GCE A LEVEL MARKING SCHEME

SUMMER 2018

A LEVEL
ECONOMICS - COMPONENT 1
A520U10-1

INTRODUCTION

This marking scheme was used by WJEC for the 2018 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

EDUQAS GCE A LEVEL ECONOMICS

COMPONENT 1

SUMMER 2018 MARK SCHEME

SECTION A

	Answer
1	B
2	D
3	D
4	E
5	B
6	C
7	B
8	A
9	B
10	D
11	A
12	E
13	B
14	C
15	D
16	A
17	B
18	B
19	C
20	D

Q. 21	**Using economic theory, consider whether an increase in price will always lead to an increase in revenue.** **[4]**
	AO3: 2 marks Award **2** marks for a clear theoretical analysis that explains that as price rises revenue increases. Award **1** mark for an incomplete or brief analysis. **Indicative content:** • The fall in quantity demanded is less than the rise in price and demand is price inelastic. A diagram may be used to illustrate the analysis. • Other changes in the market such as exit of other firms • The increase in price is linked to an increase in quality Allow other valid factors. **AO4: 2 marks** Award **2** marks for an answer that fully evaluates using economic theory. Award **1** mark for incomplete or superficial evaluation. **Indicative content:** • Demand may be price elastic or become price elastic for example if prices are raised continually. If demand is price elastic then revenue will fall because quantity demanded will fall by more than the rise in price. • Other changes in the market such as increased competition within market. Allow other valid factors.

Q. 22	**With reference to the data, discuss whether US regulations on the development of new drugs are an example of government failure. [8]**			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	**2 marks** Good understanding Clear understanding and/or definition of government failure shown	**2 marks** Good application Case is used effectively to support the argument in the analysis or evaluation The data is well-used to support a point/points	**2 marks** Good analysis Strong line(s) of argument showing that there is clear evidence of government failure Good development of the evidence to explain why the problems in the data have occurred	**2 marks** Good evaluation Clear counterargument demonstarting clearly why government failure might not have occurred in this case A clear chain of argument is present and the answer has a reasoned judgement
1	**1 mark** Limited understanding Weaker definition or partial understanding is demonstrated	**1 mark** Limited application Data is used, but its use is underdeveloped, perhaps taking the form of occasional references rather than forming strong supporting evidence	**1 mark** Limited analysis There is a chain of reasoning, but it is less convincing in its attempt to prove that government failure has taken place	**1 mark** Limited evaluation Counterarguments are present, but none of them are well-developed, or the answer simply has arguments for and against
0	**0 marks** No valid understanding	**0 marks** No valid application	**0 marks** No valid analysis	**0 marks** No valid evaluation

Indicative content:

AO1

Government failure can be considered a situation in which government intervention causes a more inefficient allocation of goods and resources than would occur without that intervention.

Government intervention wastes resources resulting in a misallocation of resources and welfare loss.

AO2, AO3 and AO4

In this case the problems could be seen as a combination of market failure and government failure.

Monopoly power has resulted in a 500%/$56.64 to $317.82 increase in the price of Epipens, which is far above the rate of inflation over the period. Hence, this is a market failure in the sense that it results from a failure of an unregulated market to deliver desirable outcomes. In this case, market concentration occurs due to Mylan's acquisition of the rights. Hence Clinton et al want to intervene to force prices down.

However, some argue that the real reason for the problems in this case is overregulation of the market, which has restricted new entrants. Hence, government intervention has led to the monopoly power. Therefore, government intervention has created the issue.

However, government regulation is clearly necessary in a market such as this. Without regulations on the development of new drugs, consumer safety might be damaged which would be an even worse outcome (e.g. Thalidomide disaster in the 1960s).

Q. 23 (a)	**Outline why this is an example of price discrimination.** **[2]**
	AO1: 1 mark Award **1** mark for an understanding of price discrimination ie a firm selling the same product or service to different customers at different prices for reasons not associated with costs of production **AO2: 1 mark** Award **1** mark for applying the context to support the explanation ie GWR are selling first class tickets at different prices on different days of the week.

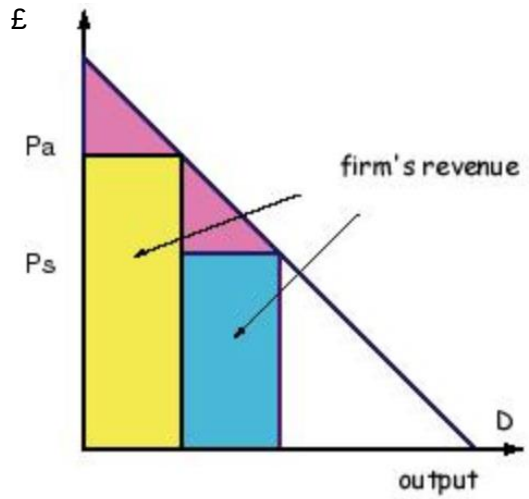
Q 23 (b)	**With reference to the example above assess the extent to which it is only producers who can benefit from price discrimination.** **[6]**		
Band	AO2	AO3	AO4
	2 marks	2 marks	2 marks
2	**2 marks** Good application Case is used effectively to support the argument in the analysis The data is well-used to support the assessment	**2 marks** Good analysis Strong line(s) of argument showing that there is clear evidence that price discrimination can benefit producers	**2 marks** Good evaluation Strong counterargument demonstarting clearly why price discrimination might benefit other groups A clear chain of argument is present
1	**1 mark** Limited application Data is used, but its use is underdeveloped, perhaps taking the form of occasional references rather than forming strong supporting evidence	**1 mark** Limited analysis There is a chain of reasoning, but it is less convincing in its attempt to prove that price discrimination can benefit producers	**1 mark** Limited evaluation Counterarguments are present, but none of them are well-developed
0	**0 marks** No valid application	**0 marks** No valid analysis	**0 marks** No valid evaluation

Indicative content:

Price discrimination will benefit producers because their profit will be higher than if the same price were charged to all train passengers using first class. Weekend demand for first class would be low because of fewer business travellers thus filling otherwise empty seats with upgrades will add more to revenue than to costs. Marginal revenue is greater than marginal costs.

Producers also benefit by spreading demand away from overcrowded standard class carriages, helping to improve their image.

A diagram showing benefits to consumers and producers may be used to support AO3 and 4, but this is not essential.



BUT

Price discrimination will benefit some consumers because at normal prices they would not be able to afford first class travel.

Extension of benefits to a lower-income group leads to an increase in overall consumer and community surplus.

Passengers may benefit because there will be lower demand in standard class, making them more likely to be able to get a seat.

Higher profits from price discrimination can improve the quality of passsenger services thus benefitting rail users.

Q. 24	**Adapt the diagram below, to show the change in the profits of Volvo's truck/lorry division, as described in the article. Give reasons for the changes you make.** **[6]**	
Band	AO1	AO2
	4 marks	2 marks
2	**3-4 marks** Good understanding Correct adaptation of the diagram to illustrate the rise in Volvo's profits May contain minor errors	**2 marks** Good application Data is used effectively to support the diagram, picking up on both revenue and cost effects
1	**1-2 marks** Limited understanding Limited adaptation of the diagram to illustrate rise in Volvo's profits Significant errors	**1 mark** Limited application Data is used, but its use is underdeveloped, perhaps looking only at either costs or revenue
0	**0 marks** No valid knowledge	**0 marks** No valid application

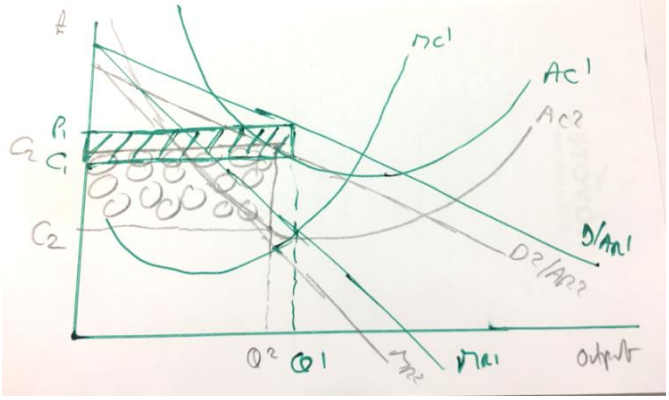
Indicative content:

Diagram

AR/MR shift left.
AC shifts down.
New output shown based on candidate's own plausible assumptions of firm's objectives
Appropriate change in profit is shown.

Reasons

The fall in AR and MR is linked to the decline in demand in the North American heavy vehicle market.
The fall in AC is linked to positive cost developments (fall in fixed costs).
Falling fixed costs lead to rising supernormal profit.
Allow fall in MC if diagram is otherwise correct.



Q. 25	**Discuss the extent to which the Japanese government should be concerned by the trends in its total government debt shown in the table. [6]**		
Band	AO2	AO3	AO4
	2 marks	2 marks	2 marks
2	**2 marks** Good application Case is used effectively to support the argument in the analysis The data is well-used throughout the discussion	**2 marks** Good analysis Strong line(s) of argument using economic theory	**2 marks** Good evaluation Strong counterargument A clear chain of argument is present and the answer has a reasoned judgement
1	**1 mark** Limited application Data is used, but its use is underdeveloped, perhaps taking the form of occasional references rather than forming strong supporting evidence	**1 mark** Limited analysis There is a chain of reasoning, but it is less convincing	**1 mark** Limited evaluation Counterarguments are present, but none of them are well-developed, or the answer simply has arguments for and against
0	**0 marks** No valid application	**0 marks** No valid analysis	**0 marks** No valid evaluation

Indicative content:

AO2

- Japan's debt has quadrupled as a proportion of GDP over the period
- Japan is more indebted than Greece in relative terms
- The US debt has only doubled over the period starting from the same base
- Japan's debt has risen far faster than that of other advanced economies
- The trend has been ever-upwards (except in the mid-noughties)

Allow other appropriate comments on the data that are used to support arguments.

AO3

Debt is concerning because of:

- Danger of crowding out
- Risk of debt downgrade
- Opportunity cost of debt interest
- Risk of default

Allow other plausible reasons for concern.

AO4

Concern is lower because:

- Global interest rates are currently very low
- Japan has clearly been managing for some time
- Most Japanese debt is internal to Japan
- Japan is powerful enough to withstand default/restructure on favourable terms

Allow other plausible evaluative points.

Q. 26	**Discuss the extent to which changes in employment levels are likely to lead to equal and opposite changes in unemployment levels. [4]**
	AO3: 2 marks Award **2** marks if the learner fully analyses using economic logic posssibly making reference to the the data. Award **1** mark if analysis is superficial or limited. **Indicative content:** If employment rises then it is an indication that those without a job gain work then the numbers unemployed will go down by an equal number. The data may be used to support this view. Allow other plausible reasons. **AO4: 2 marks** Award **2** marks if the learner fully evaluates using economic logic. Award **1** mark if the evaluation is superficial or limited. **Indicative content:** The rise in employment may coincide with a rise in the size of the labour force through birth rate changes, more people delaying their retirement, more people deciding to become economically active or increased migration. Allow other plausible evaluative points.

Q. 27	**Suggest possible reasons why these two countries can have almost identical HDIs when their GNI/per capita figures are so different. [4]**	
Band	AO1	AO2
	2 marks	2 marks
2	**2 marks** Good understanding Strong understanding of the HDI is demonstrated, showing an understanding of all 4 sub-indices	**2 marks** Good application Data is used effectively to support the outline of the reasons making well-developed reference to at least one of the two countries
1	**1 mark** Limited understanding Weaker understanding of the HDI is demonstrated, but at least one element not in the question itself is understood	**1 mark** Limited application Data is used, but its use is underdeveloped, perhaps lacking specific numerical application or reference to the context given is not well developed
0	**0 marks** No valid knowledge	**0 marks** No valid application

Indicative content:

AO1

Understanding that GNI per capita is one of the 4 components of the weighted Human Development Index. (n.b. some candidates may have been taught that there are just 3 components to the HDI, if they do not 'split' the education component into its two sub-components. This is acceptable).

Understanding that whilst GNI per capita is often correlated with the HDI, the HDI consists of other components including life expectancy at birth, expected years of schooling for children, and average years of schooling for adults – these factors may impact on the HDI.

If Equatorial Guinea's GNI/capita at PPP is so much higher than Zambia's, then it will have much lower life expectancy at birth and/or years of schooling.

AO2

Use of the GNI/capita figures to explain that Equatorial Guinea must be much worse in other areas of the HDI for them to end up the same.

Equatorial Guinea is a recent petro-economy suffering from the resource curse, meaning that oil revenues might not be invested into health and education.

Zambia is relatively more stable suggesting that even though GNI/capita is lower, the stable government may mean that it is more effectively used to support health and education.