



GCE A LEVEL MARKING SCHEME

SUMMER 2019

**A LEVEL
ECONOMICS - COMPONENT 1
A520U10-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2019 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that candidates are writing under examination conditions and credit should be given for what the candidate writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in candidates' answers. This is not intended to be exhaustive and candidates do not have to include all the indicative content to reach the highest level of the mark scheme.

The level-based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Candidates' responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

EDUQAS A LEVEL ECONOMICS

SUMMER 2019 MARK SCHEME

SECTION A

Question	Answer	AO
1	B	AO2
2	B	AO2
3	E	AO1
4	D	AO1
5	D	AO1
6	B	AO1
7	C	AO2
8	E	AO1
9	E	AO2
10	B	AO2
11	C	AO2
12	A	AO2
13	D	AO1
14	C	AO2
15	A	AO2
16	A	AO2
17	E	AO2
18	D	AO2
19	A	AO2
20	B	AO2

SECTION B

Q21	Discuss whether this firm should continue to operate. (Adapt the diagram to support your answer.) [6]
<p>AO1: 2 marks</p> <p>Award 2 marks for correct adaption of the diagram, showing how the profit maximising price will contribute to FC and allow production in the SR but, because $AC > AR$, firm will shut down in the LR.</p> <p>Award 1 mark for partial adaptation or where there are minor errors.</p> <p>AO3: 2 marks</p> <p>Award 2 marks for clear analysis that production can continue in the short run but not in the long run.</p> <p>Award 1 mark for limited analysis, possibly showing slight confusion.</p> <p>AO4: 2 marks</p> <p>Award 2 marks for good evaluation, clearly stating the difference between the short run and the long run.</p> <p>Award 1 mark for limited evaluation, with points lacking in depth or undeveloped.</p> <p>Indicative content:</p> <p>Firm may use marketing strategies to boost demand. Firm may become more efficient and cut costs. External conditions may change (rising demand). Depends on the firm's cash reserves. Other firms leave the market.</p> <p>Candidate explains that in the short run it will continue to produce because $Price > AVC$ (above the shutdown point). Some contribution is being made to fixed costs.</p> <p>Adaption of the diagram to support the explanation that losses are lower if production continues.</p> <p>BUT</p> <p>Production cannot continue in the long run because AC does not equal AR and normal profits will not be earned.</p> <p>In monopolistic competition, firms will leave the market, so this firm will make normal profit in the long run and may therefore remain.</p>	

Q22	With reference to Figures 1 and 2, explain the process by which QE and share prices are related. [6]
	<p>AO1: 2 marks</p> <p>Award 2 marks for a good understanding of QE, showing an awareness of what this means and how it might be carried out.</p> <p>Award 1 mark for a limited understanding of QE, showing some awareness of how QE is carried out.</p> <p>AO2: 2 marks</p> <p>Award 2 marks for good application. The two graphs have been used thoughtfully and form a central part of the answer. Specific data reference is needed.</p> <p>Award 1 mark for limited application with limited reference in the answer.</p> <p>AO3: 2 marks</p> <p>Award 2 marks for good analysis of how increased use of QE has increased share prices/stock markets.</p> <p>Award 1 mark for limited analysis of the link between QE and share prices/stock markets.</p> <p>Indicative content:</p> <p>Explanation of how QE will increase liquidity and boost the demand for assets such as shares raising their price.</p> <p>If the central bank buys bonds, this results in an increase in bank deposits, giving the former bond holders the means to buy shares, boosting their demand and price.</p> <p>Central bank purchases of bonds raise bond prices but reduce yields, therefore, giving financial investors an incentive to transfer wealth to other assets such as property and shares, therefore causing the prices of these other assets to rise.</p> <p>Data: As QE has increased the share prices – direct reference to the data especially 2009-2016.</p>

Q23	<p>Suppose the price elasticity of demand for UK car exports to the Eurozone is -0.5 and that the exchange rate is £1=1.5 euros. A UK based car manufacturer exports 300 000 cars per year to the Eurozone at an average price of £15 000.</p> <p>If the exchange rate depreciates to £1=1.1 euros, calculate:</p>
(a) (i)	<p>the expected new level of demand for UK cars in the eurozone following the change in the exchange rate. [2]</p> <p>AO1</p> <p>Award 1 mark for understanding the correct method for calculating the new level of demand.</p> <p>AO2</p> <p>Old price = 22 500 Euros New price = 16 500 Euros</p> <p>% Change in price = $\frac{6000}{22\ 500} = -26.66\%$</p> <p>% Change in demand = $-26.66 \times -0.5 = 13.33\%$</p> <p>New level of demand = 340 000</p>
(ii)	<p>the expected new level of revenue in pounds (£) for the manufacturer, assuming that the new level of demand can be met. [2]</p> <p>AO1</p> <p>Award 1 mark for an understanding of total revenue.</p> <p>AO2</p> <p>Award 1 mark for the correct calculation of the new level of revenue.</p> <p>£15 000 x 340 000 = £5.1 bn</p> <p>OFR applies if incorrect new level of demand is calculated for 23 (a) (i).</p>

Q23 (b)	To what extent might a depreciation of the pound against the euro lead to an improvement in the UK current account of the balance of payments? [8]	
Band	AO3	AO4
	4 marks	4 marks
2	<p>3-4 marks</p> <p>Good analysis.</p> <p>Strong line of argument showing that there is a clear link between a fall in the value of the pound and an improvement in the current account.</p>	<p>3-4 marks</p> <p>Good evaluation.</p> <p>Strong counterargument demonstrating clearly why a fall in the value of the pound might fail to improve the current account.</p>
1	<p>1-2 marks</p> <p>Limited analysis.</p> <p>There is a chain of reasoning, but it is less convincing in its attempt to link a fall in the value of the pound to an improvement in the current account of the balance of payments.</p>	<p>1-2 marks</p> <p>Limited evaluation.</p> <p>Counterarguments are present but are not well developed.</p>
0	<p>0 marks</p> <p>No valid analysis.</p>	<p>0 marks</p> <p>No valid evaluation.</p>

Indicative content:

A fall in the value of the pound will decrease the price of exports and increase the price of imports. Increased export demand and decreased import demand will improve the current account because the value of exports should rise and value of imports should fall.

BUT

Lower export prices may not increase demand (eurozone in recession).

Cars are sold on the basis of quality, design, performance, reliability, etc as well as price.

UK sells to other economies as well as the eurozone and the pound may not have fallen against these currencies.

Effect on current account will depend on PED for UK's exports and PED for imports into UK. (Marshall-Lerner).

Time factor also relevant – the J curve effect suggests that depreciations best improve the current account in the long run.

Q24	Using the data, assess the extent to which first-time buyers are likely to benefit from the removal of stamp duty on properties up to the value of £300 000.			[6]
Band	AO2	AO3	AO4	
	2 marks	2 marks	2 marks	
2	<p>2 marks Good application.</p> <p>The data is used effectively to support the argument in the analysis.</p> <p>The data is well used to support a point/points in the analysis and/or evaluation.</p>	<p>2 marks Good analysis.</p> <p>Strong line(s) of argument, showing that there is clear evidence that first-time buyers will benefit from the cut in Stamp Duty.</p>	<p>2 marks Good evaluation.</p> <p>Strong counterargument, demonstrating clearly that the cut in Stamp Duty may not benefit first-time buyers.</p> <p>A clear chain of argument is present.</p>	
1	<p>1 mark Limited application.</p> <p>The data is used but its use is underdeveloped, perhaps taking the form of occasional references rather than forming strong supporting evidence.</p>	<p>1 mark Limited analysis.</p> <p>There is a chain of reasoning, but it is less convincing in its attempt to prove that the cut in Stamp Duty will benefit first-time buyers.</p>	<p>1 mark Limited evaluation.</p> <p>Counterarguments are present, but none of them are well-developed.</p>	
0	<p>0 marks No valid application.</p>	<p>0 marks No valid analysis.</p>	<p>0 marks No valid evaluation.</p>	

Indicative content:

AO3

- A cut in stamp duty will make house purchase cheaper and enable those buying their first homes to bid for property rather than rent. This will increase the demand for property, creating more home owners.
- The more expensive the house, the more that first-time buyers will benefit, allowing more to be spent on furniture, etc.
- First-time buyers often have limited incomes and therefore the saving may be very important.
- Likely to be easier for first-time buyers to get a mortgage because there will be more money left over for a deposit.

AO4

- Those wishing to move up the housing ladder still have to pay Stamp Duty and this makes it more difficult for them to vacate properties for first-time buyers.
- Saving enough for a deposit is a bigger barrier to buying a property as well as the ability to repay a mortgage.
- Removal of Stamp Duty on lower priced houses may also stimulate property developers to buy up low-priced properties – this may therefore create a shortage of property for genuine first-time private buyers?
- The cut in Stamp Duty will increase demand, pushing up prices, therefore meaning no benefits for first-time buyers.
- The Stamp Duty cut is really minimal compared with the price of a house.
- First-time buyers still have to pay conveyancing and legal fees.
- Total stock of housing remains the same, so therefore it's a zero-sum game.
- Benefits richer first-time buyers more.
- No impact on low-price houses, so makes no difference.
- No impact on houses over £400,000 (but not clear how many first-time buyers will be in at this pricing point ...)

Q25 (a)	Using the data, compare the UK's productivity performance with that of the other countries over the period shown in the chart. [4]
Band	AO2
	4 marks
2	3-4 marks Good application. The data is used effectively to support the fact that the UK outperforms some other countries at certain times but not at others. Recognition that the data shows productivity growth.
1	1-2 marks Limited application. The data is used but it is underdeveloped and references do not provide strong supporting evidence of the UK's performance.
0	0 marks No valid application.

Indicative content:

2001 to 2008, the UK performs well, data used (e.g. UK productivity rises by 12.35% points, whereas Japan and Canada rise by less; US outperforms everyone rising by 13.8% points).

Post-2008, UK underperforms everyone, data used – productivity is essentially static in the UK, but grows elsewhere, 8% in Canada and Japan, less in the US.

Q25 (b)	To what extent do these productivity figures pose a problem for the UK economy? [6]	
Band	AO3	AO4
	3 marks	3 marks
3	3 marks Excellent analysis. Strong line of argument using economic theory arguing that the data should be seen as a problem for the UK economy.	3 marks Excellent evaluation. Strong counterargument, demonstrating that these trends in the data are not a concern. There is a clear chain of argument and a reasoned judgement.
2	2 marks Good analysis. There is a chain of reasoning to show that the trends are potentially a problem.	2 marks Good evaluation. Counterarguments are present and at least one is developed.
1	1 mark Limited analysis. At least one point has some development in terms of showing that the trends are potentially a problem.	1 mark Limited evaluation. Counterarguments are presented but developed.
0	0 marks No valid analysis.	0 marks No valid evaluation.

Indicative content:

AO3

Poor productivity growth affects:

- Competitiveness – UK unit costs are likely to be higher than competitors, or rising more quickly, which damages ability to compete on global markets.
- Living standards – productivity growth tends to be linked to wage growth or reductions in length of working week, both of which drive up living standards.
- Tax revenue potentially damaged by slower growth overall – explained.
- FDI: also, poor UK labour productivity may reduce FDI and even cause capital flight.

BUT AO4

- Other countries not included in the data.
- Over the period, UK productivity has grown and may well do again.
- UK productivity does not compare badly with the US at the present point.
- Productivity tends to be measured on manufacturing which may not be the key in the UK.
- Productivity figures are not always accurate.
- Low productivity per hour can be compensated for by higher hours worked in terms of overall impact on GDP.
- Only labour productivity is not total factor productivity.
- Data does not say anything about absolute productivity levels, only differences compared to 2010.