



A LEVEL ECONOMICS

ECON1/Unit 1
Mark scheme

Markets and Market Failure

2140
June 2014

Version 0.1 Final

Mark schemes are prepared by the Lead Assessment Writer 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 associates 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 associate understands and applies it in the same correct way. As preparation for standardisation each associate 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, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

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.

Further copies of this Mark Scheme are available from aqa.org.uk

AQA Advanced Subsidiary Economics**June 2014****ECON1/1**

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

KEY LIST**JUNE 2014****ECON1/1**

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

Advanced Subsidiary Economics

June 2014

ECON1/2

Mark Scheme**Section B: Data Response****General Instructions**

Marks awarded to candidates 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 candidate to score full marks in a variety of ways. Where the candidate'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 candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate 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.

Two approaches have been used in the construction of the mark scheme:

- (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 candidate might include in the answer.

A levels approach. This approach is used for marking questions **04** and **08** of the data response questions. The Levels 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 candidate. 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 and 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 but limited evaluation OR Reasonable analysis and 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 MARK SCHEME

- D** Where a particular economic term is correctly **DEFINED** in order to help the candidate to answer the question properly.
- I** Where a relevant **ISSUE** is raised by the candidate.
- K** Where the candidate demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the candidate's response to the question. This should also be used where the candidate quotes relevant examples.
- Ap** Where the candidate demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.
- An** Where the candidate demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.
- E** Where the candidate **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.

Candidates 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 'derived demand' (Extract B , line 3).	[5 marks]
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For an acceptable definition eg	5 marks
<ul style="list-style-type: none"> • the demand for a good / factor of production used to produce a good. 	

Full marks should be awarded to a candidate who demonstrates a clear understanding of the term 'derived demand' even if the definition is not exactly the same as the acceptable examples quoted above.

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

The demand for a good or service resulting from / leads to the demand for another good or service	4 marks
Stating that derived demand is related to the supply chain of a good or service.	2 marks
Stating that derived demand refers to the fact that the demand for two goods or services are linked as complements.	1 mark
An example of a good which is in derived demand e.g. iron and steel (the relationship between a factor of production / component and the good it is used to produce)	1 mark
Defining demand.	1 mark

Do not reward an answer which confuses derived demand with composite demand, unless the answer also contains one or more of the above.

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 price indices for sugar and crude oil over the period shown.

[8 marks]

Award up to 4 marks each for each significant point made

Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison identified. Unit of measurement is used accurately – the candidate must acknowledge at least once within their answer that the data is in index number form.	4 marks
Identifies a significant point of comparison. Makes partially inaccurate use of the data to support the point of comparison identified. However, no unit of measurement is given and/or the unit of measurement is used/applied inaccurately and/or the dates are not quoted or are inaccurate.	3 marks
Identifies a significant point of comparison. Makes no correct use of the data to support the comparison identified.	2 marks
Identifies a significant feature of the data but no comparison is made. Makes use of the data to support the feature identified. Unit of measurement used accurately.	1 mark

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

Do not reward points of comparison such as a statement that the prices of sugar and crude oil were exactly the same at the beginning of December 2009, ie comparisons that confuse absolute prices with prices stated in index numbers.

Valid points include:

- The price of sugar rose from an index number of 100 to an index number of about 137, whereas the price of crude oil stayed the same at an index number of 100.
- In terms of percentage changes, for the dates stated in the previous point of comparison, the price of sugar rose by about 37%, while the percentage change for crude oil was zero.
- The price index for sugar ranged from a low of 79 index points in early May 2010 to a high of about 173 index points in mid-November 2010. By contrast, the price index for oil ranged from a high of about 111 index points at the end of April/beginning of May 2010 to a low at the end of May / beginning of June 2010 and / or the beginning of September 2010 at 86 index points.
- The price index for sugar peaked in mid-November 2010 at 173 index points, whereas the price index for oil peaked at the end of April / early May 2010 at 111 index points.

- The price index for sugar was lowest in early May 2010 at 79 index points, whereas the price index for oil was lowest at the end of May / beginning of June and / or the end of August / beginning of September 2010 at 86 index points.

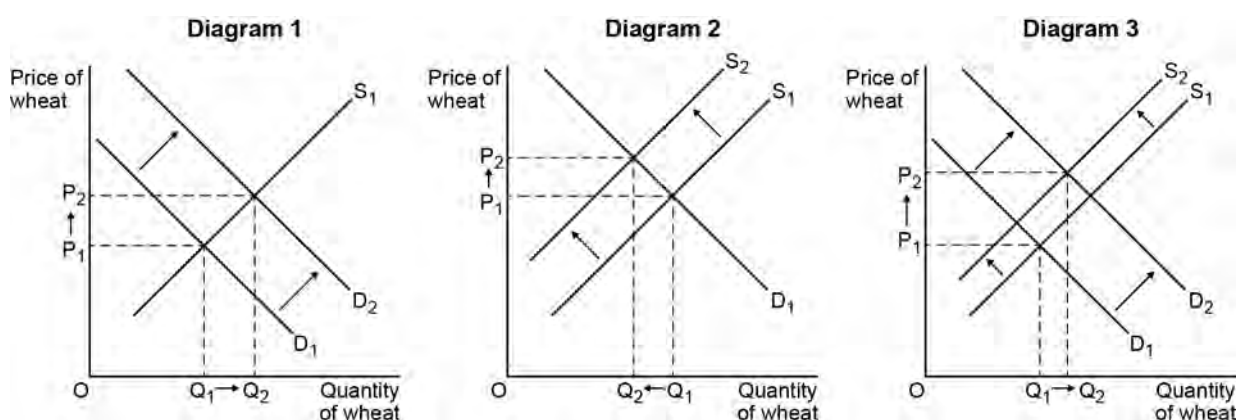
Allow a margin of +/- 3 index points

MAXIMUM FOR PART 02: 8 MARKS

03 With the help of an appropriate diagram and the information in **Extract B**, explain how rising incomes in China and India have affected the global price of wheat.

[12 marks]

When awarding marks for the diagram(s), it is important to reward candidates who produce an economically valid response even if it is not the one shown in Diagram 1 below. While the most obvious interpretation of the information in Extract B relates to a rightward shift in the demand for wheat, the rising price of fuel also leads to an increase in the cost of producing wheat, and hence to a leftward shift of the supply curve of wheat (Diagram 2). Diagram 3 combines both the rightward shift of the demand curve for wheat and the leftward shift of the supply curve of wheat.



The anticipated response for Diagram 1 showing a rightward shift of demand:

Breakdown of the marks for the diagram:

For labelling both axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1 .	1 mark only
An accurately-drawn shift of the demand curve to the right:	1 mark
Co-ordinates drawn in at the new equilibrium and labels such as P_2 and Q_2 .	1 mark
Any other relevant feature of the diagram (eg the amount of excess demand at the original equilibrium).	1 mark per feature up to a maximum of 2 marks

The anticipated response for Diagram 2 showing a leftward shift of supply:

Breakdown of the marks for the diagram:

For labelling all the axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1 .	1 mark only
An accurately-drawn shift of the supply curve to the left.	1 mark
Co-ordinates drawn in at the new equilibrium and labels such as P_2 and Q_2 .	1 mark
Any other relevant feature of the diagram (e.g. the amount of excess demand at the initial equilibrium price P_1).	1 mark per feature up to a maximum of 2 marks

The anticipated response for Diagram 3 showing a leftward shift of supply and a rightward shift of demand:

Breakdown of the marks for the diagram:

For labelling both axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1	1 mark only
An accurately-drawn shift of the demand curve.	1 mark
An accurately-drawn shift of the supply curve.	1 mark
Co-ordinates drawn in at the new combined equilibrium and labels such as P_2 and Q_2 .	1 mark
Any other relevant feature of the diagram (eg the amount of excess demand at the initial equilibrium price P_1).	1 mark per feature up to a maximum of 2 marks

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

(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 on the horizontal axis are all valid

Up to a MAXIMUM of 4 marks for diagram or diagrams

The anticipated written response:

Define income, demand, supply, equilibrium price, equilibrium quantity, composite demand, or any other relevant term: (only reward an accurate definition of 'derived demand' in the unlikely event that the answer to Part 01 is completely wrong).	1 mark per definition Maximum of 2 marks for definitions
Award 2 marks for each logical link in the chain of reasoning, eg (<i>award leads to an increase in the price of wheat only once</i>)	
Rising incomes in China increase the demand for fuel (2) which increases the price of oil (2) so consumers and / or producers seek alternative goods / substitutes / biofuel (2) which increases the demand for wheat (2) as wheat is derived from the demand for biofuel (2) which leads to an increase in the price of wheat (2)	Up to 8 marks

<p>Rising incomes in China increase the demand for vehicles (2 marks); this increases the demand for oil (2 marks); this increases the price of oil (2 marks); which increases the cost of fuel for farmers (2 marks); which raises agricultural costs of production (2 marks); which reduces the supply of wheat (2 marks); <i>which increases the price of wheat (2 marks)</i>.</p>	<p>Up to 8 marks</p>
<p>Alternative links in the chain of reasoning may include references to price elasticity of supply, income elasticity of demand, normal goods, cross elasticity of demand, composite demand</p>	<p>Up to 8 marks</p>

<p>For explaining the adjustment process: for example, extension along the supply curve (2) to eliminate excess demand (2).</p>	<p>Up to 4 marks</p>
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Note: Do not award marks for simply describing what the diagram shows.

Do not reward diagrams which are inconsistent with the written explanation, other than one mark for the initial set up.

Up to a MAXIMUM of 10 marks for a written explanation

MAXIMUM FOR PART 03: 12 MARKS

04 'Some economists argue that the increase in food prices, caused by the rapid rise in biofuel production, is a major cause of famine and poverty in some of the world's economies ' (**Extract C, lines 1-2**).

Using the data and your economic knowledge, evaluate the case **for** and **against** governments intervening to prevent agricultural products from being used to produce biofuel.

[25 marks]

Candidates 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**.

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

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

It is expected that candidates might consider different types of government intervention in answer to the question, though there is no requirement to do so. However, the best answers will include some discussion of whether or not governments are able to or should 'prevent' agricultural products being used in such a way.

Issues and areas for discussion include:

Introduction	<ul style="list-style-type: none"> • market failure • government intervention • the biofuel / oil market
Developing the response to the question: (Application)	<ul style="list-style-type: none"> ➤ drawing on the information in <ul style="list-style-type: none"> ➤ Extract A, B and C regarding rising fuel and food prices and the impact on resource allocation ➤ Extract B regarding interrelationships between markets ➤ Extract C regarding the link between rising food prices, biofuel production and growing inequalities ➤ Extract C regarding the link between biofuel production and environmental externalities ➤ Extract C regarding the impact of subsidies and tax exemptions on resource allocation ➤ Extract C regarding the link between biofuel production and

	<p>opportunities to reduce inequalities.</p> <ul style="list-style-type: none"> ➤ drawing on the candidate's knowledge of market failure and/or government failure in these markets
Developing the response to the question: (Analysis)	<ul style="list-style-type: none"> • developing a chain of reasoning to explain <ul style="list-style-type: none"> ➤ why competitive markets rather than government action or intervention in markets lead to better outcomes ➤ how the change in land use toward producing crops to meet the demand for biofuels reflects the incentive function of prices ➤ the types of market failure which may occur ➤ why government action or intervention may eliminate or reduce the market failure ➤ how particular methods of government action may affect resource allocation ➤ the advantages and disadvantages of different forms of intervention • the use of appropriate diagrams to support the analysis
Evaluation	<ul style="list-style-type: none"> • questioning the assumptions made when developing the chains of reasoning outlined above • discussing <ul style="list-style-type: none"> ➤ the advantages and disadvantages of government action versus the free market ➤ whether or not all economists agree that 'the increase in food prices, caused by the rapid rise in biofuel production, is a major cause of famine and poverty in some of the world's economies' ➤ the possible conflict between reducing poverty and famine on the one hand, and stemming the problems resulting from oil depletion on the other hand ➤ market failure versus government failure arguments; ➤ short-run and long-run implications ➤ whether or not is possible and / or desirable to 'prevent' agricultural products being used in such a way

Examiners should note that credit can be given for basic evaluation if a candidate simply states but does not develop arguments in favour or against the governments taking action. Stronger evaluation is provided by candidates who are able to support arguments both for and against government action, and by clearly stating the assumptions underlying the arguments being used. Reward the relevant use of diagrams to support arguments, eg externalities diagrams in relation to the use of biofuel. Answers which only consider the UK government, or the government of a particular country will be narrower than those considering more than one government. An answer which evaluates different policies without considering intervention versus the alternative of letting the free market rule should be restricted to a maximum mark at the top of Level 3.

**USE THE DETAILED LEVELS MARK SCHEME ON PAGES 4 & 5
FOR FURTHER CLARIFICATION**

MAXIMUM FOR PART 04: 25 MARKS

OR

Context 2

Total for this Context: 50 marks

05	Define the term 'private goods' (Extract E , line 2).	[5 marks]
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<p>For an acceptable definition eg</p> <ul style="list-style-type: none"> • goods which are excludable and rival • goods which are excludable and diminishable • goods which are excludable and exhaustible. 	5 marks
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Full marks should be awarded to a candidate who demonstrates a clear understanding of the term 'private goods' even if the definition is not exactly the same as the acceptable examples quoted above.

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

For defining as a good which is excludable OR rival (or diminishable or exhaustible) without mentioning a second characteristic of a private good.	3 marks
For stating what is meant by excludable.	1 mark
For stating what is meant by rival (distinguishable or exhaustible).	1 mark
Bought for consumption by an individual for their own benefit	1 mark
Consumers have a choice whether to buy it or not	1 mark
For stating an example of a private good (only if used in the correct context)	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 points of comparison between the various sources of news accessed over the period shown.

[8 marks]

Candidates only need to refer to TWO of the sources to obtain full marks

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

Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison identified. Unit of measurement given accurately.	4 marks
Identifies a significant point of comparison. Makes partially inaccurate use of the data to support the feature identified. However, no unit of measurement is given and/or the unit of measurement is used/applied inaccurately and/or the dates are not quoted or are inaccurate.	3 marks
Identifies a significant point of comparison. Makes no correct use of the data to support the comparison identified.	2 marks
Identifies a significant feature of the data but no comparison is made. Makes use of the data to support the feature identified. Unit of measurement given accurately.	1 mark

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

The valid points include:

- The percentages of the US population accessing news from the three news sources adds up to more than 100% (about 131% at the start of 2002); many US residents access more than one news source eg about 13% accessing the internet, 45% accessing newspapers and 73% accessing TV news at the start of 2002.
- Over the period shown, more US residents accessed TV news than accessed either of the other two news sources. For example, at the beginning of 2002, about 73% of US residents accessed TV news, 45% accessed newspapers, and 13% accessed internet news.
- Over the period shown, the percentages of US residents who accessed TV news fell from about 73% to about 70%, while the percentage accessing internet news rose from about 13% at the beginning of 2002 to about 40% at the end of 2008, while the percentages of US residents who accessed newspapers fell from about 45% to about 35%.

- Over the period shown, the percentage of the US population accessing TV news peaked at the end of 2002 / start of 2003 at 81%, those accessing newspapers peaked towards the end of 2003 / start of 2004 at 50%, and those accessing internet news peaked at the end of 2008 at 39%.
- Over the period shown, the percentage of the US population accessing TV news was lowest at the end of 2008 at 70%, those accessing newspapers was lowest at the end of 2007 / start of 2008 at 34%, and those accessing internet news was lowest at the start of 2002 at 13%.

Allow a margin of +/- 3%

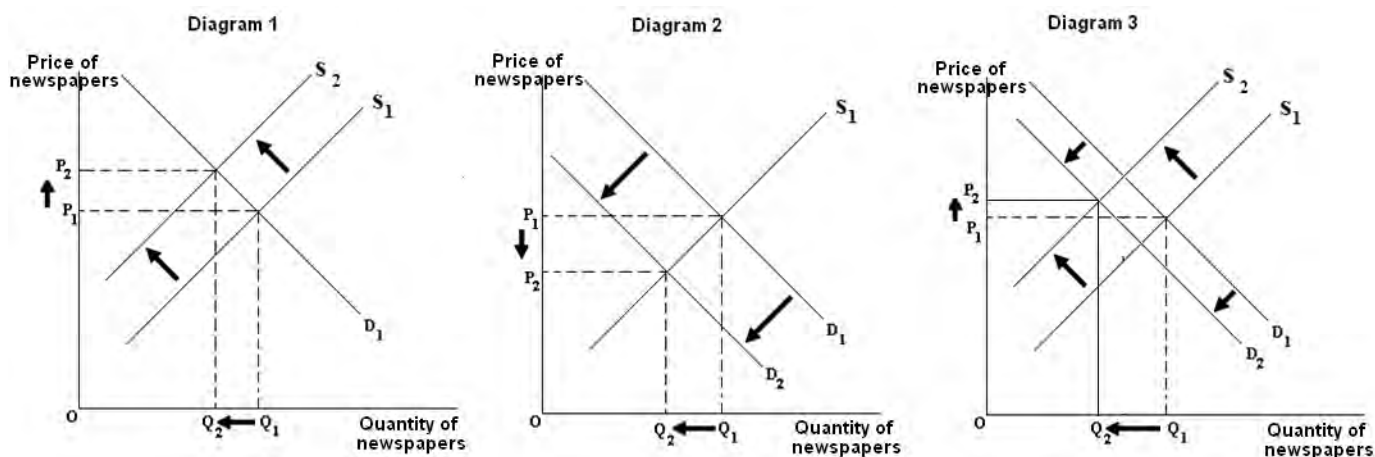
MAXIMUM FOR PART 06: 8 MARKS

07 With the help of an appropriate diagram and the information in the Extracts, explain why the quantity of newspapers sold by most newspaper companies has fallen.

[12 marks]

When awarding marks for the diagrams, it is important to reward candidates who produce an economically valid response even if it is not exactly the same as **Diagram 1** below. This diagram illustrates the supply curve of newspapers shifting to the left because of the rising cost of producing newspapers. **Diagram 2** illustrates the demand curve for newspapers shifting to the left because readers switch to other news media, including online newspapers. **Diagram 3** shows both events occurring. The diagram has been drawn so as to show the price of newspapers rising, but reward a similar diagram showing the price of newspapers falling because the demand curve has shifted further to the left than the supply curve.

The anticipated response for the diagram:



The anticipated response for Diagram 1 showing a leftward shift of supply:

Breakdown of the marks for the diagram:

For labelling all the axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1	1 mark only
An accurately-drawn shift of the supply curve to the left.	1 mark
Co-ordinates drawn in at the new equilibrium and labels such as P_2 and Q_2 .	1 mark
Any other relevant feature of the diagram (eg the amount of excess demand at the original equilibrium).	1 mark per feature up to a maximum of 2 marks

**The anticipated response for Diagram 2 showing a leftward shift of demand:
Breakdown of the marks for the diagram:**

For labelling both axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1 .	1 mark only
An accurately-drawn shift of the demand curve to the left:	1 mark
Co-ordinates drawn in at the new equilibrium and labels such as P_2 and Q_2 .	1 mark
Any other relevant feature of the diagram (eg the amount of excess supply at the original equilibrium).	1 mark per feature up to a maximum of 2 marks

The anticipated response for Diagram 3 showing a leftward shift of supply and a leftward shift of demand:

Breakdown of the marks for the diagram:

For labelling both axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1 .	1 mark only
An accurately-drawn shift of the demand curve.	1 mark
An accurately-drawn shift of the supply curve.	1 mark
Co-ordinates drawn in at the new combined equilibrium and labels such as P_2 and Q_2 .	1 mark
Any other relevant feature of the diagram (eg the amount of excess demand or supply at the original equilibrium).	1 mark per feature up to a maximum of 2 marks

- Note:**
- (i) To earn the first mark in the grids, all the listed tasks must have been completed correctly.
 - (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 unit of measurement such as newspapers on the horizontal axis.

Up to a MAXIMUM of 4 marks for diagram or diagrams

The anticipated written response

Define demand, supply, equilibrium price, equilibrium quantity, excess demand, excess supply or any other relevant term.	1 mark per definition Maximum of 2 marks for definitions
Award 2 marks for each logical link in the chain of reasoning	
Production costs rise (2 marks); because of a specific reason, eg the increased cost of journalism (2 marks); this reduces the supply of newspapers (2 mark); which increases the price of newspapers (2 marks) and reduces the quantity sold	Up to 8 marks

Increased competition from online news (2 marks) which is a substitute good (2 marks) and which is provided free/ easier to use (2 marks) leads to a decrease in demand for newspapers (2 marks) and reduces the quantity sold	Up to 8 marks
For explaining the adjustment process: for example, extension along the supply curve (2) to eliminate excess demand (2) .	Up to 4 marks

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

Do not reward diagrams which are inconsistent with the written explanation, other than one mark for the initial set up.

Up to a MAXIMUM of 10 marks for a written explanation

MAXIMUM FOR PART 07: 12 MARKS

08 ‘Some people argue that, because newspapers are such an important source of information and education, the government should help them to survive’
Extract F, lines 10–11).

Using the data and your economic knowledge, evaluate the case **for** and **against** the government subsidising newspapers and online news.

[25 marks]

Candidates 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**.

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

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

Although **Extract F** mentions that some online news possesses public good properties, the possibility that newspapers and online news may also be judged to be merit goods is not mentioned. However, it is implicit in the last paragraph of the Extract, part of which forms the prompt to the question. Good answers may use public good theory and/or merit good theory to provide analysis before proceeding to evaluation. Answers which lack such analysis are likely to be superficial, though analysis and evaluation of subsidies can provide a valid way of approaching the question.

Issues and areas for discussion include:

Introduction	<ul style="list-style-type: none"> • subsidy • public good • merit good • news markets
Developing the response to the question: (Application)	<ul style="list-style-type: none"> ➤ drawing on the information in <ul style="list-style-type: none"> ➤ Extract D, E and F regarding changes in sales of news sources and the impact on resource allocation ➤ Extract E regarding sources of revenue for news sources and costs and the impact on resource allocation ➤ Extract F regarding online news sources possessing the characteristics of a public good ➤ Extract F regarding the educational benefit of news sources, and

	<p>the implicit suggestion that they are merit goods</p> <ul style="list-style-type: none"> ➤ Extract F regarding subsidising news sources • drawing on the candidates own knowledge of the state of newspaper markets and online provision of news
<p>Developing the response to the question: (Analysis)</p>	<ul style="list-style-type: none"> • developing a chain of reasoning to explain <ul style="list-style-type: none"> ➤ why the alleged public good properties of free online news justify free provision of all online news ➤ why information and education possess merit good properties and analysing how, for a merit good, market provision results in under-provision ➤ why some news and information could be viewed as a demerit good ➤ the impact of a subsidy in the market(s) ➤ the advantages and disadvantages of providing a subsidy ➤ the impact of alternative forms of intervention • the use of appropriate diagrams to support the analysis
<p>Evaluation</p>	<ul style="list-style-type: none"> • questioning the assumptions made when developing the chains of reasoning outlined above • discussing <ul style="list-style-type: none"> ➤ the strength of the public good argument ➤ the strength of the merit good argument ➤ whether newspapers and online news should be treated differently ➤ the advantages and disadvantages of government action versus the free market ➤ market failure versus government failure arguments ➤ short-run and long-run implications ➤ the point that as technology develops, and the economy changes, some industries grow whereas others inevitably decline

Examiners should note that credit can be given for basic evaluation if a candidate simply states but does not develop arguments. Basic evaluation (and good analysis) would allow the answer to achieve low Level 4. Stronger evaluation is provided by candidates who are able to support arguments both for and against the provision of subsidies, and perhaps suggest alternative means of intervention, if at all. Reward the relevant use of diagrams to support arguments.

USE THE DETAILED LEVELS MARK SCHEME ON PAGES 4 & 5

FOR FURTHER CLARIFICATION

MAXIMUM FOR PART 08: 25 MARKS