AQA

A-level ECONOMICS

Paper 1 Specimen Assessment Material

Mark scheme

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

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows a description of the response at the middle of the level. There are marks in each level based on the division of the total number of marks for the question.

Before you apply the mark scheme to a student's answer, read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme, you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level, you need to decide on the mark. The descriptors on how to allocate marks will help with this. The exemplar materials used during standardisation will illustrate the performance needed to achieve a specific mark. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the candidates' responses to the most appropriate level according to **its overall quality**, then allocate a single mark within the level. When deciding upon a mark in a level examiners should bear in mind the relative weightings of the assessment objectives (see page 20) and be careful not to over/under credit a particular skill. For example, in questions 4, 8, 10, 12 and 14 more weight should be given to AO4 and AO3 than to AO1 and AO2. This will be exemplified and reinforced as part of examiner training and standardisation.

Below is the levels of response marking grid to be used when marking the 25 mark questions.

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.	**11–15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.	**6–10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.	**1–5 marks**

Section A

Context 1 **Total for this Context: 40 marks**

01	*Using the data in **Extract A**, calculate, to **two** decimal places, the overall percentage change in household bills from 2009 to 2013.* ***[2 marks]***

Calculation:

Average household bills were £1145 in 2009 and £1420 in 2013 therefore the percentage change is 24.02%.

Response	**Marks**
For the correct answer with the % sign and to two decimal places	**2 marks**
For a correct answer but without the % sign **and/or** not to two decimal places	**1 mark**

MAXIMUM FOR QUESTION 01: 2 MARKS

02 *Explain how the data in* ***Extract A*** *show that energy companies have exploited their market power.*

[4 marks]

Response:	**Max 4 marks**
• includes evidence that shows that energy companies have exploited their market power • clearly explains how this data is evidence of energy companies exploiting their market power	**4 marks**
• includes evidence that shows that energy companies have exploited their market power • unclear explanation of how this data is evidence of energy companies exploiting their market power	**3 marks**
• includes evidence that shows that energy companies have exploited their market power • limited explanation of how this data is evidence of energy companies exploiting their market power	**2 marks**
• includes evidence that does not clearly show that energy companies have exploited their market power • no explanation of how this data is evidence of energy companies exploiting their market power.	**1 mark**

Relevant issues include:

- Evidence of profits rising by a higher proportion than the rise in wholesale costs is an indication of the exploitation of market power
- Evidence of profits rising by a higher proportion than household bills is an indication of the exploitation of market power.
- the data shows profit element in household bills rose from £10 to £95 between 2009 and 2013
- average bills per household rose from £1145 to £1420 over the period, a larger increase than the rise in wholesale energy element in household bills, £615 to £635
- between 2009 and 2010, wholesale energy costs fell from £615 to £485 per bill but average bills had a smaller decrease, £1145 to £1105
- between 2012 and 2013, wholesale costs increased by £10 per bill at a time when household bills rose by £120 and profits by £45 per bill

MAXIMUM FOR QUESTION 02: 4 MARKS

03 ***Extract B*** *(lines 11–12) states that there is 'no evidence of collusion between energy suppliers to date.' With the help of a diagram, explain how collusion between energy suppliers could affect the retail prices paid by consumers.*

[9 marks]

Level of response	An answer that:	Max 9 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	**7–9 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram.	**4–6 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

A monopoly diagram is expected, illustrating that where there is collusion, output is likely to be lower and prices higher than under competitive market conditions.

Relevant issues include:

- the nature of collusion
- the ability to control the market and exercise monopoly power
- restricting output to force up the price
- maximising joint profits
- producing where MC=MR to maximise profits
- why competition between suppliers helps to drive prices down

MAXIMUM FOR QUESTION 03: 9 MARKS

04 *In **Extract C**, (lines 9–10) Ed Miliband is quoted as saying that a future Labour government would impose "a price freeze for twenty months because the market is not working".*

Using the data in the extracts and your economic knowledge, assess whether you agree that fixing a maximum price for energy that is sold to households is the best way of dealing with market failure in the UK energy industry?

[25 marks]

Areas for discussion include:

- what is meant by 'fixing a maximum price' in relation to intervention regulating the prices charged for retail energy to UK households
- market failures that may exist in the UK energy market, eg lack of effective competition in the supply of energy, possible collusion, inefficiency
- the relationship between prices charged to households and the cost of supplying energy
- the need for high profits to fund investment
- under-investment and possible energy shortages leading to power cuts
- high prices to compensate for the additional cost of supplying 'green' energy and to fund energy conservation schemes
- whether negative externalities in the production and consumption of energy justify high prices
- whether energy companies are making excessive profits
- impact of rising energy prices on the cost of living, low income households and fuel poverty
- the imposition of a maximum price as a temporary measure until the energy market is investigated and reformed
- the possibility of government failure and unintended consequences resulting from the imposition of a maximum price
- alternative policies that might be adopted, eg tougher regulation, attempting to reduce entry barriers and encouraging new suppliers to enter the market, renationalisation, eliminating the green levy and subsidising energy conservation through taxation, controls on the profits of energy companies.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 4 to award candidates marks for this question.

MAXIMUM FOR QUESTION 04: 25 MARKS

Section A
Context 2 **Total for this Context: 40 marks**

05	*Using the data in **Extract D**, calculate the difference between the mean original income and the mean final income of the five quintile groups.* ***[2 marks]***

Calculation:

Mean original income = (87 000 + 44 000 + 26 000 + 14 000 + 6 000) / 5 = £35 400
Mean final income = (64 000 + 38 000 + 31 000 + 24 000 + 18 000) / 5 = £35 000

Difference = £35 400 – £35 000 = £400

Response	**Marks**
For the correct answer with the £ sign	**2 marks**
For a correct answer but without the £ sign **OR** The correct calculation of both the mean original income and the mean final income, including the £ signs, but the wrong final answer	**1 mark**

MAXIMUM FOR QUESTION 05: 2 MARKS

06 *Explain how the data in **Extract D** show that taxes and benefits have been successful in reducing inequalities in household income in the UK.*

[4 marks]

Response:	**Max 4 marks**
• includes evidence that shows that taxes and benefits have been successful in reducing inequalities in the distribution of household income in the UK • clearly explains how this data is evidence of reduced inequality	**4 marks**
• includes evidence that shows that taxes and benefits have been successful in reducing inequalities in the distribution of household income in the UK • unclear explanation of how this data is evidence of reduced inequality	**3 marks**
• includes evidence that shows that taxes and benefits have been successful in reducing inequalities in the distribution of household income in the UK • limited explanation of how this data is evidence of reduced inequality	**2 marks**
• includes evidence that does not clearly show that taxes and benefits have been successful in reducing inequalities in the distribution of household income in the UK • no explanation of how this data is evidence of reduced inequality	**1 mark**

Relevant issues include:

- Evidence that the gap between those on the top quintile group and those on the bottom has narrowed because of the impact of tax and benefits is an indication of reducing inequality.
- Evidence that overall the final distribution of income between quintile groups is more even than original distribution of income is an indication of reducing inequality.
- the distribution of original income is more unequal than the distribution of final income, eg the bottom quintile has an original average household income of £6000 per year, whereas the top quintile has £87 000 (14.5 times as much). In terms of final income, the figures are £18 000 and £64 000 respectively (approx. 3.5 times as much)
- for the first 3 quintile groups, the final income is more than the original income but for the 2 richest quintile groups, final income is less than original income, eg bottom quintile £6000 and £18 000, 2nd £14 000 and £24 000, 3rd £26 000 and £31 000, whereas 4th quintile £44 000 and £38 000 and top quintile £87 000 and £64 000. This indicates that taxes and benefits have helped to make the distribution of household income more equal

MAXIMUM FOR QUESTION 06: 4 MARKS

07 ***Extract F*** *(lines 9–10) states that 'concentrating income in fewer and fewer hands eventually leads to bubble economies in which the price of assets, such as houses and shares, rise continuously'.*

With the help of a diagram, explain how growing inequality might lead to a persistent rise in the price of houses.

[9 marks]

Level of response	An answer that:	Max 9 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	**7–9 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram.	**4–6 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	**1–3 marks**

A demand and supply diagram is expected, showing a rightward shift of the demand curve leading to an increase in both the price and quantity sold.

Relevant issues include:

- relationship between income and mortgage finance
- as inequality increases, the better-off members of society can obtain larger mortgages
- more borrowing increases the demand for houses
- the inelastic supply of houses, particularly in the short run
- excess demand for houses, particularly at the top end of the market
- how excess demand at the top end of the market also affects prices at the bottom end
- houses as an asset and house purchase as a speculative activity
- rising house prices leading to higher demand, at least until 'the bubble' bursts.

MAXIMUM FOR QUESTION 07: 9 MARKS

08 ***Extract E*** *(lines 6–7) states that 'growing inequality would create incentives, kick-start enterprise, boost growth and be good for us all.'*

Using the data in the extracts and your economic knowledge, assess the view that inequality is 'good for us all.'

[25 marks]

Areas for discussion include:

- what is meant by inequality, eg income, wealth, health, social background
- inequality in the UK
- causes of inequality, eg differences in innate or acquired skills, differences in the marginal revenue product of individuals, inheritance, social factors
- inequality and incentives to work and enterprise
- inequality, resource allocation and the operation of the price mechanism
- the trickle-down effect
- inequality as a consequence of market failure
- inequality as a cause of market failure
- inequality and poverty are likely to result in a waste of human talent
- inequality resulting from and leading to the concentration of economic power
- how inequality might contribute to 'asset price bubbles' and macroeconomic instability
- impact of inequality on people's well-being and social factors such as crime, life expectancy and obesity
- why and how the consequences of different types of inequality may vary
- the impact of measures designed to reduce inequality
- the degree of inequality as a determinant of whether inequality is 'good for us all'
- is inequality good for any of us?
- the importance of value judgements, including fairness and justice.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 4 to award candidates marks for this question.

MAXIMUM FOR QUESTION 08: 25 MARKS

SECTION B

Below is the levels of response marking grid which should be used to mark the 15 mark questions

Level of response	Response	Max 15 marks
3	**A good response provides an answer that:** • is well organised and develops a selection of the key issues that are relevant to the question • shows sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning.	**11–15 marks**
2	**A reasonable response provides an answer that:** • focuses on issues that are relevant to the question • shows satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places.	**6–10 marks**
1	**A weak response provides an answer that:** • has identified one or more relevant issues • has some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • has very limited application of relevant economic principles to the given context and/or data to the question • might have some limited analysis but it may lack focus and/or become confused.	**1–5 marks**

Essay 1

Total for this Essay: 40 marks

09 *Explain why firms, such as Apple, might be able to charge different prices for the same product in different markets.*

[15 marks]

Relevant issues include:

- reasons why prices may differ, eg cost differences, price discrimination
- examples of price discrimination
- the ability of the producer to exert control over supply
- the ability to separate different markets, eg through time, barriers to entry
- preventing the transfer of goods or services between markets
- the significance of different price elasticities of demand
- why cost differences, eg transport costs, may lead to price differences
- why imperfect information may allow firms to charge different prices for the same product
- why product differentiation and branding may allow a supplier to charge different prices for what is essentially the same product.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

The use of examples to illustrate price discrimination should also be taken into account when assessing the quality of response.

Use the levels mark scheme on page 13 to award candidates marks for this question.

MAXIMUM FOR QUESTION 09: 15 MARKS

10 *Discuss the view that price discrimination only benefits suppliers such as Apple.*

[25 marks]

Areas for discussion include:

- the nature and examples of price discrimination
- allows the producer to convert consumer surplus into producer surplus
- how price discrimination allows the producer to increase revenue and profit compared to a single price
- relevance of price elasticity of demand
- how price discrimination enables the producer to reduce fixed costs by spreading demand more evenly, eg peak and off-peak rail fares
- better capacity utilisation by firms will lower costs and may lead to lower prices for consumers
- why price discrimination may increase total sales and generate economies of scale
- the use of price discrimination as a barrier to entry, reducing competition
- why price discrimination almost certainly means that some consumers will face a higher price than if there was a single price
- the use of price discrimination to cross-subsidise loss-making services
- some consumers will benefit from lower prices and products that might not otherwise be supplied
- equity considerations related to the redistribution of income that results from price discrimination.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

The use of examples to illustrate price discrimination should also be taken into account when assessing the quality of response.

Use the levels mark scheme on page 4 to award candidates marks for this question.

MAXIMUM FOR QUESTION 10: 25 MARKS

Essay 2

Total for this Essay: 40 marks

11 *Using examples to illustrate your answer, explain how anchoring **and** loss aversion can affect an individual's choices when deciding how to spend or save their income.*

[15 marks]

Relevant issues include:

- define the terms anchoring and loss aversion
- why anchoring and loss aversion may result in irrational decision making
- how the previous price that the person paid for the product, or perhaps the first price at which they were offered the product, acts as an anchor and affects their consumption decisions in the future
- loss aversion leads people to prefer to put their money into a safe but low-yielding investment rather than one that is a bit more risky but has the prospect of very high returns
- explain using examples how anchoring may affect spending decisions, eg how people moving from different parts of a country may take a long while to adjust to different rents for a similar type of accommodation
- explain using examples how anchoring may affect savings decisions, eg the impact of a significant change in interest rates on people's decisions regarding savings
- explain using examples how loss aversion may affect spending decisions, eg after a period of falling house prices, people are often reluctant to move because they are unwilling to sell their house for less than they paid for it even though the prices of properties that they were thinking about buying have also fallen
- explain using examples how loss aversion may affect savings decisions, eg people's unwillingness to sell their shares at a lower price than they paid for them, even if they could invest the money in other shares that they believe are a better investment.

The use of examples to illustrate anchoring and loss aversion in any consumer market should be taken into account when assessing the quality of response.

Use the levels mark scheme on page 13 to award candidates marks for this question.

MAXIMUM FOR QUESTION 11: 15 MARKS

12 *The Government would like to improve the well-being of the population by encouraging people to adopt a healthy diet. Using your knowledge of* ***both*** *traditional economic theory* ***and*** *behavioural economics, assess alternative policies that the Government might adopt to try to achieve its objective.*

[25 marks]

Areas for discussion include:

- distinction between traditional economic theory, which assumes people are rational decision makers, and behavioural economic theory
- market failure and people's choice of diet, eg asymmetric information, 'unhealthy food products' as demerit goods, inequitable distribution of income
- advertising and product promotion strategies employed by the food industry and how they influence people's choices
- policies that might help to correct information problems, eg compulsory food labelling, publicity campaigns
- policies to restrict advertising that misinforms or misleads consumers
- the impact of imposing legally enforced restrictions on, for example, the fat or salt content of processed foods
- policies that can be adopted to encourage people to adopt a healthy diet, eg indirect taxes, subsidies, better information
- relevance of elasticities
- behavioural factors that might affect people's choices, eg habit, other people's choices, social norms, motivation to 'do the right thing', people give inadequate weight to the long-term consequences of their actions
- policies related to behavioural economic theory that can be used to encourage people to adopt a healthy diet, eg nudges, framing, influencing attitudes
- whether providing better information and leaving it to individuals to make their own choices would lead to an improvement in people's well-being
- whether people are 'predictably irrational' and whether government policies that do not take this into account are likely to be ineffective
- whether the individual is the best judge of their own welfare; and whether behavioural solutions are paternalistic
- the unintended consequences of various policies.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 4 to award candidates marks for this question.

MAXIMUM FOR QUESTION 12: 25 MARKS

Essay 3

Total for this Essay: 40 marks

13 *Explain why, in the absence of government intervention, too many journeys are likely to be made by road and too few by rail.*

[15 marks]

Relevant issues include:

- sources of market failure in transport, eg externalities, roads as a quasi-public good
- examples of externalities associated with journeys by road and rail, eg congestion and longer journey times for other road users, pollution and associated health problems, environmental damage
- explaining why roads may exhibit some of the characteristics of a public good, ie they are, up to a point, non-rival and may be non-excludable.
- why, in the absence of government intervention, the existence of negative externalities means that the user will not bear the full cost of the activity
- free market equilibrium level of output (MPB=MPC) and the social optimum level of output (MSB=MSC)
- negative externalities associated with rail journeys are likely to be less than for journeys by road, hence road journeys will be under-priced by more than rail journeys, ie there will be a greater divergence between the marginal social cost and the marginal private cost for road journeys than rail journeys
- rail companies charge for the use of the rail network but, in most cases, road users are not directly charged for the use of roads
- taxes imposed on the motorist mean that some, or all, of the costs of building and maintaining the road network are borne by the motorist.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 13 to award candidates marks for this question.

MAXIMUM FOR QUESTION 13: 15 MARKS

14 *Assess the view that a system of road-pricing is the best way to tackle the problem of worsening traffic congestion in the UK.*

[25 marks]

Areas for discussion include:

- roads as a scarce resource
- the negative externalities associated with congestion, eg the longer journey times for other road users
- what is meant by road-pricing and how it might be implemented (allow both tolls and congestion charges as forms of road-pricing or as alternative policies)
- other policies that might be employed such as: higher taxes on fuels, increasing the road fund licence, building more roads, subsidising public transport, investing in and improving public transport
- the extent to which roads display the characteristics of a public good and how has this been affected by developments in technology.
- congestion is most prevalent on certain roads and at certain times of the day
- how road-pricing might be implemented, eg charging drivers a price for each mile travelled with different prices for different roads and for different times of the day, perhaps mentioning automatic number plate recognition systems
- setting up tolls on major roads with the toll charge varying between peak and off-peak times
- how higher taxes on fuels would help to reduce congestion and the relevance of price elasticity of demand
- how subsidising, for example, bus and rail transport, will help to reduce congestion and the relevance of cross elasticity of demand
- the budgetary and cost implications of the different options
- possible unintended consequences of the different methods, eg the impact of road pricing on city centres, such as empty shops, higher prices for products as transport costs rise
- equity arguments, eg are indirect taxes regressive, should the road user pay or the taxpayer, the impact of the different policies on the poorest members of society, town versus country dwellers, commuters and businesses
- the likelihood of government failure, eg inadequate information means that the government may set an inappropriate price for using roads, eg a price that doesn't reflect the true cost of congestion, government policy is likely to be affected by public opinion and the reactions of voters.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response to the question.

Use the levels mark scheme on page 4 to award candidates marks for this question.

MAXIMUM FOR QUESTION 14: 25 MARKS

Assessment objectives

	A01	A02	A03	A04	TOTAL
Section A					
Context 1					
1	1	1			**2**
2	1	2	1		**4**
3	2	4	3		**9**
4	4	4	7	10	**25**
Context 2					
5	1	1			**2**
6	1	2	1		**4**
7	2	4	3		**9**
8	4	4	7	10	**25**
Section B					
9	4	4	7		**15**
10	4	4	7	10	**25**
11	4	4	7		**15**
12	4	4	7	10	**25**
13	4	4	7		**15**
14	4	4	7	10	**25**
DRQ total	8	11	11	10	**40**
Essay total	8	8	14	10	**40**
Paper total	**16**	**19**	**25**	**20**	**80**



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