

UNIT 1: INTRODUCTION TO ECONOMIC PRINCIPLES**MARK 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 learner 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.

Mark scheme

Below are the assessment objectives for this specification. Learners must demonstrate their ability to:

AO1

Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.

AO2

Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.

AO3

Analyse issues within economics, showing an understanding of their impact on economic agents.

AO4

Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

SECTION A

Question	Answer	Assessment Objective
1	D	AO1
2	A	AO2
3	E	AO2
4	A	AO1
5	C	AO2
6	C	AO1
7	E	AO1
8	B	AO2
9	C	AO1
10	B	AO1
11	E	AO1
12	B	AO1
13	C	AO1
14	A	AO2
15	A	AO1

SECTION B

Q.	Mark scheme	Total
16 (a)	<p>The production possibility frontier below shows the possible outputs of Goods X and Y that a country could produce.</p> <p>Calculate the opportunity cost of an increase in the production of Good X:</p> <p>(i) as the economy moves from point A to point B</p> <p>AO2: 1 mark</p> <p>Award 1 mark for 50 units.</p> <p>(ii) as the economy moves from point B to point C</p> <p>AO2: 1 mark</p> <p>Award 1 mark for 150 units.</p> <p>Accept per unit opportunity cost.</p>	2
16 (b)	<p>With reference to the PPF above, explain why the opportunity cost of producing Good X changes as output of Good X increases.</p> <p>AO1: 1 mark</p> <p>Award 1 mark for resources are not perfectly substitutable.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for using the diagram to support the explanation.</p> <p>AO3: 1 mark</p> <p>Award 1 mark for development.</p> <p>As the production of Good X increases, less and less suitable resources have to be used, meaning that increasingly large amounts will be removed from Good Y. Therefore the opportunity cost of producing more X will increase.</p>	3

Q.	Mark scheme	Total
17 (a)	<p>With reference to the data, explain why fast-food items could be classed as 'demerit goods'.</p> <p>AO1: 2 marks</p> <p>Award 2 marks for a full definition and a clear understanding.</p> <p>Award 1 mark for incomplete definition.</p> <p>Definition of "demerit good". Negative externalities (or social costs higher than private costs).</p> <p>AO2: 2 marks</p> <p>Award 2 marks for a full and clear reference to the data.</p> <p>Award 1 mark for limited reference to the data.</p>	4

Q.17 (b)	To what extent can regulation alone be used to correct the market failure associated with the sale of fast-food? [8]	
Band	AO3	AO4
	4 marks	4 marks
2	3-4 marks	3-4 marks
	Learner analyses ways in which regulation can be used to correct market failure. The answer will be fully developed.	Well-reasoned judgements of at least one-side of the argument. The evaluation makes relevant points and qualifying statements to build an argument.
1	1-2 marks	1-2 marks
	Learner does appreciate the role of regulation in preventing market failure but does not offer a fully explained argument. Superficial development.	Limited or brief evaluation. Learner uses generic evaluative statements that are not related to the points they made in their analysis.
0	0 marks	0 marks
	Response not credit worthy or not attempted.	Response not credit worthy or not attempted.

Indicative content:**Argument**

Increased information can reduce asymmetry of information in the market thus reducing demand for the fast-food to the socially optimum level. Banning plastic toys can reduce demand to the socially optimum level.

The best answers will use a diagram to show the misallocation of resources but this is not essential.

Evaluation

Demand for fast-food is price inelastic therefore people will continue to buy it despite increased information and thus regulation is ineffective. Firms may try to circumvent regulation; example provided.

Difficult/costly to enforce. Needs to be backed up by credible punishments; example provided; if it is not, then regulation likely to be ineffective.

Therefore requires another type of solution such as an indirect tax.

GCE AS & A LEVEL ECONOMICS Specimen Assessment Materials 51

Q.	Mark scheme	Total
	<p>In the diagram below, the government decides to impose a minimum wage of £10 an hour.</p>	3
18 (a)	<p>Identify the equilibrium wage level before the imposition of the minimum wage.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct answer.</p> <p>£7.00</p>	
18 (b)	<p>Calculate how many people will lose their jobs as a result of the minimum wage.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct answer.</p> <p>5 million</p>	
18 (c)	<p>Calculate the total earnings of minimum wage earners after the imposition of a £10 per hour minimum wage.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct answer.</p> <p>£150 million</p>	

Q.	Mark scheme	Total
19 (a)	<p>Calculate Japan's percentage increase in GDP for the twenty year period 1990 – 2010.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct answer.</p>	1
19 (b)	<p>Accept calculations with range of 70% -80%</p> <p>Explain one possible reason for the shifting fortunes of China and Japan between 1990-2010 as shown in the diagram.</p> <p>AO1: 1 mark</p> <p>Award 1 mark for the identification of a correct possible reason, such as technology, more capital investment.</p> <p>AO2: 2 marks</p> <p>Award 2 marks for a well-applied reference to the data, including reasons for growth.</p> <p>Award 1 mark for identifying that china has performed better than Japan.</p>	3

Q.19 (c)	To what extent will rapid economic growth, such as that seen in China, create only benefits for an economy? [8]		
Band	AO1	AO3	AO4
	2 marks	2 marks	4 marks
2	<p>Learner has a good understanding of the benefits of growth.</p> <p>At least 2 benefits of growth for an economy are identified.</p>	<p>Learner gives a clear and developed analysis of the benefits of growth.</p>	<p>Learner fully evaluates using economic theory and logic.</p> <p>The evaluation is in context.</p> <p>Makes relevant points and qualifying statements to build an argument.</p>
1	<p>Learner has limited understanding of the benefits of growth.</p> <p>1 benefit identified.</p>	<p>Learner only partially explains why these benefits have arisen from increased growth.</p> <p>Superficial development.</p>	<p>Limited or brief evaluation.</p> <p>The evaluation may be unbalanced or focus on 1 issue.</p> <p>The evaluation is superficial and not in the context of the data.</p>
0	<p>0 marks</p> <p>No benefits of growth identified.</p>	<p>0 marks</p> <p>Response not credit worthy or not attempted.</p>	<p>0 marks</p> <p>Response not credit worthy or not attempted.</p>

Indicative content:

Leads to greater employment; leads to higher standards of living; could lead to greater investment and/or FDI.

Due to an increased derived demand for labour; because of increased incomes due to more employment; because there is a higher tax base, which means there is potential for more spending by the government; there is a bigger consumer market.

Evaluation

Could lead to demand-pull inflation, because increased demand creates upward pressure on the price of resources/goods and service.

Depends where economy is on the AS curve **or** if AS curve is shifting at the same rate. Could lead to uncompetitive prices and therefore a decrease in the trade balance.

Could lead to an increase in pollution levels as a consequence of the increased demand for production of goods and services.

Could lead to greater income inequality if the government is not redistributing income adequately.

Q.20	Using examples from the data above, explain how protectionist policies can help US workers to keep their jobs. [8]		
Band	AO1	AO2	AO3
	2 marks	2 marks	4 marks
2	2 marks Learner has a good understanding of protectionist policies. At least 2 examples clearly identified.	2 marks Clear reference to the data. Relevant content from the data is used to develop and support their argument.	3-4 marks Learner fully analyses using economy theory and logic. The analysis is in context.
1	1 mark Learner has limited understanding of protectionist policies. At least 1 example identified.	1 mark Limited use of the data. Knowledge and understanding may not be applied specifically to the context given in the data.	1-2 marks Limited or brief analysis. The analysis may be unbalanced or focus on 1 issue. The analysis is superficial and not in the context of the data.
0	0 marks No understanding of protectionist policies.	0 marks Response not credit worthy or not attempted.	0 marks Response not credit worthy or not attempted.

Indicative content:

Cheap imports from Japan would lead to reduced demand for cars produced in the US, which could threaten the jobs of American workers which could have a multiplier effect throughout the economy.

The impact of protectionist policies in the context of keeping US jobs, e.g. direct employment in protected industries and indirect employment created by the spending of protected firms and their employees.

Explanation of how quotas reduced the number of Japanese imports into the US and why this leads to increased revenue for US firms/greater job security for US workers plus diagram which is integrated into the answer.

Explanation of how a tariff could increase prices of Japanese imports into the US and why this leads to increased revenue for US firms/greater job security for US workers plus diagram which is integrated into the answer.

Explanation of how US subsidies, e.g. to US cotton farmers, allow US businesses to compete against cheaper imports from lower cost producers, e.g. in Brazil, and so protect US jobs.