

OXFORD

INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL A-LEVEL ECONOMICS

(9640)

Mark scheme

Unit 3: The economics of business behaviour and the distribution of income

Specimen 1 2019

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 examiner.

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

International A-Level Economics mark scheme

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about economics. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by the indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors in each level show the performance characteristics of the level. There are the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

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 descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

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 in 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; eg if the response fulfils most but not all of 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.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that 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 of the same standard, better or worse. 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.

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

Examiners are required to assign each of the students' 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 and be careful not to over/under credit a particular skill. For example, in question 13 more weight should be given to AO3 than to AO1 and AO2. This will be exemplified and reinforced as part of examiner training.

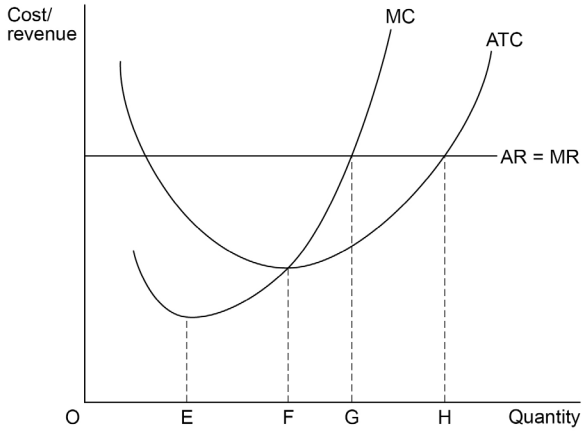
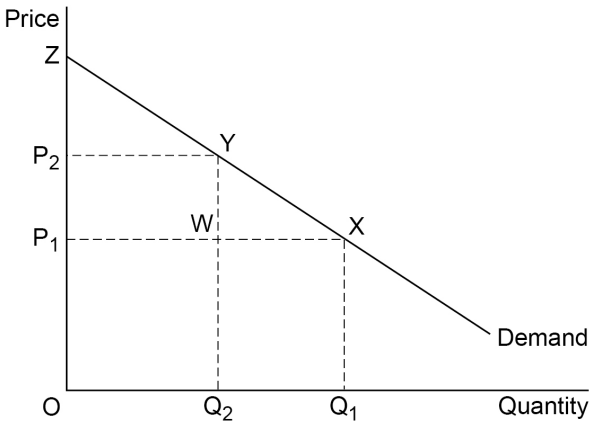
Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 10 marks

Question	Part	Marking guidance	Total marks																								
01		<p>The marginal revenue product of labour</p> <p>Answer: D (revenue gained by selling the extra output produced by employing one more worker)</p>	<p>1</p> <p>AO1=1</p>																								
02		<p>The meanings of the terms invention and innovation</p> <p>Answer: A</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Invention</th> <th>Innovation</th> </tr> </thead> <tbody> <tr> <td>Making something entirely new</td> <td>Turns the results of invention into a product</td> </tr> </tbody> </table>	Invention	Innovation	Making something entirely new	Turns the results of invention into a product	<p>1</p> <p>AO1=1</p>																				
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03		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Units of output</th> <th>Units of capital</th> <th>Units of land</th> <th>Number of workers</th> </tr> </thead> <tbody> <tr> <td>10 000</td> <td>10</td> <td>4</td> <td>120</td> </tr> <tr> <td>20 000</td> <td>40</td> <td>16</td> <td>480</td> </tr> <tr> <td>40 000</td> <td>70</td> <td>28</td> <td>840</td> </tr> <tr> <td>60 000</td> <td>105</td> <td>42</td> <td>1260</td> </tr> <tr> <td>80 000</td> <td>150</td> <td>58</td> <td>1720</td> </tr> </tbody> </table> <p>The firm experiences constant returns to scale when it increases its output from</p> <p>Answer: C (40 000 to 60 000 units)</p>	Units of output	Units of capital	Units of land	Number of workers	10 000	10	4	120	20 000	40	16	480	40 000	70	28	840	60 000	105	42	1260	80 000	150	58	1720	<p>1</p> <p>AO2=1</p>
Units of output	Units of capital	Units of land	Number of workers																								
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40 000	70	28	840																								
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04		<p>The price elasticity of demand for the chairs produced by a firm is -2. It can be concluded that if the firm increases the price of its chairs by 20%, the firm's total revenue will</p> <p>Answer: A (fall.)</p>	<p>1</p> <p>AO3=1</p>																								
05		<p>Measures the degree of competition in an oligopolistic industry</p> <p>Answer: C (The three firm concentration ratio)</p>	<p>1</p> <p>AO1=1</p>																								

Question	Part	Marking guidance	Total marks																									
06		 <p>A firm operating in perfect competition in the short run. Which quantity, OE, OF, OG, or OH, indicates the output where profits are maximised?</p> <p>Answer: C (OG)</p>	1 AO2=1																									
07		<table border="1" data-bbox="384 931 1233 1227"> <thead> <tr> <th>Firm</th> <th>Units of output</th> <th>AVC (\$)</th> <th>AFC (\$)</th> <th>AR (\$)</th> </tr> </thead> <tbody> <tr> <td>Firm 1</td> <td>100</td> <td>15</td> <td>12</td> <td>14</td> </tr> <tr> <td>Firm 2</td> <td>80</td> <td>10</td> <td>4</td> <td>12</td> </tr> <tr> <td>Firm 3</td> <td>250</td> <td>12</td> <td>6</td> <td>16</td> </tr> <tr> <td>Firm 4</td> <td>200</td> <td>11</td> <td>4</td> <td>15</td> </tr> </tbody> </table> <p>If these firms aim to maximise their profits</p> <p>Answer: C (Firm 3 will produce in the short run but not in the long run)</p>	Firm	Units of output	AVC (\$)	AFC (\$)	AR (\$)	Firm 1	100	15	12	14	Firm 2	80	10	4	12	Firm 3	250	12	6	16	Firm 4	200	11	4	15	1 AO2=1
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08		 <p>What is the change in consumer surplus if the price charged for plastic cups increases from P₁ to P₂?</p> <p>Answer: B (P₁P₂YX)</p>	1 AO2=1																									

Question	Part	Marking guidance	Total marks						
09		<table border="1"> <thead> <tr> <th>Marginal cost</th> <th>Average variable cost</th> <th>Average total cost</th> </tr> </thead> <tbody> <tr> <td>£130</td> <td>£120</td> <td>£150</td> </tr> </tbody> </table>	Marginal cost	Average variable cost	Average total cost	£130	£120	£150	1 AO2=1
		Marginal cost	Average variable cost	Average total cost					
£130	£120	£150							
<p>Costs for a firm that produces 20 units of output each month. The firm's total fixed costs are</p> <p>Answer: D (£600)</p>									
10		<p>An example of vertical integration</p> <p>Answer: C (A food manufacturing company buying a farm)</p>	1 AO1=1						

Section B

Total for this section: 10 marks

Question	Part	Marking guidance	Total marks
11	1	<p>Define 'marginal utility'.</p> <p>A full and precise definition is given (2 marks)</p> <p>Example of an acceptable definition worth 2 marks:</p> <ul style="list-style-type: none"> the change in total satisfaction when one more/one fewer item is consumed. <p>The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (1 mark)</p> <p>Examples of definitions worth 1 mark:</p> <ul style="list-style-type: none"> utility is the satisfaction obtained from consuming a good/service (defines utility correctly) marginal is the change when one more/one fewer item is consumed (defines marginal correctly). 	<p>2</p> <p>AO1=2</p>

Question	Part	Marking guidance	Total marks						
11	2	<p>Calculate the marginal utility from the 4th sweet consumed.</p> <p>Calculation: Total utility from 3 sweets = $36+10 = 46$ Total utility from 4 sweets = 54 Marginal utility from the 4th sweet = $54-46 = 8$</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%;">Response</td> <td style="width: 30%;">Max 2 marks</td> </tr> <tr> <td>For the correct answer: 8 (with or without working shown)</td> <td>2 marks</td> </tr> <tr> <td>For the correct calculation of the total utility derived from consuming 3 sweets OR For the correct method but with the wrong answer</td> <td>1 mark</td> </tr> </table>	Response	Max 2 marks	For the correct answer: 8 (with or without working shown)	2 marks	For the correct calculation of the total utility derived from consuming 3 sweets OR For the correct method but with the wrong answer	1 mark	<p>2</p> <p>AO1=1 AO2=1</p>
Response	Max 2 marks								
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Question	Part	Marking guidance	Total marks						
11	3	<p>Calculate the average utility when 7 sweets are consumed.</p> <p>Calculation: Total utility from 7 sweets = $54+1-1-5 = 49$ Average utility = $49/7 = 7$</p> <table border="1"> <thead> <tr> <th>Response</th> <th>Max 2 marks</th> </tr> </thead> <tbody> <tr> <td>For the correct answer: 7 (with or without working shown)</td> <td>2 marks</td> </tr> <tr> <td>For the correct calculation of the total utility derived from consuming 7 sweets OR For the correct method but with the wrong answer</td> <td>1 mark</td> </tr> </tbody> </table>	Response	Max 2 marks	For the correct answer: 7 (with or without working shown)	2 marks	For the correct calculation of the total utility derived from consuming 7 sweets OR For the correct method but with the wrong answer	1 mark	2 AO1=1 AO2=1
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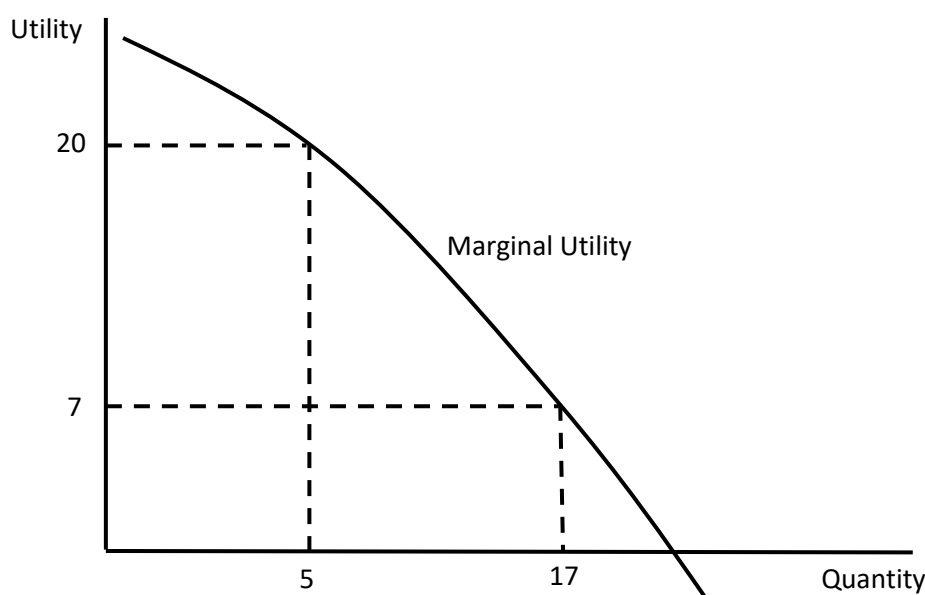
Question	Part	Marking guidance	Total marks
11	4	Explain, using a diagram, the hypothesis of diminishing marginal utility.	4 AO1=2 AO2=2

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> shows good knowledge and understanding of the hypothesis of diminishing marginal utility includes a relevant diagram that will, at the top of this level, be accurate and used appropriately
1	1–2	<ul style="list-style-type: none"> shows some limited knowledge and understanding of the hypothesis of diminishing marginal utility may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects
	0	No creditworthy material

Indicative content:

The expected diagram involves a downward sloping MU curve, otherwise the shape of the curve doesn't matter, for example, a downward-sloping straight line is acceptable. Also accept a bar chart, where the height of the bars is decreasing as the quantity consumed increases.

The diagram does NOT have to include the numbers or the dotted lines, but these may assist the linked explanation.



Acceptable vertical axis labels include: Utility, Marginal Utility, Satisfaction

Acceptable horizontal axis labels include: Quantity, Consumption

An example of an acceptable explanation:

The hypothesis states that as more units of a product are consumed, the extra satisfaction obtained from each extra unit consumed falls. In the diagram, this is shown by a downward-sloping MU curve, illustrating that each extra item provides less satisfaction than previous items. For example, in the diagram the 5th item gives 20 units of utility whereas the 17th item gives 7 extra units of utility.

Credit valid alternative content.

MAXIMUM FOR QUESTION 11: 10 MARKS

Section C

Total for this section: 45 marks

Question	Part	Marking guidance	Total marks
12	1	Explain why changes in world GDP are likely to affect the global production of cars.	4 AO1=1 AO2=1 AO3=2

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> shows sound knowledge and understanding of relevant economic terminology, concepts and principles includes reasonable application of relevant economic principles to support the response includes well-focused analysis with a clear, logical chain of reasoning
1	1–2	<ul style="list-style-type: none"> shows some limited knowledge and understanding of relevant economic terminology, concepts and principles may include some application of relevant economic principles to the question may include some attempted analysis but the analysis is not adequately developed and/or may be confused
	0	No creditworthy material

Indicative content:

- definition of GDP
- explanation of why an increase in GDP means disposable income is likely to be increasing
- cars as a normal good
- significance of the income elasticity of demand for cars
- link between rising world demand for cars and global production
- rising demand for cars will tend to increase prices and profits
- higher prices and profits will encourage firms to increase output/production
- use of demand and supply analysis.

Note: Some candidates may support their answer with a diagram, but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
12	2	To what extent do the data suggest that world GDP affects the global production of cars? Use the data in Extract A to support your answer.	4 AO1=1 AO2=1 AO4=2

Examiners are reminded that AO1, AO2 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the assessment objectives in this question.

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> includes sound evidence that indicates the extent to which changes in world GDP affect the global production of cars includes a supported judgement concerning the extent to which changes in world GDP affect the global production of cars
1	1–2	<ul style="list-style-type: none"> includes some limited evidence that indicates the extent to which changes in world GDP affect the global production of cars may attempt a judgement concerning the extent to which changes in world GDP affect the global production of cars but this is not adequately supported by the data
	0	No creditworthy material

Indicative content:

- increases in world GDP are generally accompanied by increases in the global production of cars and vice versa
- over the whole period, i.e. between 2007 and 2018, world GDP rose from \$84.9tn to \$120.3tn and global car production increased from 53.2 million cars to 70.5 million cars
- there are two years when a rise in world GDP is not accompanied by an increase in global car production, between 2007 and 2008 world GDP rose from \$84.9tn to \$87.3tn but car production fell from 53.2 million to 52.9 million, and between 2017 and 2018 world GDP rose from \$116.8tn to \$120.3tn but car production fell from 73.5 million to 70.5 million
- between 2008 and 2009 world GDP fell from \$87.3tn to \$86.9tn and car production fell from 52.8 million to 47.8 million, supporting the proposition that world GDP and global car production are directly related
- the percentage changes in world GDP and global car production vary, e.g. between 2011 and 2012 world GDP rose by 3.3% and car production rose by 5.3%, however between 2014 and 2015 world GDP rose by 3.4% and car production only rose by 1.0%
- over the whole period world GDP rose by 41.7% and car production rose by 32.5%
- the likely conclusion is that, on balance, the data firmly support the view that changes in world GDP and car production are directly related.

Credit valid alternative content.

MAXIMUM FOR QUESTION 12: 8 MARKS

Question	Part	Marking guidance	Total marks
13		<p>Extract B (line 14) states: ‘Manufacturers have a degree of monopoly power’</p> <p>Explain factors that are likely to affect the degree of monopoly power enjoyed by an individual firm in the car industry.</p>	<p>12</p> <p>AO1=3 AO2=3 AO3=6</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	9–12	<ul style="list-style-type: none"> 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 may include a relevant diagram that is accurate and used appropriately to support their explanation.
2	5–8	<ul style="list-style-type: none"> 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 to support their explanation.
1	1–4	<ul style="list-style-type: none"> 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 diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.
	0	No creditworthy material

Indicative content:

- explanation of monopoly power
- significance of the degree of product differentiation
- significance of branding, brand loyalty and advertising
- significance of product quality and features of the cars
- the number of competitors
- significance of barriers to entry and exit
- degree of substitutability between the firm’s cars and vehicles produced by other firms
- significance of price and cross elasticities of demand.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
14		<p>Extract C (lines 3 - 4) states: ‘The external costs of road transport are well known.’</p> <p>Assess the advantages and disadvantages of various government policies to reduce the damaging effects on the environment that result from the use of cars and other road vehicles.</p>	<p>25</p> <p>AO1=4 AO2=3 AO3=9 AO4=9</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> • 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.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • 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.
3	11–15	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> • 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.
2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown 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.
1	1–5	<p>A very weak response that:</p> <ul style="list-style-type: none"> • 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.

Level	Marks	Descriptor
	0	No creditworthy material

Indicative content:

- explanation of private costs, external costs and social costs
- examples of external costs of road transport
- external costs and their impact on the allocation of resources, leading to overconsumption and overproduction
- policies that governments can use to reduce the environmental costs/external costs resulting from the use of cars and other vehicles, e.g. taxing cars, taxing fuel, subsidising public transport, subsidising electric and hybrid vehicles, banning the use of fossil-fuel powered cars, subsidising investment in electric vehicles and associated technologies, pricing schemes that charge for miles travelled, nudges to encourage people to use less polluting forms of transport
- the advantages and disadvantages of individual policies, e.g. cost of subsidies, revenue raised from taxes, likely effectiveness
- the significance of elasticities
- cost of developing fuel-efficient vehicles
- opportunity cost of state provision of public transport and other subsidies
- the convenience and other benefits to individuals of using cars
- the impact on the distribution of income, inequality and poverty of different policies
- insights from behavioural economics, e.g. the importance of social norms.

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.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
15		<p>A government imposed national minimum wage may increase some people's income but might also reduce employment.</p> <p>Assess the view that a national minimum wage is good for an economy.</p>	<p>25</p> <p>AO1=4 AO2=3 AO3=9 AO4=9</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> • 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.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • 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.
3	11–15	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> • 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.
2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown 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.
1	1–5	<p>A very weak response that:</p> <ul style="list-style-type: none"> • 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.

Level	Marks	Descriptor
	0	No creditworthy material

Indicative content:

- explanation of a national minimum wage (NMW)
- analysis of the impact of a NMW in a competitive labour market
- significance of PED and PES of labour
- why a NMW primarily affects low-wage occupations
- possible secondary effects on the wages of employees earning above the NMW
- analysis of the impact of a NMW in a monopsonistic labour market
- arguments in favour of a NMW include:
 - helps to prevent poverty and reduce inequality
 - reduces the exploitation of workers
 - firms may invest in training to increase labour productivity
 - may increase motivation, boosting productivity
 - may reduce labour turnover, cutting recruitment and retraining costs
- arguments against a NMW include:
 - may lead to job losses and higher unemployment as capital replaces labour
 - increases firms costs, particularly in labour-intensive industries, leading to price rises, falling demand and job losses
 - job losses are likely to be higher for low-skilled workers who may be from low-income households
 - the adoption of new technologies, such as artificial intelligence, may mean job losses increase in the future
 - administrative costs of enforcement and prosecuting those firms who break the law
 - adds to cost-push inflationary pressures
 - may reduce international competitiveness
- impact on labour market flexibility and the supply side of the economy
- impact on FDI
- the significance of the level at which the NMW is set
- arguments relating to labour market failures
- arguments relating to government failure
- evidence about the effects of a NMW from any economy that has a NMW.

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.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
16		<p>Critics of state ownership believe that the government is less effective at promoting innovation and less efficient than a private company. Others argue that firms in the private sector aim to make profits for their shareholders and will charge higher prices.</p> <p>The electricity supply industry produces, distributes and sells electricity to households and firms.</p> <p>Discuss the case for and against government ownership of the electricity supply industry.</p>	<p>25</p> <p>AO1=4 AO2=3 AO3=9 AO4=9</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> • 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.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • 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.
3	11–15	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> • 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.
2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> • includes some limited knowledge and understanding of economic terminology, concepts and principles is shown 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.
1	1–5	<p>A very weak response that:</p>

Level	Marks	Descriptor
		<ul style="list-style-type: none"> • 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.
	0	No creditworthy material

Indicative content:

- explanation of government ownership
- the electricity supply industry as a natural monopoly
- economies of scale in the electricity supply industry
- arguments in favour of having the industry owned by the government
 - should operate in the public interest
 - prevent the abuse of monopoly power
 - can fully exploit economies of scale, likely to have a large MES
 - more likely to take externalities into account
 - can charge prices that reflect the marginal social cost
 - doesn't have to pay dividends to the owner
 - any profit earned can be re-invested or given to the government to finance public spending
 - the government can consider long-run costs and benefits rather than short-run profits
 - the government may find it easier to raise finance for expensive long-term investment
 - the industry provides a vital service for individuals and the economy as a whole, the government may be in a better position to plan for the long term (strategic argument)
 - could subsidise the industry to keep prices low for an essential service
- arguments against having the industry owned by the government
 - the industry can't go bankrupt and hence there is no incentive to be efficient (moral hazard and X-inefficiency)
 - the lack of a profit motive may lead to little incentive for invention, innovation (dynamic inefficiency)
 - any losses have to be paid for by tax-payers
 - private companies can raise funds for investment on capital markets whereas governments may starve the industry of funds, particularly when there is a budget deficit and other government services are competing for funds
 - government ownership may lead to a costly bureaucratic organisation
 - may be excessive intervention by the government in the running of the industry, perhaps for political reasons
 - the possibility of corruption
- equity arguments
- government failure and market failure arguments.

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.

Credit valid alternative content.

Assessment Objective grid

	A01	A02	A03	A04	Total
Section A					
01	1				1
02	1				1
03		1			1
04			1		1
05	1				1
06		1			1
07		1			1
08		1			1
09		1			1
10	1				1
Section B					
11.1	2				2
11.2	1	1			2
11.3	1	1			2
11.4	2	2			4
Section C					
12.1	1	1	2		4
12.2	1	1		2	4
13	3	3	6		12
14	4	3	9	9	25
Section D					
15 and 16	4	3	9	9	25
Unit total	23	20	27	20	90

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