Version 1

**General Certificate of Education (A-level)
June 2012**

Economics **ECON1**

(Specification 2140)

Unit 1: Markets and Market Failure

Final

Mark Scheme

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all examiners participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for standardisation each examiner analyses a number of students' scripts: alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, examiners encounter unusual answers which have not been raised they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Advance Subsidiary Economics Unit 1

Section A: Objective Test (ECON1/1)

The following list indicates the correct answers used in marking the candidates' responses.

Key List

1.	B	9.	A	17.	B
2.	C	10.	C	18.	D
3.	D	11.	A	19.	D
4.	C	12.	B	20.	A
5.	A	13.	D	21.	A
6.	D	14.	C	22.	B
7.	D	15.	B	23.	C
8.	C	16.	C	24.	A
				25.	B

Advanced Subsidiary Economics

June 2012   **ECON1/2**

Mark Scheme

Section B: Data Response

General Instructions

Marks awarded to students should be in accordance with the following mark scheme and examiners should be prepared to use the full range of marks available. The mark scheme for most questions is flexible, permitting the student to score full marks in a variety of ways. Where the student's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required for full marks. But conversely, if the student's answer does not deserve credit, then no marks should be given.

Occasionally, a student may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation, **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, you must in the first instance telephone your team leader to discuss how to proceed.

(i)   **An issue based approach.** The mark scheme for questions **01**, **02**, **03**, **05**, **06** and **07** of the data response questions adopts this approach. The mark scheme lists the marks that can be awarded for particular issues (and associated development) that the student might include in the answer.

(ii)   **A levels approach.** This approach is used for marking questions **04** and **08** of the data response questions. The Levels of Response Mark Scheme on the next page identifies five levels representing differences in the quality of work. A range of marks is allocated at each level. First decide the level into which an answer falls. The level chosen should be the one which **best fits** the answer provided by the student. It is **not** intended that the answer should satisfy every statement in the level description. Then think in terms of awarding the mid-point mark which has been identified for that level (eg 13 marks for Level 3). Move up and down from this notional mark by considering the extent to which the answer meets the level description overall. Strength in one skill can outweigh weakness in another. When using the Levels Mark Scheme the marker **must** identify where a particular skill is being demonstrated. The **key** to be used to identify the skill is given after the levels descriptions. The question-specific mark scheme summarises the information which could be used to answer the question, but without attaching marks to particular issues.

**LEVELS OF RESPONSE MARK SCHEME:
FOR USE WITH QUESTIONS 04 AND 08 ONLY**

AS LEVELS OF RESPONSE	AO1 KNOWLEDGE and UNDERSTANDING of theories, concepts and terminology	AO2 APPLICATION of theories, concepts and terminology	AO3 ANALYSIS of economic problems and issues	AO4 EVALUATION of economic arguments and evidence, making informed judgements
Level 5 22-25 marks (mid-point 24) **Good analysis <u>and</u> good evaluation**	Good throughout the answer with few errors and weaknesses	Good application to issues Good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning	Good with a clear final judgement
Level 4 17-21 marks (mid-point 19) **Good analysis <u>but</u> limited evaluation** **OR** **Reasonable analysis <u>and</u> reasonable evaluation**	Good throughout the answer with few errors and weaknesses Good throughout much of the answer with few errors and weaknesses	Good application to issues Good use of data to support answer Some good application to issues. Some good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning Largely relevant and well organised with reasonable logic and coherence	Limited but showing some appreciation of alternative points of view Reasonable, showing an appreciation of alternative points of view
Level 3 10-16 marks (mid-point 13) **Reasonable answer, including some correct analysis but very limited evaluation**	Satisfactory but some weaknesses shown	Reasonable application to issues Reasonable use of data to support answer	Reasonably clear but may not be fully developed and is perhaps confused in places with a few errors present	Superficial, perhaps with some attempt to consider both sides of the issue(s)
Level 2 4-9 marks (mid-point 7) **Weak with some understanding**	Limited and some errors are made	Partial application to issues with some errors Limited use of data to support answer	Partial but confused at times, lacking focus and development Limited logic and coherence	A very basic and simplistic attempt is made which is unsupported by analysis
Level 1 0-3 marks (mid-point 2) **Very weak**	Weak with a number of errors	Little, if any, application to issues No use of data to support answer	Poor and lacking clarity and focus	No relevant evaluation

THE KEY TO BE USED WHEN USING THE 'LEVELS' MARKING SCHEME

D   Where a particular economic term is correctly **DEFINED** in order to help the student to answer the question properly.

I   where a relevant **ISSUE** is raised by the student.

K   Where the student demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the student's response to the question. This should also be used where the student quotes relevant examples.

Ap   Where the student demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.

An   Where the student demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.

E   Where the student **EVALUATES** and makes judgements about the significance of various issues and arguments.

QUALITY OF WRITTEN COMMUNICATION

Quality of Written Communication (QWC) will be assessed in Questions 04 and 08 only.

Students will be assessed according to their ability to:

- ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear
- select and use a form and style of writing appropriate to purpose and complex subject matter
- organise information clearly and coherently, using specialist vocabulary when appropriate.

No specific marks are awarded for QWC.

However, examiners should take into account QWC when determining the mark to be awarded for an answer. This means an answer could be taken either up (for exceptional QWC) or down (for very poor QWC) by 1 mark (and no more).

EITHER

Context 1   **Total for this Context: 50 marks**

01	Define the term 'factor of production' (**Extract B**, lines 2-3). *(5 marks)*

For an acceptable definition (eg a resource employed to produce goods and/or services; an input which enables production to take place; an input used in production; an economic resource used to produce goods and services).	**5 marks**
Full marks should be awarded to a student who demonstrates a clear understanding of the term 'factor of production' even if the definition isn't exactly the same as the acceptable examples quoted above.	

If the definition is inaccurate or incomplete, award a maximum of 4 marks which may be broken down, for example as follows:

Stating all four of the usually identified factors of production: capital, labour, land, enterprise or the entrepreneurial input.	**3 marks**
Identifying two or three, but not all four, of the factors of production.	**2 marks**
Defining production, eg as the conversion of inputs into output.	**2 marks**
Stating that factors of production are resources.	**2 marks**
Stating that factors of production divide into fixed and variable factors of production.	**1 mark**
Identifying just one factor of production; or an example from the data.	**1 mark**

Maximum of 4 marks if definition is incomplete or inaccurate

MAXIMUM FOR PART 01: 5 MARKS

02	Using **Extract A**, identify **two** significant points of comparison between the global supply of, and the global demand for, rare-earth metals over the period shown. *(8 marks)*

Award up to 4 marks each for <u>each</u> significant point made:

Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison. Unit of measurement given accurately (tonnes).	**4 marks**
Identifies a valid significant point of comparison. Makes use of the data to support the point of comparison. However, only one piece of data is given when two are needed to make a valid comparison **and/or** no unit of comparison is given **and/or** the unit of comparison is used/applied inaccurately **and/or** wrong date is given.	**3 marks**
Identifies a significant point of comparison. No use of correct data to support the comparison identified.	**2 marks**
A significant feature of the data/part of the data is identified but this does not provide an overview of the whole data series. Makes use of the data to support the feature identified. Unit of measurement given accurately.	**1 mark**

If a student identifies more than two significant points of comparison, reward the best two.

Significant points include:

- there is a generally positive relationship between the two variables. Global supply of rare-earth metals increased from about 73 000 tonnes in 2000 to about 190 000 (or approx 160%) tonnes in 2012. Global demand for rare-earth metals increased from about 80 000 tonnes in 2000 to about 200,000 (or approx 150%) tonnes in 2012

- the global supply of rare-earth metals and the global demand for rare-earth metals both increased in every single year in the data series except one. However the exceptions were in different years: 2004 for global supply, when supply fell from about 95 000 tonnes to about 90 000 tonnes, and 2001 for global demand, when demand fell from about 80 000 tonnes to about 75 000 tonnes

- the trough for the global supply of rare-earth metals occurred in 2000 (at about 73 000 tonnes), while the trough for the global demand for rare-earth metals occurred in 2001 (at about 75 000 tonnes)

- the peak for the global supply of rare-earth metals was expected to be in 2012 at about 190,000 tonnes, while the peak for the global demand was also expected to be in 2012 at about 200 000 tonnes.

- From the year 2006 the demand for rare earth metals was always larger than supply, however prior to 2006 supply sometimes exceeded demand. For example in 2012 global demand is expected to be 200 000 tonnes when supply is expected to be 190 000 tonnes. In 2005 supply was 104 000 tonnes and demand was just over 100 000 tonnes.

  Allow a margin of +/- 5 000 tonnes

MAXIMUM FOR PART 02: 8 MARKS

	xplain power. *marks)*

When awarding marks for the diagram, it is important to reward students who produce an economically valid response even if it is not the one shown below. For example re-take students may draw a cost and revenue diagram to show a monopoly restricting output so as to force up the price. Material from the A2 specification should be rewarded, providing it is relevant, accurately illustrated and explained. However, full marks can be earned solely through the use of material in the Unit 1 specification
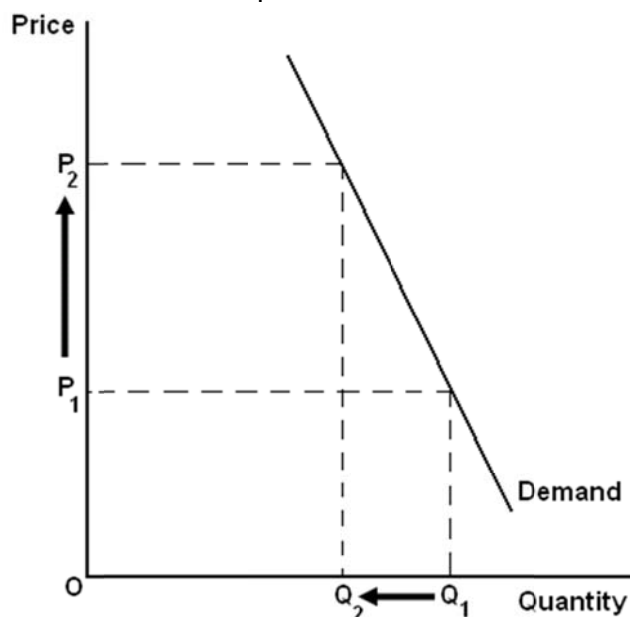
Breakdown of the marks for the diagram:

For drawing and labelling both the axes and a demand curve.	**1 mark**
For showing initial price and quantity such as P_1 and Q_1.	**1 mark**
Showing a lower quantity level Q_2.	**1 mark**
Showing a higher price at the lower quantity level P_2.	**1 mark**
Any other relevant feature of the diagram (eg reference to the elasticity of the demand curve).	**1 mark per feature up to a maximum of 2 marks**

Up to a MAXIMUM of 4 marks for diagram

Note:

(i) **To earn the first mark in the grids, both the two listed tasks must have been attempted and been completed.**

(ii) **For the task of labelling axes, price and quantity, P and Q, a monetary symbol such as the £ sign on the vertical axis and physical units of measurement such as tonnes of a commodity are all valid. For this diagram, the label 'Output' is valid.**

(iii) **Supply curves are not the anticipated diagram because it is not possible to identify a supply curve in monopoly. However, do not penalise a student who includes one or two supply curves in the diagram.**

The anticipated written response:

Define monopoly, monopoly power, demand, supply or any other relevant term.	**Up to 1 mark per definition Maximum of 2 marks for definitions**

For the explanation, award 2 marks for each logical link in the chain of reasoning, for example:

Only reward a particular link in the chain of reasoning ONCE.

Rare-earth metals are an essential raw material in the manufacture of solar cells, batteries etc. **(2 marks)**; there are few substitutes available as non-Chinese mines have been forced to close down **(2 marks)**; so the demand for rare-earth metals from China is price inelastic **(2 marks)**; which provides China with a source of monopoly power **(2 marks)**; and creates conditions in which China's government can restrict exports of rare-earth metals **(2 marks)** which leads to an increase in price.	**Up to 8 marks**
China produces 97% of total output of rare-earth metals **(2 marks)**; this provides China with monopoly power **(2 marks)**; so it is able to instruct firms to restrict exports to the rest of the world (**2 marks**); this effectively results in less supply **(2 marks)**; which results in a contraction along the demand curve **(2 marks)**; and as the demand for rare-earth metals is price inelastic **(2 marks)**; this leads to a greater proportionate increase in price as consumers of rare earth metals are rationed out of the market **(2 marks)**.	**Up to 8 marks**

If there is no reference to 'China' students should be awarded a MAXIMUM of 10 marks

Note: Do not award marks for simply describing what the diagram shows.

Students who draw a diagram which is inconsistent with their written explanation can only be awarded a maximum of 1 mark in total for the diagram.

Up to a MAXIMUM of 10 marks for a written explanation

MAXIMUM FOR PART 0 3: 12 MARKS

04	'According to some commentators, the mining industry is well known for the damage it inflicts on the environment' (**Extract C**, lines 8-9).
	Using the data and your economic knowledge, evaluate the view that mining activities should be left to market forces with minimum intervention by governments. *(25 marks)*

Students will need to demonstrate that they are able to evaluate issues and arguments to support a conclusion if they are to be awarded more than **13 marks**.

Extract C provides a number of prompts about how the mining of rare-earth metals causes damage to the environment, for example in line 6. The words 'market forces' in the question create an opportunity for students to discuss and compare how market forces operate in a highly competitive market and also in a market in which there is considerable monopoly power. The competitiveness of the market, together with the possible environmental issues, influences whether there is a case for government intervention in, or regulation of, the market. This issue, together with discussion of how well the incentive function of prices operates, provides a considerable opportunity for evaluation. Some students may focus on negative externalities versus the possible positive externalities resulting from utilising rare-earth metals, for example in hybrid and electric-powered cars.

A maximum of 21 marks may be awarded if there is no **explicit** reference to the data.

Level 5	**Good analysis <u>and</u> evaluation**	**22 to 25 marks (Mid-Point 24 marks)**
Level 4	**Good analysis <u>but</u> limited evaluation** **OR** **Reasonable analysis <u>and</u> reasonable evaluation**	**17 to 21 marks (Mid-Point 19 marks)**
Level 3	**Reasonable answer including some correct analysis <u>but</u> very limited evaluation**	**10 to 16 marks (Mid-Point 13 marks)**
Level 2	**Weak with some understanding**	**4 to 9 marks (Mid-Point 7 marks)**
Level 1	**A very weak answer**	**0 to 3 marks (Mid-Point 2 marks)**

Issues and areas for discussion include:

Introduction	- outlining the damage mining can inflict on the environment - outlining methods of government intervention in the mining industry - explaining the meaning of market forces.
Developing the response to the question: (Application)	- drawing on the prompt in **Extract C** *(lines 23-24)* about how the incentive function of prices operates; - drawing on the prompt in **Extract B** *(lines 11-12)* about China's use of monopoly power - drawing on the prompt in **Extract C** *(lines 4-7)* about Molycorp and environmental pollution resulting from rare-earth mining. - drawing on the student's knowledge of market failure and/or government failure. - drawing on the prompt in **Extract B** *(lines 4-7)* about growth of the renewable energy market/Toyota's Prius Car.

Developing the response to the question: (Analysis)	• developing a chain of reasoning to explain why allowing markets to work may lead to a socially optimal level of output
	• developing a chain of reasoning to explain why competitive markets improve resource allocation
	• relating the incentive function of prices to resource allocation
	• developing a chain of reasoning to explain why the exercise of monopoly power may lead to resource misallocation
	• developing a chain of reasoning to explain why negative externalities may lead to resource misallocation.
	• developing chains of reasoning to explain how particular methods of intervention might lead to better or worse resource allocation.
Evaluation	• questioning the assumptions made when developing the chains of reasoning outlined above
	• contrasting the advantages and disadvantages of government intervention and leaving things to the free market
	• picking up on the point that while 'some commentators' believe that the mining industry is notorious for the damage it inflicts on the environment, others may disagree
	• discussing whether some but not other policies (e.g. command and control regulation, polluter must pay fines) may be successful
	• discussing the strengths of different arguments in different mining industries and making use of the student's knowledge of evidence
	• consideration of market failure versus government failure arguments
	• consideration of efficiency arguments
	• consideration of health and safety requirements

Examiners should note that credit can be given for basic evaluation if a student simply states but does not develop arguments in favour of markets or government intervention. Stronger evaluation is provided by students who are able to support arguments for both for and against free markets and government intervention, and by clearly stating the assumptions underlying the arguments being used. Reward the relevant use of diagrams to support arguments, e.g. externalities diagrams in relation to the environmental costs of mining.

USE THE DETAILED LEVELS MARK SCHEME ON PAGES 5 & 6 FOR FURTHER CLARIFICATION

MAXIMUM FOR PART 04: 25 MARKS

OR

Context 2   **Total for this Context: 50 marks**

05	Define the term 'scarce resources' (**Extract E**, line 1).	*(5 marks)*

For an acceptable definition (eg factors of production/ inputs for which demand exceeds supply; factors of production/ inputs that are limited in supply; a resource is a factor of production or input used in the production process which are finite; scarce resources are factors of production/inputs which have an opportunity cost).	**5 marks**
Full marks should be awarded to a student who demonstrates a clear understanding of the term 'scarce resources' even if the definition is not exactly the same as the acceptable examples quoted above.	

If the definition is inaccurate or incomplete, award a maximum of 4 marks which may be broken down, for example as follows:

For explaining opportunity cost in production without specific reference to 'scarce resources'.	**2 marks**
For defining the word 'scarce' without a definition of 'resources'.	**2 marks**
For defining the word 'resources' without a definition of 'scarce'.	**2 marks**
A relevant diagram	**2 marks**
For an example of a scarce resource (one example only).	**1 mark**

Maximum of 4 marks if definition is incomplete or inaccurate

MAXIMUM FOR PART 05: 5 MARKS

| 06 | Using **Extract D**, identify **two** significant features of changes in UK government spending on health care over the period shown. *(8 marks)* |

Award up to 4 marks each for each significant point made:

Identifies a significant feature Makes accurate use of the data the feature identified Unit of measurement given accurately	**4 marks**
Identifies a significant feature Makes accurate use of the data to support the feature identified. However, only one piece of data is given when two are needed **and/or** no unit of comparison is given **and/or** the unit of measurement is used/applied inaccurately **and/or** wrong date is given. Note: Candidates who fail to say that the data is a % of national output can only get a maximum of 3 marks.	**3 marks**
Identifies a significant feature No use of correct data to support the feature identified.	**2 marks**
A significant feature of **part** of the data is identified but this does **not** provide an overview of the whole data series. Makes use of the data to support the feature identified. Unit of measurement given accurately.	**1 mark**

Note: Candidates are going to find it very difficult to deal with units of measurement, so as long as candidates have written the change in spending on health care as a % of national output once in their answer and added '%' after one number then the candidate can get the marks for the data.

If a student identifies more than two significant features, reward the best two.

Significant features include:

- over the whole of the period shown from 1980 to 2015, the annual % changes in UK government spending on health care range from a peak of about 12.5% of national output in 2003 to a low of about 0.2% of national output in 2014
- over the whole of the period shown, the data for annual % changes in UK government spending on health care start at about 2% of national output in 1980 which is higher than at the end of the period when it is forecast to be at about 0.4% of national output in 2015
- there is a significant contrast between the data for most of the years of actual measurement from 1980 to 2010 and most of the years of estimated measurement from 2011 to 2015. The annual % changes in the years of actual measurement were highly volatile, e.g. ranging from about 0.5% of national output in1997 to about 12.5% of national output in 2003. The annual changes in the years of estimated measurement were much less volatile, e.g. ranging from about 1.0% of national output in 2011 to about 0.2% of national output in 2014
- the data exhibits a cyclical pattern, e.g. with three cycles. The three cycles were from 1980 to 1985, 1986 to 1997, and 1998 to 2010. For example, annual % changes in UK government spending on health care rose from about 2% of national output in 1980 to about 4.5% of national output in 1981 at the peak of the first cycle, before falling to about 0.9% of national output in 1985. Reward also answers that identify four or five cycles.
- in every year in the data series, apart from 1997 when the actual increase was less than 1% of national output, the % annual increases in 'actual' spending recorded exceeded the forecast % increases. The forecast annual % increase for 2011 was about 1% of national output
- the annual % rate of change in UK government spending on healthcare peaked in 2003 at 12.5% of national output

- the annual % rate of change in UK government spending on health care was forecast to be lowest in 2014 at 0.2% of national output.

Allow a margin of +/- 0.5%

MAXIMUM FOR PART 06: 8 MARKS

plain
marks)

When awarding marks for the diagram, it is important to reward students who produce an economically valid response even if it is not exactly the same as the diagrams below, for example, a diagram illustrating an upward sloping supply curve should be rewarded.
The left-hand diagram illustrates an initial state of excess demand when NHS health services are provided free of charge. It also illustrates the increase in excess demand resulting from the demand curve for NHS services shifting to the right. Reward also a diagram such as the right-hand diagram, which shows an increase in excess demand when an above-zero price is charged (as not all NHS services are provided free). Also reward a diagram showing an increase in excess demand resulting from the supply curve shifting to the right, but by not as much as the rightward shift of demand.
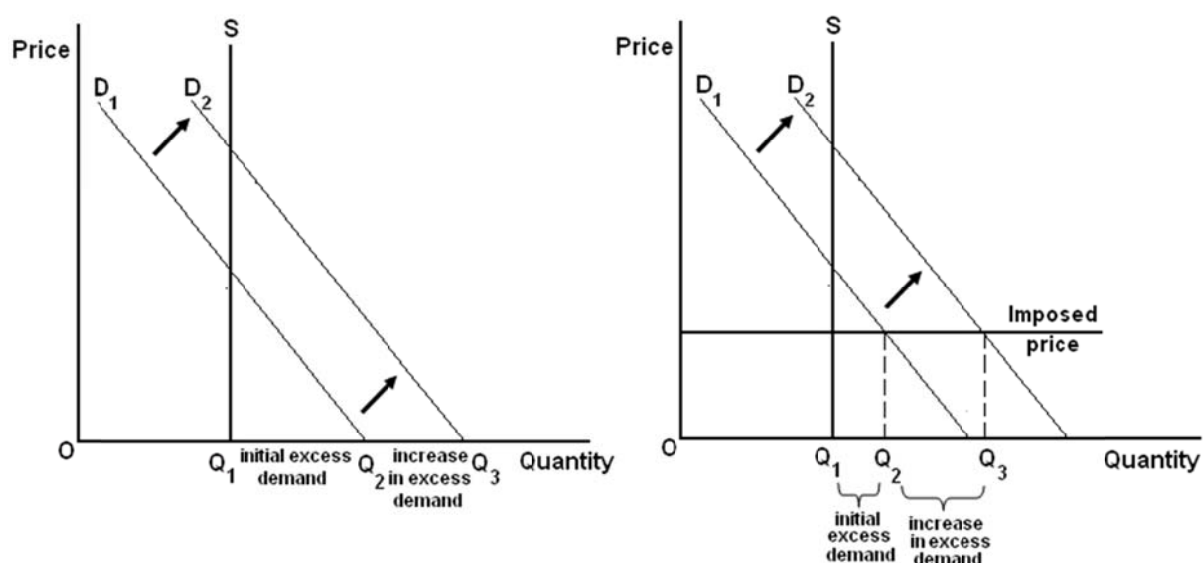
Breakdown of the marks for the diagram:

For labelling all the axes, the initial demand curve and the supply curve, and for labelling a relevant quantity such as Q1.	**1 mark**
For showing an initial level of excess demand on the diagram.	**1 mark**
For showing the demand curve shifting to the right.	**1 mark**
For showing the increase in the level of excess demand on the diagram.	**1 mark**
Any other relevant feature of the diagram, eg supply curve shifting to the right, but not by as much as the shift in the demand curve; the supply curve drawn and labelled as inelastic.	**1 mark per feature up to a maximum of 3 marks**

Note: (i)   To earn the first mark in the grids, all the three listed tasks must have been attempted and been completed.

(ii)   For the task of labelling axes, P and Q, a monetary symbol such as the £ sign on the vertical axis and quantity, or units of healthcare services are all valid.

Up to a MAXIMUM of 4 marks for diagram

The anticipated written response:

Define demand, supply, excess demand, services, merit good or any other relevant term.	**Up to 1 mark per definition** **Maximum of 2 marks for definitions**
For the explanation, award 2 marks for each logical link in the chain of reasoning, for example: **Only reward a particular link in the chain of reasoning ONCE**	
The UK population is ageing **(2 marks)**; there are more consumers needing drugs/treatment for longer periods **(2 marks)**; which increases the demand for health care services **(2 marks)**; thereby adding to the initial level of excess demand which results from NHS services being under-priced or free **(2 marks)**.	**Up to 8 marks**
People's lifestyles are changing **(2 marks)** eg alcohol abuse, child obesity, diabetes **(2 marks)**; so people need different types of healthcare **(2 marks)**; which increases the demand for health care services **(2 marks)**; thereby adding to the initial level of excess demand which results from NHS services being under-priced or free **(2 marks)**.	**Up to 8 marks**
People's expectations of what they are entitled to are changing **(2 marks)**; there is less information failure regarding the different drugs/treatments people become more dependant on healthcare **(2 marks)**; which increases the demand for health care services **(2 marks)** thereby adding to the initial level of excess demand which results from NHS services being under-priced or free **(2 marks).**	**Up to 8 marks**
Both the demand for NHS services and the supply of NHS services are shifting to the right **(2 marks)**; but 'demand is running ahead of supply' **(2 marks)**; partly because of difficulties in increasing supply (inelastic supply) **(2 marks);** because of limited/lack of government funding **(2 marks)**; thereby adding to the initial level of excess demand which results from NHS services being under-priced or free **(2 marks).**	**Up to 8 marks**

If students merely list relevant factors e.g. ageing population, changing lifestyles, changing expectations without further development, this should be treated as ONE link in the chain of reasoning and they should be awarded just 2 marks

Note: Do not award marks for simply describing what a diagram shows.

Students who draw a diagram which is inconsistent with their written explanation can only be awarded 1 mark for axes, supply and demand curves and initial equilibrium.

Up to a MAXIMUM of 10 marks for a written explanation

MAXIMUM FOR PART 07: 12 MARKS

08	'Scarce resources can be allocated or rationed between competing uses in a number of ways' (**Extract E**, lines 1-2).
	Using the data and your economic knowledge, evaluate the case **for** and the case **against** the NHS charging for its services. *(25 marks)*

Students will need to demonstrate that they are able to evaluate issues and arguments to support a conclusion if they are to be awarded more than **13 marks**.

Extract E mentions a number of rationing devices: the price mechanism, queues and waiting lists, and government decisions. In the context of the NHS, **Extract F** mentions the 'post-code lottery' in which drugs and treatments sanctioned in one PCT area were not available in another region. Free provision at the point of use obviously indicates that the price mechanism is not currently being used for allocating scarce resources within the NHS between alternative uses. However, when evaluating, students may discuss whether the price mechanism leads to a better outcome with private or non-NHS health care. Some students may also discuss internal markets within the NHS, though at AS such discussion is certainly not expected.

A maximum of **21 marks** should be awarded if there is no explicit reference to the data.

Level 5	**Good analysis and good evaluation**	**22 to 25 marks (Mid-Point 24 marks)**
Level 4	**Good analysis but limited evaluation** **OR** **Reasonable analysis and reasonable evaluation**	**17 to 21 marks (Mid-Point 19 marks)**
Level 3	**Reasonable answer, including some correct analysis but very limited evaluation**	**10 to 16 marks (Mid-Point 13 marks)**
Level 2	**Weak with some understanding**	**4 to 9 marks (Mid-Point 7 marks)**
Level 1	**Very weak**	**0 to 3 marks (Mid-Point 2 marks)**

Issues and areas for discussion include:

Introduction	- the basic economic problem - market failure: merit goods - relating scarcity to opportunity cost - mentioning alternative methods of provision of health care - explaining the rationing or allocative function of prices.
Developing the response to the question: (Application)	- drawing on the statements in **Extract E** *(lines 10-12, 19-22)* about alternative methods of provision of a good or service - drawing on the prompt provided in **Extract E** *(line 17)* about free at the point of use provision of health care services requires collective finance from taxation - drawing on the information in **Extract F** *(lines 5-6)* about the 'post-code' lottery implications on the free at the point of use provision - drawing on the information in **Extract F** *(lines 7-9)* about the implications of the 'top-down' planning and decision making in free at the point of use provision - drawing on the student's knowledge of health care provision in the UK.

Developing the response to the question: (Analysis)	- developing a chain of reasoning to explain the case for the NHS continuing to provide most health care services free at the point of use for consumers, (eg merit good analysis, equity considerations, economies of scale arguments) - developing a chain of reasoning to explain the case against the NHS continuing to provide most health care services free at the point of use for consumers, (eg opportunity cost arguments, economic inefficiency, diseconomies of scale arguments) - developing a chain of reasoning to explain the case for NHS services being provided through an alternative method of provision - developing a chain of reasoning to explain the case against NHS services being provided through an alternative method of provision - using relevant diagrams in the analysis of alternative methods of provision, perhaps drawing on the earlier diagram used in the answer to **07** - use of the evidence in the Extracts and in the student's economic knowledge to back up the analysis.
Evaluation	- evaluating the strength of the merit good argument - evaluating the strength of the equity argument - evaluating the strength of the economies of scale argument - evaluating the case for at least one alternative method of provision/ means of reducing the demand for healthcare - evaluating the evidence in the data - evaluating market failure and government failure considerations - overall evaluation of the case for versus the case against.

**USE THE DETAILED LEVELS MARK SCHEME ON PAGES 5 & 6
FOR FURTHER CLARIFICATION**

MAXIMUM FOR PART 08: 25 MARKS