on</li> </ul> </li> <li>• The need to feel valued <ul style="list-style-type: none"> <li>○ Other providers may provide incentives- bonuses</li> </ul> </li> </ul>

	<p>Other ways to encourage rational behaviour</p> <ul style="list-style-type: none"> <li>• Subsidies provided to comparison sites- lowering their costs and enabling them to provide more support to consumers</li> <li>• Subsidising smaller banks outside big 4 to enable them to advertise to gain more consumers with better deals</li> <li>• The government could introduce a maximum price if it is felt the price is too high- reduces the price but does not necessarily improve rationality.</li> <li>• State provision- e.g. Government provide electricity and gas to prevent consumers from being overcharged</li> <li>• Regulation- to ensure that banks/electricity/gas/broadband providers have rules that make it harder for them to exploit.</li> <li>• Support companies to provide information to help consumers to make rational decisions</li> <li>• Provision of information so people are aware of costs/benefits of switching so better able to make rational decisions</li> </ul> <p>Answers must look at ways to encourage rational behaviour to access Level 2</p>	
Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
<b>Level 2</b>	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
<b>Level 3</b>	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
<b>Level 4</b>	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	<p><b>Evaluation (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Different consumers will be able to save more or less than this amount</li> <li>• Some may save much less and therefore it is rational to stay with the current provider</li> <li>• Automatic switching may not always work and could cost the consumer as they may not be switched to the lowest priced deal</li> </ul>	

		<ul style="list-style-type: none"> <li>• Websites- may be captured by industries paying them incentives to highlight their deals despite them not being the best deal</li> <li>• Other providers may provide incentives- bonuses which add to the costs of the business reducing profitability</li> <li>• Subsidies create an opportunity cost and this might be better spent on improving efficiency of energy generation</li> <li>• A maximum price reduces the price but does not necessarily improve rationality</li> <li>• State provision- costly for the government and without competition they may be less efficient</li> <li>• Regulation- even with these rules consumers may not be able to calculate or have inertia and therefore still not switch</li> <li>• Provision of information may be ignored as people follow others or have inertia</li> <li>• People may in fact be acting rationally- there may be other loyalty schemes, customer service, quality benefits of their loyalty</li> <li>• A lower price is not always the best/rational choice as quality and after sales service need to be considered</li> </ul>
Level	Mark	Descriptor
	0	No rewardable material.
<b>Level 1</b>	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.