Pearson Edexcel

Mark scheme

Sample assessment materials

Issue 3

Pearson Edexcel GCE AS Level

in Economics A (8EC0)

Paper 1: Introduction to markets and market failure

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General Marking Guidance

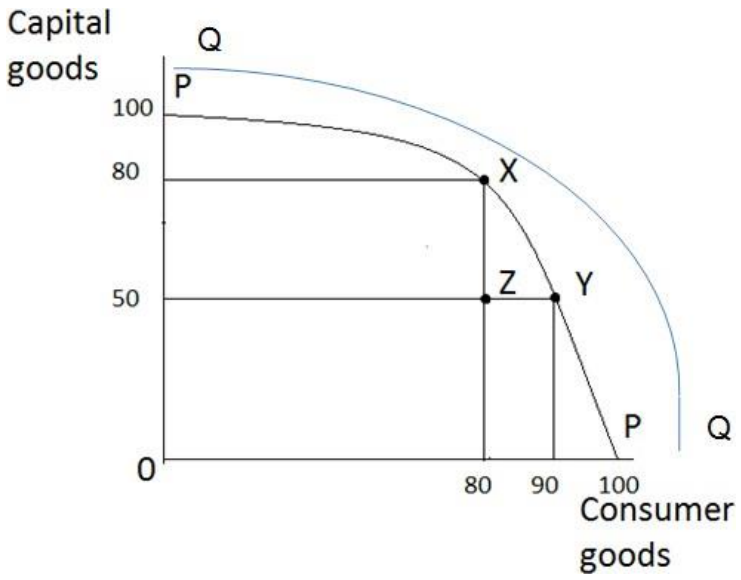
- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1(a)	B	**(1)**

Question Number	Answer	Mark
1(b)	**Knowledge 1, Application 1, Analysis 1** **Knowledge/understanding** 1 mark for definition of external benefit. **Application** 1 mark for application to education. **Analysis** 1 mark for linked development, e.g. external benefits are where third parties not involved in a transaction benefit from it (1). Education has external benefits (1) as someone getting an education and becoming a doctor will save the lives of third parties (1)	**(3)**

Question Number	Answer	Mark
2(a)	**Knowledge 2** **Knowledge/understanding** 1 mark for partial definition, e.g. • maximum potential output (1), OR • given current resources available (1). 2 marks for full and accurate definition, e.g. • a curve showing the maximum potential output (1) assuming all available resources are used fully (1).	**(2)**

Question Number	Answer	Mark
2(b)	C	**(1)**

Question Number	Answer	Mark
2(c)	**Knowledge 1**  New PPF drawn above line (1).	**(1)**

Question Number	Answer	Mark
3(a)	C	**(1)**

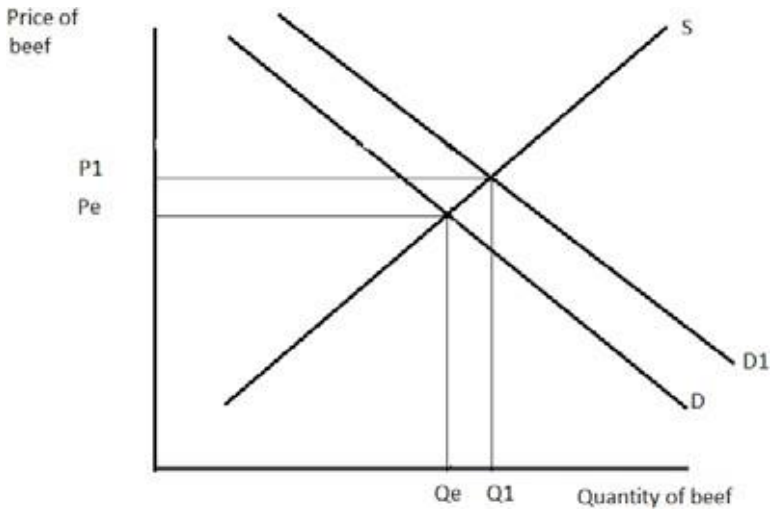
Question Number	Answer	Mark
3(b)	**Knowledge 1, Application 1, Analysis 1** **Knowledge/understanding** 1 mark for definition of elasticity of supply: • responsiveness of supply to changes in price (1) **Application** 1 mark for reference to context, e.g. • 10 years to be operational (1) **Analysis** 1 mark for linked development, e.g. • PES is likely to be inelastic – takes time to build nuclear power stations (1) • whilst PES is likely to be inelastic in the short run, but it is likely to be elastic in the long run (1).	**(3)**

Question Number	Answer	Mark
4(a)	**Knowledge 1, Application 2** **Knowledge/understanding** 1 mark for definition of public good/identification of free rider problem. **Application** 2 marks for linked application (1+1), e.g. • defence is a public good as it is non excludable and non rival (1) as you cannot exclude people from consuming it (1) and one person consuming it will not stop the military from protecting others (1) • defence has the free rider problem (1) as people would benefit from the defence but not pay for it (1) and defence will be under-provided by the private sector (1).	**(3)**

Question Number	Answer	Mark
4(b)	B	**(1)**

Question Number	Answer	Mark
5(a)	C	**(1)**

Question Number	Answer	Mark
5(b)	**Knowledge 2, Application 1** **Knowledge** 1 mark for identifying a reason. 1 mark for linked development. **Application** 1 mark for application to insurance, e.g. consumers may not act rationally because: • inertia (1) means people do not have the energy or inclination to move (1), so will not spend the time searching for the best deal (1) • the importance of habitual behaviour (1) people are in the habit of using the same provider so continue to do so (1), and will not spend the time searching for the best deal (1) • computation problems (1) where they cannot calculate the benefits they will accrue from switching providers (1), so will not see better deals available in terms of lower premium (1).	**(3)**

Question Number	Answer	Mark
6(a)	**Knowledge 1, Application 2, Analysis 2** **Knowledge** 1 mark for original supply, demand and equilibrium. **Application** 1 mark for using source data (1) and 1 mark for link to change in demand (1), e.g. • increased meat sourced from UK, 81% to 83%/increased sales to emerging markets (1) leading to increased demand (1). **Analysis** • Diagram – showing shift in demand (1) and new equilibrium (1).  	**(5)**

Question Number	Indicative content	Mark
6(b)	**Knowledge 2, Application 2, Analysis 2** • Define cross elasticity of demand. • Identify lamb as substitute. • XED – positive – as price of beef rises the demand for lamb will rise. • Diagram to show increased demand for lamb. • Price and quantity both rise for this good. • Likely to lead to increased revenue. • Increased producer surplus. • Increased consumer surplus.	**(6)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no links between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relate them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

Question Number	Indicative content	Mark
6(b) continued	**Evaluation 4** • Magnitude – depends on amount of price adjustment. • Short run little change – people do not adjust to price changes straight away/long run may take time for people to substitute. • Closeness of substitutes – inelastic supply means little impact/elastic larger impact.	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by chains of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Answer	Mark
6(c)	**Application 2, Knowledge 2, Analysis 2** **Application** 2 marks for, e.g. • desire for protein/dairy – 30–50m litres (1) • increased demand (1). **Knowledge/understanding** e.g., any two from: • higher prices (1) • higher output (1) • revenue rise (1). **Analysis** e.g., any two from: • increased profits/producer surplus identified/shown in diagram (1) • investment required for machinery and logistics – getting products to China (1) • firms will export more products (1).	**(6)**

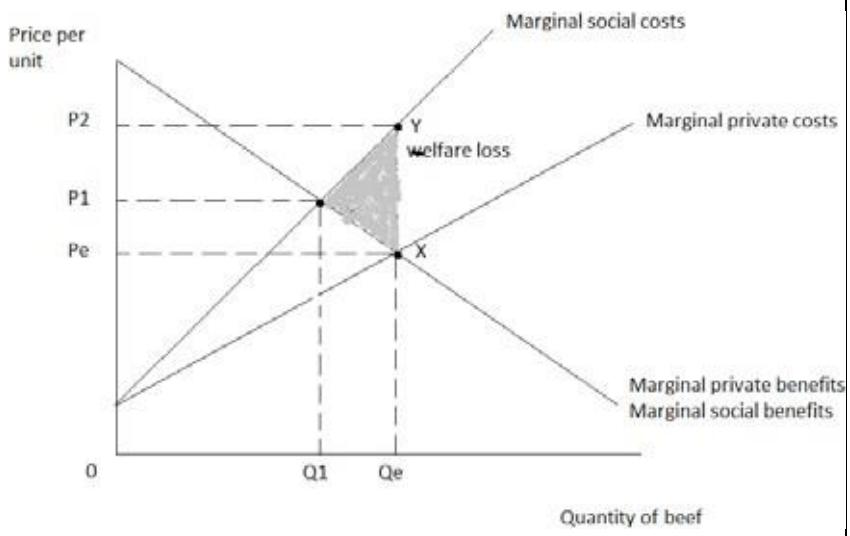
Question Number	Answer	Mark
6(d)	**Knowledge 2, Application 2** 2 marks for correct use of formula (1+1). 2 marks for correct answer (1+1), e.g.: • 2012 – 554/700 (1) x 100 = 79% (1) • 2013 – 562/830 (1) x 100 = 68% (1) NB if the answer given is 79% award 2 marks; if the answer given is 68% award 2 marks.	**(4)**

Question Number	Indicative content	Mark
6(e)	**Knowledge 3, Application 3, Analysis 3** • Define subsidy. • Application – £554m – 79%/69% of income. Reasons for a subsidy include: • lowers production costs • increases supply (on diagram or written) • lowers price (on diagram or written) • increases quantity (on diagram or written) • more accessible to poor (low price) • higher meat and milk consumption • vital rural economy – protects incomes/jobs • maintains/guarantees food supply • trickle-down effect • food industry relies on them.	**(9)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(e) continued	**Evaluation 6** Reasons against a subsidy include: • 79%/ 69% of income is subsidy • reliant on subsidy • X – inefficient • should be allowed to get out of market and make room for someone else • cost to government – opportunity cost.	**(6)**

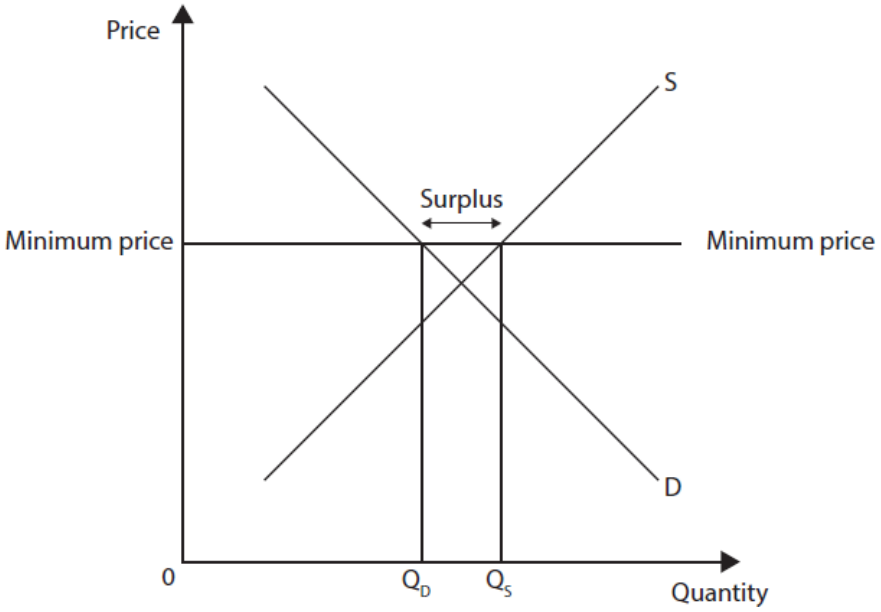
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Indicative content	Mark
6(f)	**Knowledge 4, Application 4, Analysis 6** • Define external costs. • Diagram accurately drawn – with MPC, MSB, MPB and MSC, welfare loss triangle.  • It takes 1,800 gallons of water to make a single pound of grain-fed beef. • Thirty per cent of the world's land is used to raise livestock. • Cows as major producers of methane gas. • These animals produce more climate-changing greenhouse gases than 22 million cars a year. • Manure, tons of fertilisers and toxic contaminants used in slaughterhouses.	**(14)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two-stage chain of reasoning only.
Level 3	7–10	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	11–14	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(f) continued	**Evaluation 6** • Magnitude – depends on how much additional meat. • Measurement difficult – putting a value on external costs. • Increased demand – higher revenues. • Benefits of increased consumption – export income.	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.

Question Number	Indicative content	Mark
6(g)	**Knowledge 4, Application 4, Analysis 6** • Diagram showing minimum price above market equilibrium.  • Define minimum price. • Reasons for minimum price – protect incomes of producers. • Raise price of beef/ cause excess supply. • Contraction of demand/ extension supply. • Government may have to buy excess supply • Reduce consumption of meat – reduce obesity. • Link to NHS.	**(14)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two-stage chains of reasoning only.
Level 3	7–10	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	11–14	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(g) continued	**Evaluation 6** • Anti-competition. • Magnitude of price changes – increase then may put businesses out of business – job losses. • Delays – time lag before it starts. • Encourage smuggling – if minimum price. • Imports. • Magnitude – depends on size of minimum/maximum price. • Elasticity of demand– if inelastic little change. • Time lag – people will not change behaviour immediately.	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.