# Mark Scheme (Results)

# Summer 2023

International A Level in

Economics (WEC11)

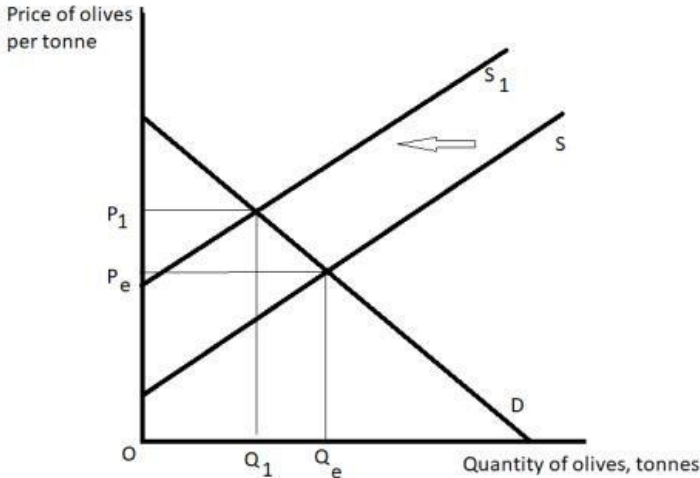Unit 1: Markets in action

**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.

**Section A**

| Question | Quantitative skills assessed | Answer | Mark |
|---|---|---|---|
| 1 | | **The only correct answer is A**<br><br>**B** is not correct because private goods are excludable<br>**C** is not correct because private goods are rival<br>**D** is not correct because this describes a public good | **(1)** |
| 2 | **QS8**: Make calculations of elasticity and interpret the result<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is D**<br><br>**A** is not correct because legal constraints on production will affect elasticity of supply<br>**B** is not correct because large stocks will affect elasticity of supply<br>**C** is not correct because a product with many substitutes will result in highly elastic demand | **(1)** |
| 3 | **QS8**: Make calculations of elasticity and interpret the result<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is B**<br><br>**A** is not correct because the PED value is between -1 and -infinity<br>**C** is not correct because there is no data on the change in income<br>**D** is not correct because there is no data on the change in income | **(1)** |
| 4 | **QS4**: Construct and interpret a range of standard graphical forms<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is C**<br><br>**A** is not correct because both consumer surplus and price will increase<br>**B** is not correct because consumer surplus will increase<br>**D** is not correct because price will increase | **(1)** |
| 5 | **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is C**<br><br>**A** is not correct because if consumers experienced inertia they would not have used the energy to cancel their subscription<br>**B** is not correct because if consumers experienced habitual behaviour they would keep their Amazon subscription<br>**D** is not correct because rational consumers maximise their utility by switching | **(1)** |

| 6 | **QS8**: Make calculations of elasticity and interpret the result<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | **The only correct answer is D**<br><br>**A** is not correct because demand for battery electric vehicles will increase<br>**B** is not correct because the demand for hybrid vehicles will increase by 3.2%<br>**C** is not correct because the demand for hybrid vehicles will increase by 1.6% | **(1)** |
|---|---|---|---|

**Section B**
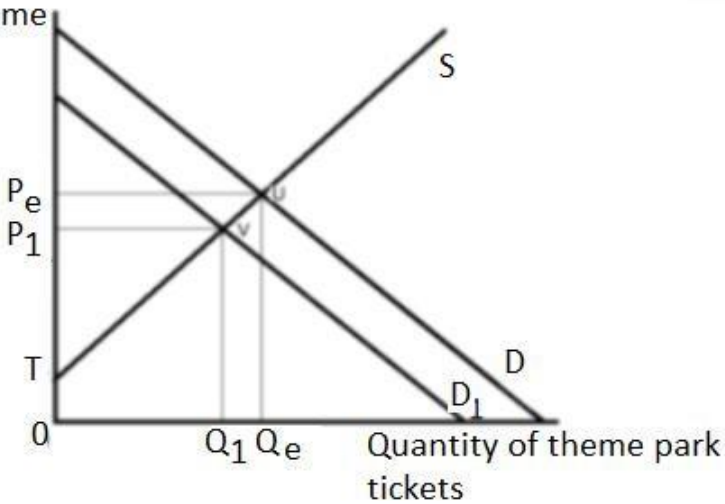
| Question | Draw a diagram to illustrate the likely impact of this change on the world market for olives. | Mark |
|---|---|---|
| | **Answer** | |
| 7 | **Knowledge 1, Application 3** | |

**Quantitative skills assessed:**
**QS4**: Construct and interpret a range of standard graphical forms.
**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

**Knowledge**

1 mark for showing knowledge on diagram
• Original supply and demand curves with correctly labelled axis **(1)**

**Application**
Up to 3 marks for the following information included on diagram:
• Original equilibrium price and quantity **(1)**
• Supply curve shifted to the left **(1)**
• New equilibrium price and quantity following the correct shift in supply **(1)**



**(4)**

| Question | With reference to the Maldives, explain the difference between 'market failure' and 'government failure'. | Mark |
|---|---|---|
| | **Answer** | |
| 8 | **Knowledge 2, Application 2** | |
| | Quantitative skills assessed: | |
| | **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. | |
| | **Knowledge** | |
| | 1 mark for understanding of 'market failure' | |
| | • Where the price mechanism/ supply and demand/ buyers and sellers lead to an inefficient allocation of resources/ misallocation of resources **(1)** | |
| | 1 mark for understanding of 'government failure' | |
| | • Where government intervention leads to a net welfare loss/ a worse allocation of resources **(1)** | |
| | **Application** | |
| | 1 mark for reference to data on market failure | |
| | • Market failure – under-provision of public goods/ under-investment in flood defences **(1)** | |
| | 1 mark for reference to data on government failure | |
| | • Government failure - excessive administrative costs/required to complete extensive paperwork **(1)** | |
| | | **(4)** |

| Question | Explain **one** microeconomic reason why people might have unnecessary operations in the USA. | Mark |
|---|---|---|
| | **Answer** | |
| 9 | **Knowledge 1, Application 1, Analysis 2** | |
| | Quantitative skills assessed: | |
| | **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. | |
| | **Knowledge** | |
| | 1 mark for understanding e.g.: | |
| | • Asymmetric information- where one economic agent has more information than another/ where the producer has more information than the consumer | |
| | **Or** | |
| | • Information gap- where information is not available to the consumer | |
| | **Application** | |
| | 1 mark for applying to unnecessary operations e.g.: | |
| | • $200 billion per year spent on unnecessary operations **(1AP)** | |
| | **Analysis** | |
| | up to 2 marks for linked expansion | |
| | • Doctors use their superior knowledge **(1AN)** to recommend surgeries/operations that the patient may not need **(1AN)** | |
| | • Consumers are not aware of whether they need the operations **(1AN)** as they do not have medical training **(1AN)** | |
| | • The private health insurance model in the USA provides an incentive to complete unnecessary operations **(1AN)** as it is an insurance company, not the patient who will pay/ which will increase revenue for the health provider **(1AN)** | |
| | • Consumers may be more willing to have operations **(1AN)** as their insurance provider is paying **(1AN)** | |
| | **NB moral hazard is a reason for people taking more risks leading to more operations and not more unnecessary operations** | **(4)** |

| Question | Ceteris paribus, calculate the income elasticity of demand for cinema tickets. Show your working. | Mark |
|---|---|---|
| | **Answer** | |
| **10** | **Knowledge 1, Application 3** | |
| | Quantitative skills assessed: | |
| | **QS8:** Make calculations of elasticity and interpret the result. | |
| | **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms | |
| | **Knowledge** | |
| | 1 mark for definition/the formula for income elasticity of demand | |
| | % change in quantity demanded | |
| | % change in income          **(1)** | |
| | **Application** | |
| | Up to 3 marks for calculations: | |
| | • Change in quantity | |
| | 7.6-4.7=2.9 | |
| | Change in quantity ÷ original quantity x 100 | |
| | 2.9÷4.7 x 100= 61.70   **(1)** | |
| | • Change in income | |
| | 4 166-4 022= 144 | |
| | Change in income÷ original income x 100 | |
| | 144÷4 022 x 100= 3.58 **(1)** | |
| | % change in quantity demanded | |
| | % change in income | |
| | 61.70÷3.58 | |
| | = 17.23 **(1)** | |
| | **NB: if correct answer (e.g. 17.23 to 2 d.p.) is given, award full marks regardless of working.** | |
| | **Accept reasonable rounding from full calculation or from earlier stages in calculation i.e. 17.2** | |
| | **(61.7021277÷3.58030383= 17.2337686)** | |
| | **Award 3 if % sign is added to correct YED value** | |
| | | **(4)** |

| Question | *Ceteris paribus*, explain the likely impact of this decrease in visitor numbers on the producer surplus for Legoland. | Mark |
|---|---|---|
| | **Answer** | |
| **11** | **Knowledge 1, Application 1, Analysis 2** | |

Quantitative skills assessed:

**QS4**: Construct and interpret a range of standard graphical forms

**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

**Knowledge**

- 1 mark for definition of producer surplus e.g.:

Producer surplus – the difference between the price charged and the price the firm is willing to sell at/above the supply line and below the equilibrium price **(1)**

**Application**

1 mark for shifting demand to the left **(1)**



**Analysis**

Up to 2 marks for showing the change in producer surplus

Original producer surplus decreased from $P_eUT$ **(1)** to $P_1VT$ **(1)**

**Or**

Producer surplus decreases **(1)** by $P_eP_1VU$ **(1)**

Shaded reduction in producer surplus **(1)**

**(4)**

**Section C**

| Question | Define the term 'supply'. (Extract A, line 8) | Mark |
|---|---|---|
| | **Answer** | |
| **12 (a)** | **Knowledge 2** <br> Up to 2 marks for defining 'supply', e.g.: <br><br> • The amount/quantity firms are willing to sell/ The amount of goods firms make available for sale **(1)** <br> • At any given price/in a time period/ for consumers to purchase in the market **(1)** <br><br> • 'The global supply of energy produced from renewable resources is expected to increase by 8% in 2022' **(1)** | |
| | | **(2)** |

| Question | With reference to Extract A, explain **one** advantage of Apple using energy produced from renewable resources.<br><br>**Answer** | Mark |
|---|---|---|
| **12 (b)** | **Knowledge 2 Application 2**<br><br>Quantitative skills assessed:<br><br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br><br>**Knowledge**<br>1 mark for understanding of renewable resources:<br>• A resource that once used can be reused/used again and again/ Supply is unlimited/ infinite resource **/** Resource once used will regenerate quickly **(1)**<br><br>1 mark for an advantage<br>• Renewable energy is often cleaner/less polluting than non-renewables/fossil fuels **(1)**<br>• Will help reduce carbon emissions/external costs associated with non-renewable resources **(1)**<br>• Renewable resources do not use up/deplete the resource like non-renewable do **(1)**<br>• Prices of renewable resources are likely to be more stable than those of non-renewable resources **(1)**<br>• Demand for Apple products may rise if it is seen as an environmentally friendly business **(1)**<br><br><br>**Application**<br>Up to 2 marks for application:<br>• In 2020 100% of the energy used directly by Apple was from renewable resources **(1)**<br>• 213 of its suppliers had agreed to use only renewable resources to power production of Apple's products **(1)**<br>• Investment in a 2 300 acre solar project in Texas **(1)**<br>• A data centre in Denmark is powered by a solar park and wind farm **(1)**<br>• Supplier Keiwa in Japan will take its renewable energy from a wind farm **(1)** | **(4)** |

| Question | With reference to Figure 1 and Extract B, analyse **two** reasons why the 'world price of lithium increased by 191%' (Extract B, line 2).<br><br>Illustrate your answer with a supply and demand diagram<br><br>**Answer** | Mark |
|---|---|---|
| 12 (c) | **Knowledge 2, Application 2, Analysis 2**<br>Quantitative skills assessed:<br>**QS4:** Construct and interpret a range of standard graphical forms<br>**QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br><br>**Knowledge**<br>Up to 2 marks for the diagram showing:<br>• Original demand, supply and equilibrium price and quantity **(1)**<br>• New demand, supply and higher equilibrium price and quantity **(1)**<br><br>**Analysis**<br>Up to 2 marks for analysis linked to Extract B e.g.:<br>• Demand increased by significantly more than supply **/**<br><span style="color:red">Supply is relatively price inelastic</span> **(1)**<br>• With rising gas and oil prices many consumers are switching from traditional fuel cars to electric-powered cars. These require lithium in the batteries **/**<br>In China electric vehicle sales increased by 157.5% in 2021 **/**<br>Globally electric vehicle sales increased by 108%/to 6.75m in 2021 **(1)**<br>• Sales of Smartphones, which use lithium batteries, also increased by 11.4% in 2021/to 1.5bn **(1)**<br><br>**Application**<br>2 marks for diagram **OR** 1 mark for diagram and 1 mark for reference to Figure 1:<br>• Shift demand to the right **(1)**<br>• Shift supply to the right **(1)**<br>• Reference to Figure 1- e.g. October 2021 price was 180 000 yuan and in October 2022 510 000 yuan/ an increase of about 330 000 yuan **(1)**<br><br><br><br>4 mark diagram            3 mark diagram | |
| | | **(6)** |

| Question | With reference to the last paragraph of Extract C, examine **two** likely effects on smartphone manufacturers of the growth in the market for refurbished smartphones. | Mark |
|---|---|---|
| | **Answer** | |
| 12(d) | **Knowledge 2, Application 2, Analysis 2, Evaluation 2** | |

Quantitative skills assessed:
**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms

**Knowledge and Analysis**

Up to 2 marks for identifying two effects (K) and up to 2 marks for linked explanation (AN), e.g.:

- New smartphone manufacturers lose revenue **(1K)** as consumers substitute to refurbished smartphones **(1AN)**
- New smartphone manufacturers achieve lower profit/producer surplus **(1K)** as the demand for new smartphones decreases **(1AN)**
- Manufacturers of refurbished smartphones gain revenue **(1K)** as consumers look to save money by purchasing the cheaper alternative **(1AN)**
- Manufacturers of refurbished smartphones achieve higher profit/producer surplus **(1K)** they purchase the phones and sell them at a higher price **(1AN)**
- Manufacturers of new smartphones have the incentive to encourage customers to return their smartphones after use **(1K)** and then refurbish these to add to the firms total revenue **(1AN)**

**Application**
Up to 2 marks for reference to Extract A, e.g.:
- The market for smartphones that have been refurbished is forecast to be worth $65 billion by 2024 **(1)**
- Typically, a consumer can sell a one-year-old smartphone for 50% of its original price **(1)**
- The manufacturer can sell the same refurbished smartphone for 80% of its original price **(1)**
- Unwanted smartphones in developed countries are desired in emerging countries **(1)**

**Evaluation**
Up to 2 marks for evaluative comments (2+0 or 1+1), e.g.:

- We do not know how this value compares to revenues generated by producing new smartphones **(1+1)**
- There may be other external costs involved in refurbishment that manufacturers do not take account of **(1+1)**
- The consumers may find reliability issues/inferior product compared to new models **(1+1)**
- Profits may be limited by production requiring a large amount of labour **(1+1)**

**(8)**

| Question | With reference to Extract C, discuss the microeconomic effects of the increase in smartphone manufacturing between 2011 and 2021. Refer to external costs in your answer.<br><br>Illustrate your answer with an externalities diagram. |
|---|---|
| **12(e)** | **Indicative content guidance**<br>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.<br>The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.<br><br>**Quantitative skills assessed**<br>**QS4**: Construct and interpret a range of standard graphical forms<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br><br>**Knowledge, Application and Analysis (8 marks) – indicative content**<br><br><ul><li>External costs- negative impacts on third parties</li><li>Between 2011 and 2021 smartphone production increased from 472 million to 1 433 million - Increase of 961 million by 2022</li><li>By 2022 globally 4.5 billion people owned a smartphone</li><li>In 2022 smartphones will produce 146 million tonnes of $CO_2$ emissions. These emissions are produced by manufacturing, transportation, usage, refurbishing and recycling of smartphones</li><li>Additional global carbon emissions contribute to global warming e.g. those living on coast at risk of flooding/farmers face drought conditions or floods</li><li>Iron, aluminium and copper are the most common metals used- huge amounts of liquid and solid waste e.g. this causes pollution which reduces house values of those living nearby</li><li>In 2015 the waste at an iron ore mine spilled in Minas Gerais, Brazil releasing 33 billion litres of waste e.g. this may have a negative impact on the fish and the fishing industry/farmers land destroyed which reduces income of farming sector</li><li>Gold mining is a major cause of deforestation-impacts people/farmers as flooding more common/humans affected by reduced oxygen levels/reduces biodiversity/reduces supply of future medicines</li></ul> |

Costs and benefits
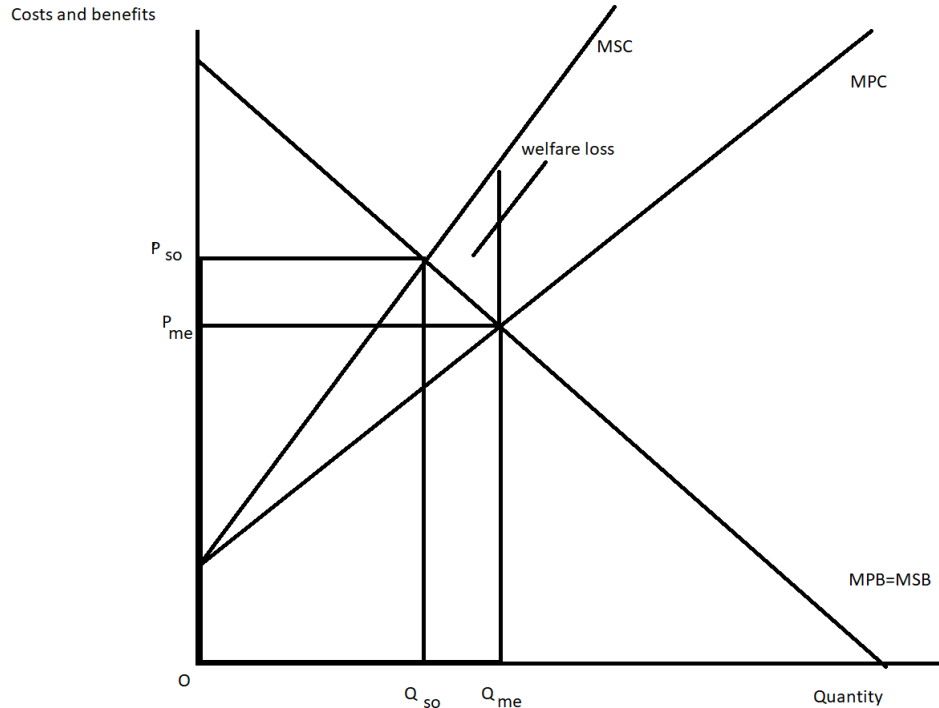


- Diagram showing MSC above MPC
- $Q_{me}$ greater than $Q_{so}$ shows over-production
- $P_{me}$ lower than $P_{so}$ shows price paid is below social optimum
- Welfare loss triangle due to third party impacts
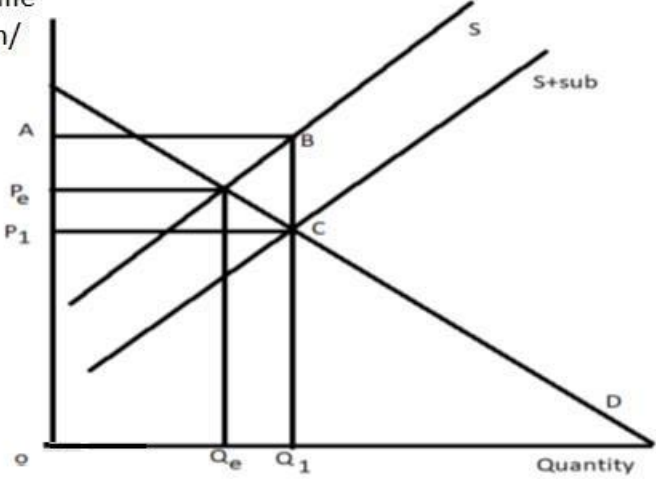
**NB Maximum Level 1 if no reference to external costs**
**NB Maximum Level 2 if no externalities diagram**
**NB KAA may be presented as positives and negatives as evaluation or vice versa.**

| G | Mark | Descriptor |
|---|---|---|
| | 0 | No rewardable material |
| **Level 1** | 1–3 | Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.<br>Use of generic material or irrelevant information or inappropriate examples.<br>Descriptive approach, which has no chains of reasoning. |
| **Level 2** | 4–6 | Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models.<br>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer.<br>Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted. |
| **Level 3** | 7–8 | Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.<br>Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question.<br>Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence. |

**Evaluation (6 marks) – indicative content**

- Magnitude- a wide range of significant costs
- 0.5% of total carbon emissions- small relative to other sectors/a significant impact
- Smartphones are being used for longer- reducing the number of new smartphones that will be needed
- Refurbished smartphone market is forecast to grow reducing the need to manufacture new smartphones.
- Difficult to measure the size/value of external costs
- External benefits- creates employment/reduces information gaps
- The metals e.g. gold/iron are used in other sectors so external costs cannot all be attributed to smartphone manufacturing
- If smartphone manufacturers use renewable sources this will reduce size of external costs as less fossil fuels used

| Level | Mark | Descriptor |
|---|---|---|
| | 0 | No rewardable material. |
| **Level 1** | 1–2 | Identification of generic evaluative comments. <br> No supporting evidence/reference to context. <br> No evidence of a logical chain of reasoning. |
| **Level 2** | 3–4 | Evidence of evaluation of alternative approaches. <br> Some supporting evidence/reference to context. <br> Evaluation is supported by a partially-developed chain of reasoning. |
| **Level 3** | 5–6 | Evaluation recognises different viewpoints and/or is critical of the evidence. <br> Appropriate reference to evidence/context. <br> Evaluation is supported by a logical chain of reasoning. |

## Section D

| Question | Commuters in Bursa, Turkey, spent an average of 82 hours in traffic congestion in 2021. This was a 75% increase compared with 2019.<br><br>Evaluate possible methods of intervention that the Turkish Government could introduce to reduce traffic congestion.<br><br>Include at least one diagram in your answer. |
|---|---|
| **13** | **Quantitative skills assessed**<br>**QS4**: Construct and interpret a range of standard graphical forms<br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br><br>**Indicative content guidance**<br>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.<br>The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.<br><br>**Knowledge, application and analysis (12 marks) – indicative content**<br>Possible measures include:<br><ul><li>Subsidies-cash grant for alternatives- e.g. freight/passenger trains/buses/trams/planes to reduce pressure on roads<ul><li>Lowers costs of production</li><li>Shifts supply to the right S to S+sub</li><li>Decreases price charged to businesses/consumers $P_e$ to $P_1$</li><li>Increases quantity of train/air travel available to businesses/consumers, $Q_e$ to $Q_1$</li><li>Cost of subsidy to the government $ABCP_1$</li><li>Reduces road use by passengers/businesses- traffic congestion reduces</li></ul></li></ul><ul><li>Increase in indirect taxation- expenditure tax charged on fuel/cars<ul><li>Increase costs of production</li><li>Shifts supply to the left, S to $S_1$</li><li>Increased equilibrium price charged to consumers $P_e$ to $P_1$</li></ul></li></ul> |

- o Decreases equilibrium quantity of fuel/cars for consumers, $Q_e$ to $Q_1$
- o Tax revenue received by the government $ABCP_1$
- o Reduces road use/traffic congestion
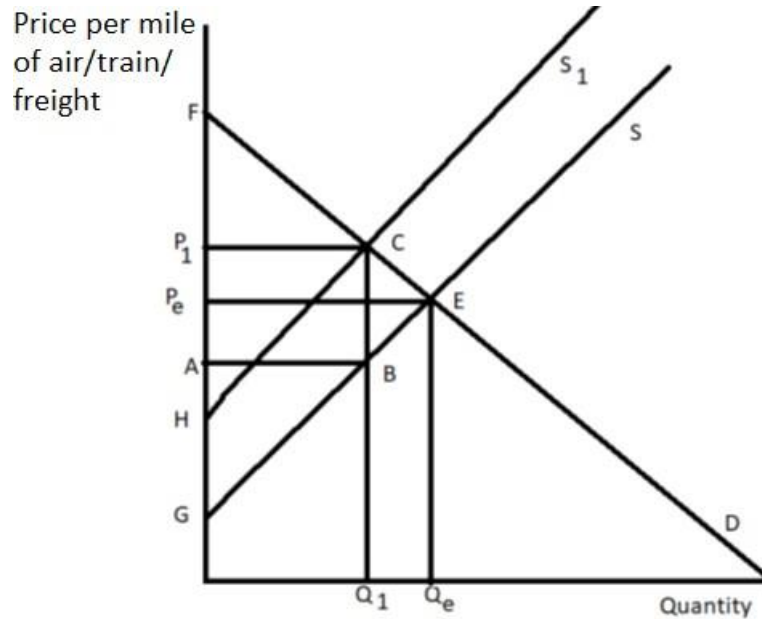


- Road pricing- charging consumers to use roads- this will add to the costs of driving. With higher costs of driving, individuals might find alternatives cheaper and incentivise using alternative vehicles that are not charged e.g. bicycles/trains

Accept other relevant measures that help reduce congestion e.g.
- spending on roads- more lanes
- spending on rail network/buses
- provision of information to help consumers avoid traffic/congestion
- encourage remote/home working- giving firms incentives to support home working so people do not need to travel
- toll roads
- congestion charges
- higher level of minimum price resulting in contraction of demand
- Regulation to ban vehicles

Accept externalities diagram to illustrate effects of methods of intervention

**NB Level 4 requires at least one relevant diagram**
**Level 4 requires at least two methods**

| Level | Mark | Descriptor |
|---|---|---|
|  | 0 | No rewardable material. |
| **Level 1** | 1–3 | Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. |
|  |  | Use of generic material or irrelevant information or inappropriate examples. |
|  |  | Descriptive approach which has no chains of reasoning. |
| **Level 2** | 4–6 | Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. |

| | | Limited application of knowledge and understanding to economic problems in context.<br><br>A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence. |
|---|---|---|
| **Level 3** | 7–9 | Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models.<br><br>Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted. |
| **Level 4** | 10–12 | Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models.<br><br>Ability to link knowledge and understanding in context, using appropriate examples which are fully integrated to address the broad elements of the question.<br><br>Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence. |
| | | **Evaluation (8 marks) – indicative content**<br>• Subsidies-<br>    o Depends on size of the subsidy as to the impact on price<br>    o Firms in receipt of subsidy may become complacent<br>    o If traffic is a significant/long-term problem, then subsidies needed for a long time<br>    o Subsidy represents an opportunity cost- money could be spent elsewhere<br>    o Information failure- government does not know the ideal level of the subsidy<br>    o Government failure- government intervention leads to a net welfare loss<br><br>• Indirect taxation-<br>    o Depends on the size of the tax increase<br>    o Highly inelastic demand for fuel/cars means relatively small impact on quantity<br>    o Information failure- government may not know the ideal rate of taxation<br>    o Government failure- if it leads to net welfare loss<br><br>• Road pricing-<br>    o Depends on level at which road charges are set<br>    o Depends on the price difference with alternatives<br>    o Roads nearby without road pricing may become busier which just moves the congestion<br>    o Inelastic demand for using cars may limit the change in quantity demanded<br>• Any measures to reduce traffic may be offset by increases in the number of drivers<br>• Any policy to build capacity has a time delay and in fact may worsen traffic whilst construction occurs<br>• External costs associated with construction<br>• Opportunity costs with investment in roads/rail<br>• Technology should improve over time helping consumers to avoid traffic/congestion |

|  |  | • Bus or train alternatives may be slower and people end up spending a much time travelling to work<br>• Following the global health crises significant numbers have continued to work remotely-reduces the need to commute |
|  |  | Accept evaluation of other measures that reduce price or help consumers |
| Level | Mark | Descriptor |
| --- | --- | --- |
|  | 0 | No rewardable material. |
| **Level 1** | 1–3 | Identification of generic evaluative comments.<br>No supporting evidence/reference to context.<br>No evidence of a logical chain of reasoning. |
| **Level 2** | 4–6 | Evidence of evaluation of alternative approaches.<br>Some supporting evidence/reference to context.<br>Evaluation is supported by a partially-developed chain of reasoning. |
| **Level 3** | 7–8 | Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement.<br>Appropriate reference to evidence/context.<br>Evaluation is supported by a logical chain of reasoning. |

| Question | Between May 2021 and May 2022 some global commodity prices increased significantly. For example: <ul><li>fuel prices increased by 83.8%</li><li>food prices increased by 23.6%</li><li>beverage (drink) prices increased by 20.3%.</li></ul> Evaluate possible methods of government intervention that might reduce the impact of increasing commodity prices.<br>Include at least one diagram in your answer. |
|---|---|
| **14** | **Quantitative skills assessed**<br>**QS4**: Construct and interpret a range of standard graphical forms<br><br>**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.<br><br>**Indicative content guidance**<br>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.<br>The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.<br><br>**Knowledge, application and analysis (12 marks) – indicative content**<br><ul><li>Subsidies-cash grant for producers<ul><li>Lowers costs of production</li><li>Shifts supply to the right S to S+sub</li><li>Decreases price charged to consumers $P_e$ to $P_1$</li><li>Increases quantity of commodity consumed, $Q_e$ to $Q_1$</li><li>Cost of subsidy to the government $ABCP_1$</li></ul></li></ul>  <br>Reduce taxation on commodities<br><br><ul><li>Indirect tax- expenditure tax</li><li>Increase supply S to $S_1$</li></ul> |

- Reduces costs of production
- Results in reduced price P to $P_1$
- Increases quantity of commodity, $Q_e$ to $Q_1$
- Reduced tax revenue for the government

Price per kg

S

$S_1$

$P_e$

$P_1$

D

$Q_e$  $Q_1$

Quantity
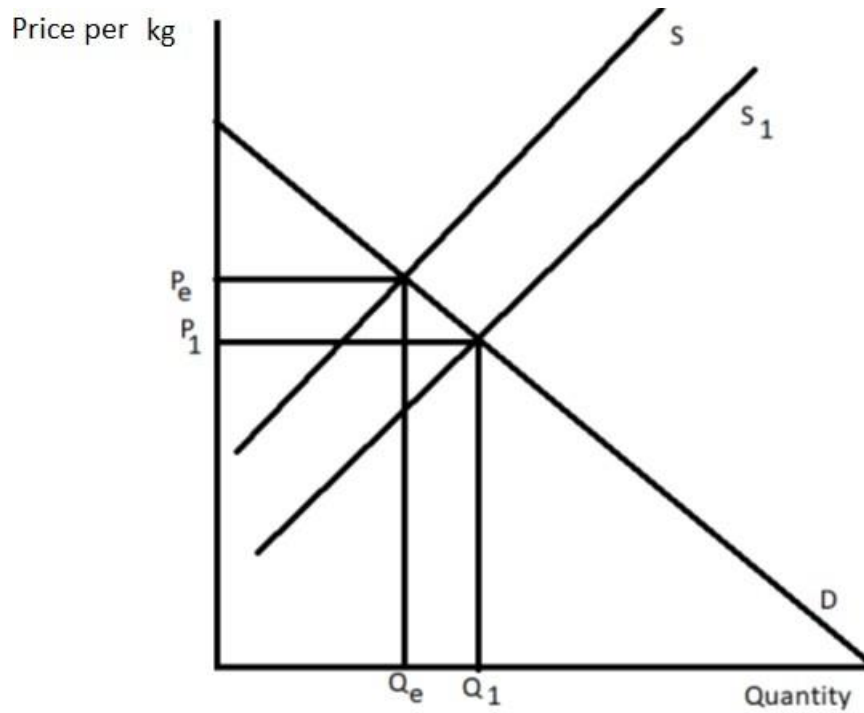
Introduce maximum price
- Maximum price is a price ceiling above which firms cannot charge
- Maximum price set below the equilibrium price
- Price paid is reduced
- Makes the product more affordable
- Leads to an extension of demand
- Results in higher quantity demanded
- Leads to a contraction in supply
- Results in lower quantity supplied
- Creates a disequilibrium
- Excess demand results

Accept other interventions e.g.
- State provision- nationalising suppliers
- Cash payments to households/businesses

**NB Level 4 requires at least one relevant diagram**
**Level 4 requires at least two methods**

| Level | Mark | Descriptor |
|---|---|---|
| | 0 | No rewardable material. |
| **Level 1** | 1–3 | Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning. |
| **Level 2** | 4–6 | Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence. |
| **Level 3** | 7–9 | Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted. |
| **Level 4** | 10–12 | Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. |

| | | Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence. |
|---|---|---|

**Evaluation (8 marks) – indicative content**

- Magnitude of the increase in price is large- so significant subsidies/tax cuts needed
- Opportunity costs associated with government spending
- The intervention may need to last a long time if prices stay high
- Food manufacturers and farmers may absorb some of the decreases in costs from subsidies and not hand on price decreases
- Price elasticity of demand- if inelastic there will be only small changes in quantity but large reductions in price
- Volatile prices so may well fall rapidly without government intervention
- Government difficulty in controlling commodity prices when they have a global price
- Risk of government failure- government intervention leads to net welfare loss:
  - information gaps result in wrong level of subsidy/tax/maximum price
  - lack of incentives for firms and consumers to reduce demand as reduction in price in the case of subsidies
  - unintended consequences
  - excessive administrative costs

| Level | Mark | Descriptor |
|---|---|---|
| | 0 | No rewardable material. |
| **Level 1** | 1–3 | Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning. |
| **Level 2** | 4–6 | Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning. |
| **Level 3** | 7–8 | Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning. |