



GCE A LEVEL MARKING SCHEME

AUTUMN 2020

**A LEVEL
ECONOMICS - COMPONENT 2
A520U20-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2020 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 learners are writing under examination conditions and credit should be given for what the learner 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 learners' answers. This is not intended to be exhaustive and learners 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. Learner's 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 GCE A LEVEL ECONOMICS - COMPONENT 2

AUTUMN 2020 MARK SCHEME

1. (a) (i)	Define market failure	Total
	<p>AO1: 2 marks Award 2 marks for a definition that has the key elements Award 1 mark for a definition that has some elements</p> <p>Indicative content: Market failure is a situation where a free market will fail to allocate resources in an optimal way (a misallocation of resources – over or under-supply) resulting in a welfare loss.</p>	2

1. (a) (ii)	With reference to Figures 1 and 2 and appropriate economic theory, explain why regulation is likely to be necessary in the fishing industry to prevent market failure. [4]	
Band	AO2	AO3
	2 marks	2 marks
2	<p align="center">2 marks</p> <p>Good application The case is used effectively with direct use of the numbers from the charts</p>	<p align="center">2 marks</p> <p>Good analysis A strong line of argument explaining how regulation is needed to prevent the tragedy of the commons</p>
1	<p align="center">1 mark</p> <p>Limited application Figure 1 and 2 are referenced only superficially</p>	<p align="center">1 mark</p> <p>Limited analysis Weaker development of the tragedy of the commons, meaning that it is less clear why regulation is necessary.</p>
0	<p align="center">0 marks</p> <p>No valid application</p>	<p align="center">0 marks</p> <p>No valid analysis</p>

Indicative content:

AO2

Before the joint action plan was introduced in 2006, fish stocks had fallen from over 250,000 tonnes to just 50,000. Following the plan, stocks have recovered to over 15,000 tonnes. Figure 2 shows that in the absence of regulation, fish stocks are likely to decline to below their sustainable reproduction level.

AO3

The problem with fish is that they are common goods/suffer from the tragedy of the commons. This is because they are diminishable but non-excludable. Therefore in the absence of regulation, there will be nothing to stop the resource (fish) from being over-exploited.

Allow any other valid points

1. (b)	With reference to the data (including Figures 3.1 and 3.2), discuss which market structure best describes the UK fishing industry. [9]		
Band	AO2	AO3	AO4
	4 marks	2 marks	3 marks
3	4 marks Excellent application Figure 3 and the case are used throughout the answer to consider different market structures.		3 marks Excellent evaluation Strong counterarguments are present and well-developed showing why in parts the fishing sector has characteristics of more than one market structure. The answer has a reasoned judgement.
	2-3 marks Good application Data is well used to support one market structure making very good use of either figure 3 or the text.	2 marks Good analysis Developed lines of argument link the fishing industry to features of one market structure.	2 marks Good evaluation Strong counterarguments are present and well-developed showing why in parts the fishing sector has characteristics of more than one market structure.
1	1 mark Limited application Data use is superficial, making only passing reference to figure 3 and the text.	1 mark Limited analysis Under-developed lines of argument link the fishing industry to a market structure.	1 mark Limited evaluation Counter arguments are present, suggesting alternative market structures, but none of them are well-developed.
	0 marks No valid application	0 marks No analysis	0 marks No evaluation

Indicative content:

AO2/AO3

The vast majority of boats are under 10 metres, suggesting that there are therefore a large number of firms – hence this could be some form of monopolistically competitive market. However, the small number of boats over 24 metres has about 80% of the market, suggesting that the market may be more like an oligopoly or some sort of working monopoly. The monopoly argument is further supported by the text, where it is shown that 77% of the English fleet has only 3% of the English fish quotas, with one super-trawler having 94% of the herring quota.

In Scotland 19 trawlers have 65% of the catch and the smallest 80% have 1%, again suggesting a monopolised market.

Some might argue that fish are homogeneous and that firms are price-takers, showing characteristics of perfect competition.

Many firms have zero economic profits – monopolistic competition?

Perfect competition

Many buyers and sellers

Identical products

Low barriers to entry in LR

Perfect knowledge

Hence only normal profits in the LR and horizontal demand curve

Monopolistic competition

Many buyers and sellers

Differentiated products

Low barriers to entry in the Long Run

Imperfect knowledge

Hence only normal profits in the LR and a downward sloping demand curve

Oligopoly

Market dominated by a few large firms

Interdependence and uncertainty

Price stability with occasional price wars

Non-price competition

High concentration ratio

Barriers to entry

Economies of scale

Possibility of collusion

Often dynamically efficient (large super-trawlers?)

Monopoly

Market dominated by a single seller (pure) firm with over 25% market share (working monopoly)

Barriers to entry

Economies of scale

Possibility of engaging in predatory behaviour

May or may not reinvest

AO4

Characteristics of many structures are present – hard to be sure – some very large profitable firms, many small very unprofitable ones.

Has some characteristics of some market structures but not others.

Greater degree of monopoly power in some sectors than others (Atlantic herring)

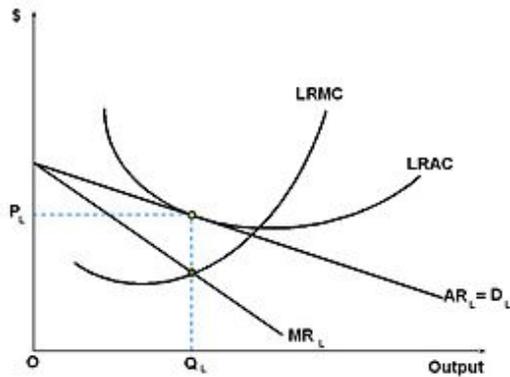
Allow any other valid points

1. (c)	Using diagrams, with reference to the data, explain why small-scale fishing operators have profits close to zero, but large scale operators are highly profitable. [7]		
Band	AO1	AO2	AO3
	3 marks	2 marks	2 marks
3	<p>3 marks Excellent understanding</p> <p>Two strong diagrams show how profits are lower for small-scale producers than larger ones.</p>		
2	<p>2 marks Good understanding</p> <p>Two diagrams show how profits are lower for small-scale producers than larger ones. There are some errors. Or one strong diagram showing how costs are much lower for larger firms and therefore profits are higher.</p>	<p>2 marks Good application</p> <p>The case is used effectively to look at both cost and revenue effects</p>	<p>2 marks Good analysis</p> <p>A strong line of argument explaining how unit costs are higher and market share is lower for smaller firms (or lower and higher for larger firms)</p>
1	<p>1 mark Limited understanding</p> <p>Diagrams are weak with significant errors or only one diagram is present.</p>	<p>1 mark Limited application</p> <p>The case is used superficially, looking either at cost or revenue effects</p>	<p>1 mark Limited analysis</p> <p>Weaker line of argument focusing only on costs or revenue.</p>
0	<p>0 marks No understanding</p>	<p>0 marks No valid application</p>	<p>0 marks No valid analysis</p>

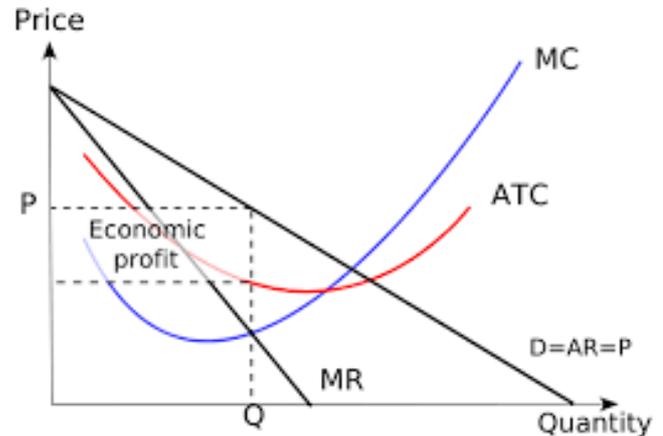
Indicative content:

AO1

Smaller firms:



Larger firms



Some candidates may use one diagram with a lower LRAC for larger firms – this should be credited (see grid)

AO2

UK governments have allowed larger firms to 'eat up' fishing quotas.

This has:

- 1) Restricted total demand for smaller fishermen
- 2) Prevented economies of scale being generated for the smaller players

Each should be developed in the context of boat size (much smaller capacity and length (figure 3) and quota size (77% of English fleet have only 3% of the quotas etc). Or might be used the other way round to show why larger trawlers have more profit.

AO3

Good explanation as to why smaller-scale fishing boats have higher costs and lower revenue and how this leads to lower profits (or that larger firms have lower costs and higher revenues).

Allow any other valid points

1. (d)	With reference to the data, discuss whether it would be beneficial to give more fishing quotas to small-scale fishing operators instead of large-scale fishing operators. [9]		
Band	AO2	AO3	AO4
	3 marks	3 marks	3 marks
3	3 marks Excellent application The case is used throughout the answer on both sides of the debate.	3 marks Excellent analysis Well-developed chains of argument supporting the case looking at how it will benefit smaller firms and their environment.	3 marks Excellent evaluation Strong counterarguments are present in terms of why larger firms are needed. The answer has a reasoned judgement.
	2 marks Good application The case is well used on one side of the argument or superficially used on both.	2 marks Good analysis Developed chains of argument supporting the case looking at how it will benefit smaller firms or their environment. Or both are considered, but the lines of argument are underdeveloped.	2 marks Good evaluation Strong counterarguments are present in terms of why larger firms are needed.
1	1 mark Limited application Data use is superficial, making only passing reference to the text and charts.	1 mark Limited analysis Underdeveloped lines of argument link to the environment or the benefit to smaller firms	1 mark Limited evaluation Counter arguments are present, but none of them are well-developed.
	0 marks No valid application	0 marks No analysis	0 marks No evaluation.

Indicative content:

AO2 (some also embedded below) overlaps with AO3 and AO4.

Large scale operators use more destructive types of fishing

Small scale businesses have operating profits close to zero

Impact on local communities -

Case argues that some concentration is a good thing – can't build processing factories everywhere

Support for local tourism

AO3

Impact on inequality – will help impoverished small scale producers and rural communities to increase their incomes.

Will help to correct government failure

Local communities are entirely dependent on fishing on some cases – if local firms go bust then the whole community will be damaged via regional multiplier effects

Might help to reduce food miles in the case of fish – local restaurants more likely to be able to source from local producers, hence reducing the environmental impacts.

AO4

Loss of economies of scale may lead to higher prices in the long run

Easier to police fishing quotas on a smaller number of larger boats

Prices are rising – therefore no need to act?

Question doesn't suggest **no** large boats, just giving more of the quota to smaller producers.

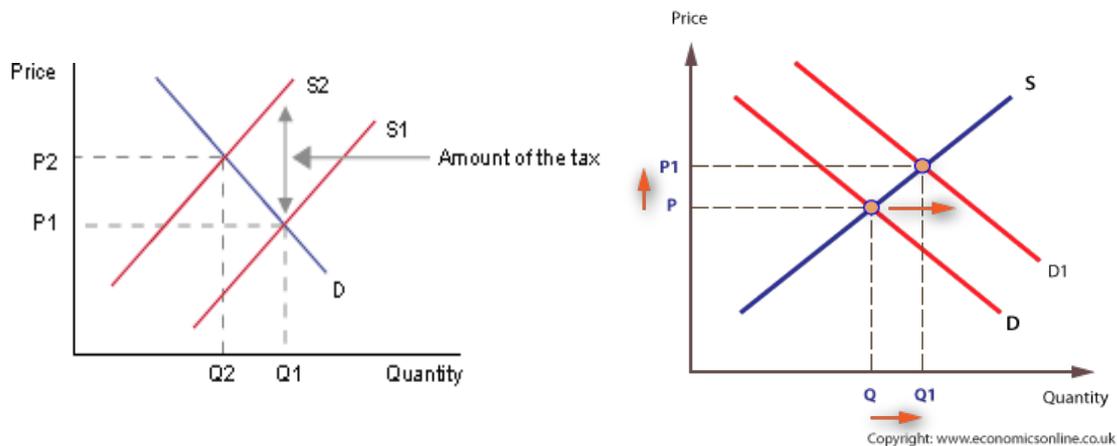
Hence can have the best of both worlds?

Allow any other valid points

1. (e)	Using diagrams, discuss whether the policies that the UK is considering (lines 44 to 46) will be effective in preventing market failure in the plastics industry. [9]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	3 marks
3				<p>3 marks Excellent evaluation</p> <p>Strong arguments and counterarguments are present and the answer comes to a well-justified conclusion as to whether or not market failure will be corrected.</p>
2	<p>2 marks Good understanding</p> <p>Two diagrams are used to show the effect of a tax on non-recyclable plastic and the rising demand for recyclable plastic.</p>	<p>2 marks Good application</p> <p>The context is well used on both sides of the case</p>	<p>2 marks Good analysis</p> <p>Developed chains of argument explain how market failure will be corrected.</p>	<p>2 marks Good evaluation</p> <p>Strong counterarguments explain why market failure will not be corrected</p>
1	<p>1 mark Limited understanding</p> <p>One diagram is used to show the effects or two diagrams with significant errors are used.</p>	<p>1 mark Limited application</p> <p>The context is well used on one side of the case or superficially on both.</p>	<p>1 mark Limited analysis</p> <p>Under-developed lines of argument show how the policies will have an effect but do not link well back to market failure.</p>	<p>1 mark Limited evaluation</p> <p>Counter arguments are present, but none of them are well-developed.</p>
0	<p>0 marks No valid diagrams</p>	<p>0 marks No valid application</p>	<p>0 marks No analysis</p>	<p>0 marks No evaluation.</p>

Indicative content:

AO1



AO2

Charges will drive up the cost to non-recyclable users, creating an incentive to use greener packaging

Funds raised will be used to develop facilities to recycle plastic

This will help to deal with the 350,000 tonne shortfall of recycling capacity and avoid landfill where plastic will take 450 years to decompose

Current plastic recycling rates are very low meaning that supplementary policies such as a bottle deposit scheme may be needed.

8 million tonnes of plastic go into the sea each year – most from other countries

AO3

The tax will internalise the externality and therefore reduce the use of non-recyclable plastic. The funding will increase the demand from recycling centres.

Hence the over-production of non-recyclable plastic will be reduced, more recyclable plastic will be produced and the misallocation of resources should be corrected.

AO4

Hard to calculate the size of the external cost – risk of government failure

350,000 tonnes is a lot – it will take a long time to be able to cope with that backlog.

Plastic can only be recycled if consumers cooperate – may need additional incentives so to do.

Consumer habits may be slow to change

Elasticity may be low, making impact small.

A bigger problem is attitudes to packaging overall – it's not the type of packaging that is the problem so much as the amount.

Plastic is a global issue – the impact that the UK can have will be limited.

Higher government tax revenues.

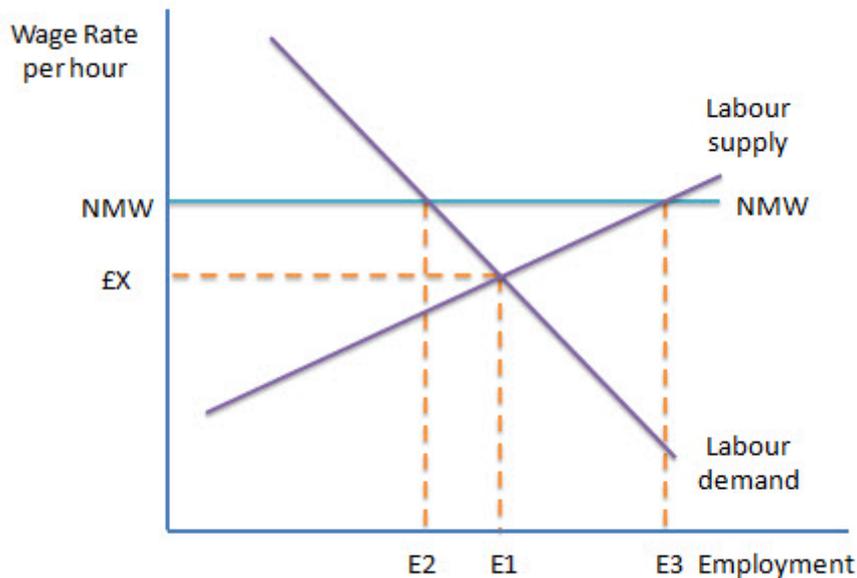
Allow any other valid points

2. (a)	Outline why Turkey's GDP ranking is higher when measured in terms of purchasing power parity.	Total
	<p>AO1: 2 marks</p> <p>Award 2 marks for knowledge and understanding of the difference between nominal GDP and GDP at PPP.</p> <p>Award 1 mark for weak or superficial knowledge and understanding.</p> <p>Indicative content:</p> <p>When making comparisons between countries which use different currencies it is necessary to convert values, such as nominal national income (GDP), to a common currency, such as the dollar.</p> <p>The purchasing power of a currency refers to the quantity of the currency needed to purchase a given unit of a good using a common basket of goods and services and when GDP is measured in this way will produce a different value for GDP.</p> <p>Turkish GDP by PPP is higher because if a basket of goods and services is cheaper in Turkey compared to many other countries this will boost their GDP at PPP compared to a GDP calculated via exchange rates created by market forces.</p>	2

2. (b)	Using a labour market diagram and the data, assess the likely effects of the increases in the Turkish national minimum wage between 2014 and 2018. [9]			
Band	AO1	AO2	AO3	AO4
	2 marks	3 marks	2 marks	2 marks
3		3 marks Excellent application Case is well used on both sides of the argument to support analysis and evaluation.		
2	2 marks Good knowledge and understanding Good understanding of the theoretical impact of a NMW. Accurate labour market diagram showing the effects of imposing a NMW.	2 marks Good application The case is used effectively to support analysis and evaluation.	2 marks Good analysis A strong line(s) of argument showing how increases in the NMW can affect the Turkish economy.	2 marks Good evaluation Strong counter argument A clear chain of argument is present and there is a reasoned judgement.
1	1 mark Limited knowledge and understanding There may be minor gaps in the understanding of the impact of a NMW. Labour market diagram contains some minor errors but is essentially correct.	1 mark Limited application Data use is undeveloped or only occasional references are made rather than forming strong supporting evidence.	1 mark Limited analysis There is a chain of reasoning but is not convincing in its attempt to analyse the effects of a rise in the NMW on the Turkish economy.	1 mark Limited evaluation Counter arguments are present but none of them are well-developed. Evaluation is largely superficial.
0	0 marks No valid understanding The diagram is completely wrong or is not attempted.	0 marks No valid application	0 marks No valid analysis	0 marks No valid evaluation

Indicative content:

AO1



AO2

Data shows some rise in unemployment during part of the period shown. Employment rises over the period shown.

Low participation rate especially among women so the rise in the NMW may help to increase it.

Increased economic growth via higher consumption.

Higher real wages for the lowest paid increasing standards of living and reducing inequality.

Inflation has been rising rapidly and the rising NMW may contribute to it

FDI is falling

AO3 (negative effects)

Diagram suggests that the NMW will cause unemployment.

NMW will increase costs making exports less competitive.

Can cause cost push inflation.

Could further deter FDI as Turkey becomes less competitive

AO4 (counterarguments)

NMW may drive up productivity and increase participation rates.

Stimulates economic growth via higher consumer spending.

Higher living standards for the poor, reduces inequality.

Allow any other valid points

2. (c)	Using the data, discuss the extent to which the Turkish economy might have benefitted from the change in the lira exchange rate over the period shown in Figure 2. [11]		
Band	AO2	AO3	AO4
	4 marks	3 marks	4 marks
3	<p>4 marks Excellent application</p> <p>Data is fully used on both sides of the argument</p>	<p>3 marks Excellent analysis</p> <p>Well-developed lines of argument looking at the theoretically positive impact of a weaker currency on the Turkish economy in terms of output and employment on the one hand and the trade balance on the other.</p>	<p>4 marks Excellent evaluation</p> <p>Clear counter argument demonstrating clearly why the depreciation will not benefit the Turkish economy. A clear chain of argument is present and the answer has a reasoned judgement.</p>
2	<p>2-3 marks Good application</p> <p>Data is well used on one side of the argument or superficially used on both.</p>	<p>2 marks Good analysis</p> <p>Developed line of argument looking at the theoretically positive impact of a weaker currency on the Turkish economy in terms of output and employment on the one hand and the trade balance on the other. One of these may be less developed.</p>	<p>2-3 marks Good evaluation</p> <p>Clear counter argument demonstrating clearly why the depreciation will not benefit the Turkish economy.</p>
1	<p>1 mark Limited application</p> <p>Data use is extremely superficial</p>	<p>1-2 marks Limited analysis</p> <p>There is a chain of reasoning but it is less convincing and covers fewer economic effects.</p>	<p>1 mark Limited evaluation</p> <p>Counter arguments are present but none of them are well developed.</p>
0	<p>0 marks No valid data use</p>	<p>0 marks No analysis</p>	<p>0 marks No valid evaluation</p>

Indicative content:

AO2

Collapse in the currency has been very sharp, meaning that the negative effects may be more dominant in the short term.

Inflation is already on the up (rising from 12% to almost 18%)

FDI flows have been falling – weaker lira may help to offset this – especially if they come into housing.

Turkey has favourable access to the EU – weaker lira could be significant.

Growth estimates have been cut, meaning that the fall in the exchange rate could be quite valuable.

Turkey has a 'huge deficit on the current account of the balance of payments.

AO3

A depreciation of the lira will reduce the price of exports in forex terms and increase the price of imports making Turkey more price competitive.

Increased X and reduced M will improve the trade balance, boost GDP and increase employment (higher exports and import substitution).

May attract FDI because the price of assets in Turkey is cheaper

AO4

Higher inflation – cost push/wage price spiral. Plus possibility of demand pull inflation

Less favourable terms of trade which may reduce living standards of Turkish citizens, offsetting the favourable impacts of the higher minimum wage.

Inelasticity of demand for X and M/Marshall–Lerner/J-Curve may mean that the trade balance either doesn't improve or takes some time to do so.

The fall against the dollar probably isn't the key – it's a question of what's happened against the euro that is more important.

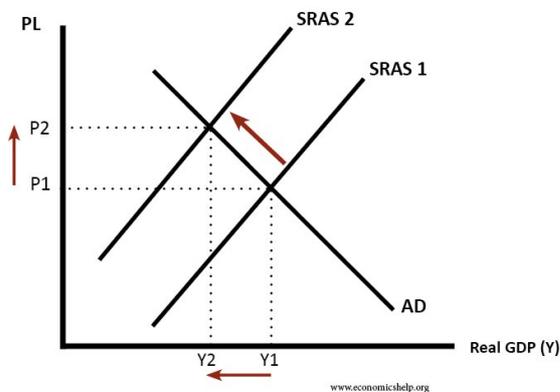
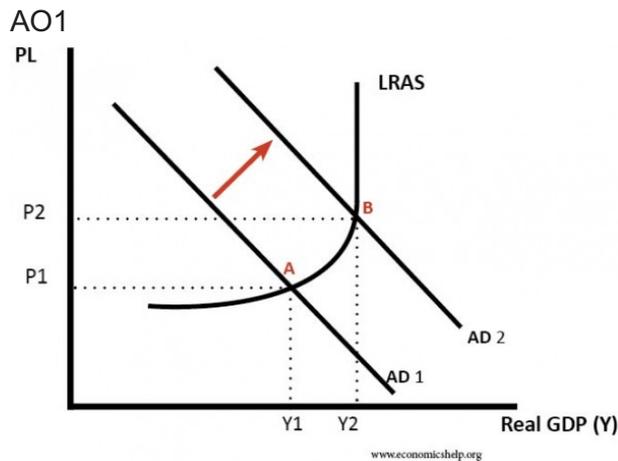
Time lags are highly likely (developed)

Non-price factors affect the sale of exports, meaning that the depreciation may not be too important.

Allow any other valid points

2. (d)	President Erdogan’s view was that high interest rates cause inflation rather than reduce it. Using diagrams, discuss whether high interest rates are more likely to reduce inflation than to increase it. [9]		
Band	AO1	AO3	AO4
	3 marks	3 marks	3 marks
3	3 marks Excellent understanding Two accurate diagrams demonstrating the effect on demand pull and cost push inflation are drawn and well annotated.	3 marks Excellent analysis Strong analysis of how rising interest rates may reduce inflation through both external and domestic channels.	3 marks Excellent evaluation Strong overall judgement of the issue, including a clear counter-argument as to why an increase in interest rates can cause inflation, with a good chain of argument.
	2	2 marks Good understanding Diagrams are generally accurate and are used, but have minor errors or one diagram is completely correct and the other is either absent or incorrect.	2 marks Good analysis Strong analysis of how rising interest rates may reduce inflation through either external or domestic channels
1	1 mark Limited understanding Diagrams have significant errors and do not form part of the answer.	1 mark Limited analysis Analysis lacks depth in terms of why rising interest rates have an impact on AD	1 mark Limited evaluation A counter argument is present but it is not well developed in terms of why rising rates might cause inflation
0	0 marks No valid understanding shown	0 marks No relevant analysis	0 marks No evaluation.

Indicative content:



AO3

A higher interest rate will reduce demand pull inflation because of its effect on consumption, investment and the exchange rate.

Lower consumption and investment will reduce AD and a rise in the exchange rate will decrease net exports, shifting AD to the left reducing demand pull inflationary pressures. This is because businesses find it more difficult to increase prices in a low demand, more competitive environment. Workers may also be more cautious when making pay claims.

The increase in the exchange rate should also put downward pressure on cost-push inflation.

AO4

Higher interest rates may increase business's costs through higher borrowing costs which may be passed on in higher prices to customers causing inflation.

Shift upwards in the SRAS/horizontal section of Keynesian AS curve to the left will cause cost push inflation.

Allow any other valid points.
This answer is reversible.

2. (e)	Using the data, evaluate the possible economic effects on the Turkish economy of Turkey becoming a full member of the European Union. [9]		
Band	AO2	AO3	AO4
	4 marks	2 marks	3 marks
3	4 marks Excellent application The case is used throughout the answer on both sides of the argument.		3 marks Excellent evaluation Strong counterarguments are present and well developed The answer has a reasoned judgement.
	2-3 marks Good application Data is well used on one side of the argument or superficially used on both.	2 marks Good analysis Strong lines of argument showing the effects of EU membership but focusing too heavily on trade creation.	2 marks Good evaluation Strong counterarguments are present and well-developed.
1	1 mark Limited application Data use is extremely superficial	1 mark Limited analysis There is a chain of reasoning but it is less convincing in its attempt to analyse the economic benefits of EU membership. Arguments tend to be under-developed.	1 mark Limited evaluation Counter arguments are present, but none of them are well-developed.
	0 marks No valid application	0 marks No analysis	0 marks No evaluation

Indicative content:

AO2

High inflation may diminish the benefits of unrestricted free trade.

High unemployment may mean large-scale emigration (could be good or bad).

Young workforce with relatively low minimum wage may be attractive for FDI (although this has been falling and the macroeconomic instability may limit these flows)

EU membership with increased trade may help to offset forecasts of lower growth

Unrestricted access to Turkish markets for EU firms may in fact worsen Turkey's already large current account deficit.

Turkey already has some benefits – free movement in agriculture and manufactured goods.

The EU already accounts for 40% of tourism flows into Turkey and 72% of Turkey's FDI – how much more would there really be?

AO3

Full member of the customs union and the single market means some trade creation – unimpaired access to 600m market. Export opportunities for Turkish firms.

Turkey will have the 4 freedoms, same as other EU members (free movement of goods, labour, capital and services)

Access to EU structural funds for areas with a low GDP per head.

Access to CAP funding.

Remittances of Turkish citizens who go to work elsewhere in the EU.

Attraction of FDI.

AO4

Loss of economic sovereignty especially if Turkey joins the Eurozone in the longer run (not that this is currently very likely).

Loss of skilled young workers who leave to work elsewhere in the EU.

Costs of implementing EU regulations.

Some further trade diversion of full customs union membership.

No ability to negotiate its own trade agreements.

Turkey will benefit fully from EU trade deals

May be less attractive after Brexit (or not...)

Allow any other valid points