Mark Scheme

	Question		Answer/Indicative content	Marks	Guidance
1	a		**Explain what is meant by 'competitive supply'.** The ability to produce different / alternative products (1) using the factors of production / inputs / resources (1) so that to increase the supply of one good requires a reduction in the supply of the alternative (1).	2	Annotate with ✔ <u>Examiner's Comments</u> Many candidates did not provide a clear definition, often providing definitions of competitive demand or joint supply.
	b		**Explain, using an appropriate diagram, the situation in the housing market described in lines 1-3.** 	4	Lines 1 – 3: *Between August 2020 and August 2021, average house prices in the UK rose from £239000 to £280825. 2021 was a record year for house sales in the UK. Very high demand continued, with many in the market saying that there is considerable shortage in supply.* Annotate with ✔ Up to 2 marks for a diagram which shows: • correctly labelled demand and supply diagram (1) • rightward shift in demand (1) • excess demand / shortage ($Q^1 - Q^2$) below the equilibrium price (1) *NB the disequilibrium may be shown before or after a shift in demand* Up to 2 marks for explaining that: • current price likely to be below market equilibrium price (1) • there is a shortage / quantity demanded > quantity supplied (1) which putting upward pressure on prices (1) <u>Examiner's Comments</u> Most candidates achieved the 2 diagram marks on this question. However, many did not recognise that the shortage in supply (disequilibrium) was causing the increase. Some candidates incorrectly illustrated the shortage with a shift inward of supply.

Mark Scheme

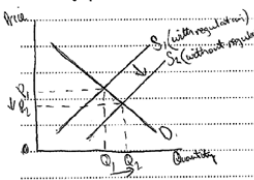|	Question		Answer/Indicative content	Marks	Guidance
	c	i	Calculate the percentage change in average house prices between August 2020 and August 2021. Using Fig. 1: • ((138 – 125) / 125) x 100 (1) • (13 / 125) x 100 (1) • 10.4% • Accept any answer in the range 10.3% to 11.3% Using the information in lines 1 – 2: • ((£280,825 - £239,000) / £239,000) x 100 (1) • (£41,825 / £239,000) x 100 (1) • 17.5% (1)	2	Annotate with ✅ Candidates can calculate the % change using either the information in Fig. 1 or in Lines 1 – 2 Award 2 marks for an answer of 17.5% or 10.4% (accept answers in the range 10.3% - 11.3%) with or without workings shown Award 1 mark for correct working but incorrect answer <u>Examiner's Comments</u> Most candidates correctly calculated a percentage change. There were two approaches to gaining the marks this year: via the quantitative data in Fig. 1 and via the text lines 1-2.
		ii	Compare the trend in average house prices and rental prices between February 2015 and August 2021. • Both average house prices and rental prices have increased (1) • Average house prices increased at a faster rate than rental prices (1) • Rental prices increased by approximately 11% (1) • Average house prices increased by approximately 38% (1) • Average house prices have increased about three times more than rental prices (1) • Average house prices have been more volatile than rental prices (1)	2	Annotate with ✅ <u>Examiner's Comments</u> Two clear comparative statements were required for 2 marks. Most candidates were able to access both marks.

Question			Answer/Indicative content	Marks	Guidance
	d		Evaluate, using evidence from the stimulus material, the effectiveness of reducing regulation, such as planning permission, in order to increase the supply of housing and tackle the shortage of housing in the UK. **Level 2 (5–8 marks)** **Good knowledge and understanding** of relevant economic idea(s), principle(s) or model(s) **Good application** of economic concepts to the context and scope of the question, or some good use of data where appropriate. **Strong analysis** of the question characterised by consistently well-developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis. **Strong evaluation** of different perspectives on the question characterised by well-developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement. **Level 1 (1–4 marks)** **Reasonable knowledge and understanding** of relevant economic idea(s), principle(s) or model(s) **Reasonable application** of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate. **Reasonable analysis** of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response. **Limited evaluation** of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a stated judgement or the absence of a judgement. **0 mark**		The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation. Knowledge and understanding • regulation involves the use of rules to control or influence consumption and production in a market Application Application of economic ideas • entry barriers • entry of new firms • demand and supply analysis • innovation and dynamic efficiency Relevant context • "planning permission is no longer required to convert commercial buildings, such as shops, restaurants and gyms, into homes" • John Lewis is closing stores and has "announced plans to convert some of its closed stores to create 100,000 new homes" • the City of London Corporation is "planning to convert empty office space into 1,500 homes" • other regulations remain in place and "mean that all new homes must be of a high quality and meet legal space standards and building regulations" • concerns about the concentration of power in the housebuilding industry with firms acting as a cartel to slow down construction and control competition Analysis • reducing regulations lowers entry barriers • this encourages innovation and new firms to enter the market to construct new homes • this increases market supply of new homes • this reduces excess demand and the shortage of houses Evaluation

Question				Answer/Indicative content	Marks	Guidance
				Response is not worthy of credit		• may take time to build new homes and / or convert buildings from other uses • effectiveness may be restricted by ownership of land by large housebuilders • regulations remain in place which may restrict the ability to convert buildings into new homes – quality standards and building regulations • new housing may be built but it may not be attractive to consumers if there is a lack of infrastructure eg roads, schools and healthcare facilities • trade–offs – increased supply of housing means less supply of commercial property **Possible judgements** • depends on the cost of conversion • depends on the ability for firms to make profit from the construction of new homes • depends on the behaviour of large firms in the market who may restrict competition • a better way to increase supply might be subsidies for the construction industry / new startups <u>Examiner's Comments</u> Candidates were required to explain why supply would increase rather than just state that it would. Providing clear, developed chains of reasoning are key to success in this question. In the evaluation, candidates needed to consider the factors that influenced whether supply would increase, or factors that meant an equilibrium in the marketplace was still unlikely to be reached. For example, the quantity of houses might increase but whether the shortage persists depends on affordability/availability of infrastructure. Many candidates identified problems such as lost commercial buildings or lack of infrastructure but did not use these points to explain why this would not reduce the shortage. Candidates are required to provide a balanced discussion with a clear judgement. The question directs candidates to use evidence from the stimulus. This should be more than just

Question			Answer/Indicative content	Marks	Guidance
					copying from the extract. Exemplar 1 In Exemplar 1, this candidate achieves strong analysis as there are more than two chains of reasoning that link and explain how deregulation reduces barriers to entry, so reduces costs, which increases incentives, which increases supply (illustrated with a correct diagram) and then links back to explain how this will address the shortage.
	e		Evaluate, using evidence from the stimulus material, the extent to which the UK housing market can be considered to be an oligopoly. Level 3(9–12 marks) Good knowledge and understanding of relevant economic idea(s), principle(s) or model(s). Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate. Strong analysis of the question characterised by consistently well–developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis. Strong evaluation of different perspectives on the question characterised by well–developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a		The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation. **Knowledge and understanding** • characteristics of oligopoly – market dominated by a few large firms, high market concentration ratio, high barriers to entry, product differentiation **Application** Application of economic ideas • outcomes of oligopoly – abnormal profit, interdependence, price rigidity, product differentiation, non–price competition, collusive behaviour Relevant context • 3 firm concentration ratio 30%, 4 firm concentration ratio = 36%, 5 firm concentration ratio = 40%, 6 firm concentration ratio = 43%

Question			Answer/Indicative content	Marks	Guidance
			logical and well supported judgement.		• evidence of barriers to entry with 6 firms owning over 1 million sites awaiting development • high profit margins (30%) • suggestion of a cartel restricting construction
			Level 2 (5–8 marks) **Good knowledge and understanding** of relevant economic idea(s), principle(s) or model(s). **Good application** of economic concepts to the context and scope of the question, or some good use of data where appropriate. **Reasonable analysis** of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response. **Reasonable evaluation** of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement.		**Analysis** • a small number of large firms appear to dominate the market – this is evidenced by high market concentration ratios • in addition, the dominant firms appear to focus on specific geographical locations so competition and consumer choice is limited – this gives firms the ability to set prices and earn abnormal profits • as a result firms are able to earn abnormal profit – evidence by the 30% profit margins of the big housebuilders • non–price competition is likely to be important – this could be in terms of location, quality and design of houses • ownership of sites awaiting development acts as an entry barrier – this reinforces the ability of firms to set prices and earn abnormal profits
			Level 1 (1–4 marks) **Reasonable knowledge and understanding** of relevant economic idea(s), principle(s) or model(s). **Reasonable application** of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate. **Limited analysis** of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis. **Limited evaluation** of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement or the absence of a judgement.		**Evaluation** • majority of the market (57%) is supplied by other firms • little evidence of price rigidity apart from August to February 2016 – 17 and 2017 – 18 • no evidence in the stimulus material about interdependence • reduction in regulations around planning permission reduces entry barriers and encourages new firms (John Lewis) to enter the market **Possible judgements** • depends on the degree of contestability of the market • depends on the extent of sunk costs for new entrants • depends on effectiveness of government policies to reduce regulations around planning permission
			0 mark Response is not worthy of credit		• depends on actions of competition authorities with respect to concerns
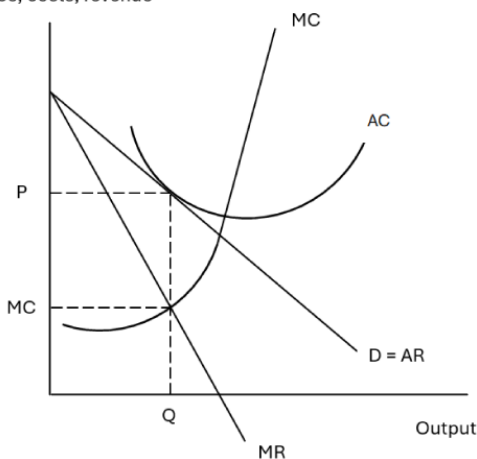
Mark Scheme

Question			Answer/Indicative content	Marks	Guidance
					about collusion

Examiner's Comments

Many candidates demonstrated good knowledge and understanding of oligopoly but ignored the demands of the question which required them to use evidence from the stimulus material. The key to success in this question was to explain, using evidence how the housing market meets the characteristics of oligopoly and why it doesn't, rather than the advantages and drawbacks of oligopoly.

Exemplar 2

However, the UK housing market don't meet all the requirements to be classed as an oligopoly. This can be seen in Fig 2. There are too many firms with too little market share to be classed as an oligopoly. Especially when multiple other housing firms only own 57% of market share collectively. which concludes how an the UK housing market doesn't meet the requirements of a oligopoly. Oligopolies are normally profit maximisers, where MR=MC, which is difficult to achieve supernormal profits in a market where there a multiple firms with minimal market share.

In Exemplar 2, this candidate achieved good evaluation for arguing why the housing market may not be an oligopoly. The candidate used developed chains of reasoning and there is clear reference to the extract. There was no judgement however, so strong evaluation cannot be given.

| | | | Total | 30 | |

Mark Scheme

Question	Answer/Indicative content	Marks	Guidance
2	**Evaluate, using an appropriate diagram(s), whether monopolistic competition benefits consumers.** **Level 5 (21–25 marks)** **Strong knowledge and understanding** of economic idea(s), principle(s), and model(s). **Strong application** of economic concepts to the context and scope of the question, which may include relevant examples or good use of data where appropriate. **Strong analysis** of the question characterised by consistently well–developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis. **Strong evaluation** of different perspectives on the question characterised by well–developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement. **Level 4 (16–20 marks)** **Good knowledge and understanding** of economic idea(s), principle(s), and model(s). **Good application** of economic concepts to the context and scope of the question, or some good use of data where appropriate. **Good analysis** of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis. **Good evaluation** of different perspectives on the question characterised by well–developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement. **Level 3 (11–15 marks)** **Good knowledge and understanding** of economic idea(s), principle(s), and model(s). **Good application** of economic concepts to the context and scope of the question, or		The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation. **Knowledge and Understanding** • characteristics of monopolistic competition – large number of small firms, few entry barriers, differentiated products **Application** Application of economic ideas • abnormal profits in the short run, normal profit in the long run • importance of non–price competition • price > marginal cost Relevant context • there are a large number of dog walkers, painters and decorators and hairdressers in the UK • there services are highly differentiated as personal service is important • it is relatively easy to set up as a dog walker, painter and decorator or hairdresser – entry costs are low **Analysis** Short run equilibrium Long run equilibrium

Question	Answer/Indicative content	Marks	Guidance

	some good use of data where appropriate. **Good analysis** of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis. **Reasonable evaluation** of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement
	
	Level 2 (6–10 marks)
	Reasonable knowledge and understanding of economic idea(s), principle(s), and model(s).
	Reasonable application of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate.
	Reasonable analysis of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response.
	Reasonable evaluation of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement
	
	Level 1 (1–5 marks)
	Limited knowledge and understanding of economic idea(s), principle(s), and model(s).
	Limited application of economic concepts to some elements of the given context and scope of the question. Use of data may be generic or irrelevant.
	Limited analysis of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.
			Price, costs, revenue
			
			- product differentiation means a firm's demand curve is downward sloping
			- as a result, the firms have ability to set their own prices
			- therefore, they will seek to maximise, producing at output Q charging price P and earning abnormal profit of PabAC in the short run
			- consequently, new entrants will be attracted to the market reducing demand for existing firms until only normal profits are earned in the long run
			- therefore, output of existing forms will be smaller (Q) and price lower (P) and price will equal AC
			- existing firms will respond to new entrants through even greater product differentiation, innovation and non–price competition
			- consumers therefore benefit from:
			  - consumer choice – consumers have a range of options to choose from which leads to greater consumer satisfaction and utility because they can select products that best match their preferences
			  - product differentiation – firms in a monopolistically competitive market differentiate their products which encourages innovation and results in a greater variety of products for consumers because each firm strives to capture consumer attention through product development, quality enhancement, and branding
			  - innovation – the intense competition in monopolistic competition fosters innovation so

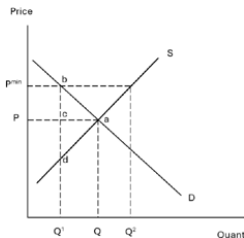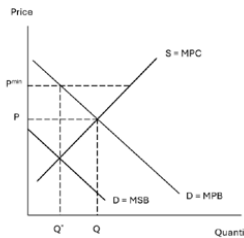| Question	Answer/Indicative content	Marks	Guidance
	Limited evaluation of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement or the absence of a judgement. **0 mark** Response is not worthy of credit		that firms constantly develop new products, technologies, and marketing strategies to remain competitive which benefits consumers by providing them with improved products and enhanced features Evaluation • prices are not as low as they would be under conditions of perfect competition as P > MC • if prices are higher than they otherwise would be then this reduces consumer surplus • firms in monopolistic competition often spend resources on differentiation (such as branding, advertising, and product features) which increases their costs leading to lower profits which may ultimately impact on consumers through higher prices • unlike in perfect competition, where consumers have complete information about all products, monopolistic competition involves differentiated products – therefore consumers may not have perfect knowledge about quality or product features and as a result choices may not be optimal • consumers may suffer from choice overload because of the abundance of choices in the market and as a result may make 'poor' choices or may find making a choice complicated and time–consuming • monopolistic competition lacks the efficiency gains associated with large–scale production because each firm operates at a smaller scale, limiting the potential cost savings from economies of scale and as a result prices may be higher than in a more efficient market structure • firms engage in advertising to attract consumers, however, some advertising can be misleading or exaggerate product benefits with the result that consumers may end up paying more for things they do not really need or value Judgement(s) • depends on the value consumers

Question	Answer/Indicative content	Marks	Guidance
			place on choice vs price • alternative market structures may deliver fewer benefits – for example, under perfect competition there is product homogeneity and under monopoly there are even higher prices • the extent to which prices are high depends on the PED – efficiency losses impacting on consumer surplus are likely to be low given the high degree of competition in monopolistically competitive markets resulting products / services being very close substitutes • consumers can always find a 'better' dog walker, painter and decorator or hairdresser if they make a 'poor' choice – the losses to the consumer are not significant

Examiner's Comments

The successful responses recognised that the focus on this question was on benefits to consumers, not benefits to the producer. Any references to efficiency needed to be linked back to consumers. Many candidates were able to accurately draw and distinguish between the short run and long run diagrams and it was pleasing to see lots of application to the example industries provided in the stem or other relevant examples. A small number of candidates, having correctly drawn the relevant diagram did not integrate the diagram(s) in their analysis so the marks were capped at Level 2. The best responses used diagrams to explain the benefits to the consumer or recognised the idea of product differentiation and choice. This was followed by an evaluation of the drawbacks to the consumer, e.g. high prices due to lack of allocative efficiency, lack of supernormal profits in the long run. Following the evaluation the most successful responses provided a clear judgement considering the factors that would determine if consumer benefits could be realised and situations where the benefits outweigh the drawbacks.

(?) Misconception

Question			Answer/Indicative content	Marks	Guidance
					Monopolistic competition is not the same as Monopoly competition. In Monopolistic competition there are many buyers and sellers in a market with low barriers to entry and exit. In Monopoly competition there is a sole seller and high barriers to entry and exit.
			Total	25	

Question			Answer/Indicative content	Marks	Guidance
3			Evaluate, using an appropriate diagram(s), the likely microeconomic effects of such minimum prices. **Level 5 (21–25 marks)** **Strong knowledge and understanding** of economic idea(s), principle(s), and model(s). **Strong application** of economic concepts to the context and scope of the question, which may include relevant examples or good use of data where appropriate. **Strong analysis** of the question characterised by consistently well–developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis. **Strong evaluation** of different perspectives on the question characterised by well–developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement. **Level 4 (16–20 marks)** **Good knowledge and understanding** of economic idea(s), principle(s), and model(s). **Good application** of economic concepts to the context and scope of the question, or some good use of data where appropriate. **Good analysis** of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis. **Good evaluation** of different perspectives on the question characterised by well–developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement. **Level 3 (11–15 marks)** **Good knowledge and understanding** of economic idea(s), principle(s), and model(s). **Good application** of economic concepts to the context and scope of the question, or	Enter text here.	The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation. **Knowledge and Understanding** • minimum prices as government legislation setting a price below which it would be illegal to sell alcohol **Application** Application of economic ideas • demand and supply analysis and minimum price diagram • consumer surplus, producer surplus • PED Relevant context • negative externalities of alcohol consumption • alcohol as a demerit good **Analysis** • to be effective a minimum price for alcohol would be set above the current market price • this would cause an increase in the price from P to P^{min} and a reduction in the quantity of alcohol demanded from Q to Q1 • the lower sales of alcohol would result in a reduction in the external costs of alcohol consumption • there is a negative consumption externality which results in MSB < MPB, so alcohol is overconsumed • a minimum price of P^{min} reduces consumption from Q to the socially optimum consumption Q^* • this would reduce pressure on healthcare services • it is also likely that there would be an increase in life expectancy / quality of life / workforce productivity (less

Question	Answer/Indicative content	Marks	Guidance
	some good use of data where appropriate. **Good analysis** of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis. **Reasonable evaluation** of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement **Level 2 (6–10 marks)** **Reasonable knowledge and understanding** of economic idea(s), principle(s), and model(s). **Reasonable application** of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate. **Reasonable analysis** of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response. **Reasonable evaluation** of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement **Level 1 (1–5 marks)** **Limited knowledge and understanding** of economic idea(s), principle(s), and model(s). **Limited application** of economic concepts to some elements of the given context and scope of the question. Use of data may be generic or irrelevant. **Limited analysis** of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.		working days lost) • there could be increased demand for substitute goods like low / no–alcohol beers and wine or soft drinks and an increase in employment in substitute product markets Evaluation • reduction in consumer surplus ($PabP^{min}$) • change in producer surplus ($PcbP^{min}$ – cad) • loss of economic welfare (dba) • excess supply in the market (Q2 – Q1) • reduction in employment in the alcohol industry • impact on income distribution Judgement(s) • significance of price elasticity of demand in determining impact on price, quantity, employment • consideration of the impact on substitutes / application of cross elasticity of demand e.g. switch to healthier substitutes • extent of hidden/informal market • extent of cross–border shopping (Wales –> England) <u>Examiner's Comments</u> A large majority of candidates were able to correctly draw the minimum price diagram and recognised it will be imposed above the equilibrium price and would result in excess supply. Many candidates also linked the minimum price to the reduced negative externalities associated with overconsumption of a demerit good. Good responses drew both a minimum price diagram and negative externality of consumption diagram or demerit good diagram. Several candidates however used terminology incorrectly. Centres should make sure candidates are aware of the difference between demand and quantity demanded or supply and quantity supplied. Some candidates did not read the demands of the question correctly and focused on the effectiveness of the minimum price rather than the

Question	Answer/Indicative content	Marks	Guidance
	Limited evaluation of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement or the absence of a judgement. **0 mark** Response is not worthy of credit		microeconomic effects and impacts. Centres are encouraged to make sure candidates understand the demands of different question types. In this question, arguments about alternative solutions were not valid as they did not address the question. Exemplar 3 *The effect may depend on the size of the discrepancy between the free market equilibrium price and the new minimum price. If the minimum price is significantly higher than the FM price, consumers may go to more effort to avoid it, making it useless, whereas if it is less significant, the government may be able to achieve their goals for the strategy whilst avoiding Welsh people undermining it.* The response in Exemplar 3 was given full marks. In the extract there is evidence of a clear judgement. Before this point the candidate had argued that the negative effects included costs of enforcement and issues with cross border shopping for which they achieved good evaluation. The candidate then continues to consider the factors, i.e., size of minimum price relative to equilibrium price, that will determine the overall impact of the imposition of the minimum price. Assessment for learning Candidates find making and supporting a judgement challenging under examination conditions. Centres are advised to provide opportunities in the delivery of the content of the specification for candidates to practise making judgements. Useful starting points for judgements might include the following prompts: • what does the balance of arguments depend on? • what might change the balance of arguments in favour of one side or the other? • how might the balance of arguments change over time? • what might change to affect the balance of arguments? • how might the

Question			Answer/Indicative content	Marks	Guidance
					advantages/disadvantages be made more significant?
			Total	25	

Question			Answer/Indicative content	Marks	Guidance

4			Evaluate whether healthcare should be provided by the government.
			
			Level 5 (21–25 marks)
			Strong knowledge and understanding of economic idea(s), principle(s), and model(s).
			Strong application of economic concepts to the context and scope of the question, which may include relevant examples or good use of data where appropriate.
			Strong analysis of the question characterised by consistently well–developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis.
			Strong evaluation of different perspectives on the question characterised by well–developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement.
			
			Level 4 (16–20 marks)
			Good knowledge and understanding of economic idea(s), principle(s), and model(s).
			Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.
			Good analysis of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis.
			Good evaluation of different perspectives on the question characterised by well–developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement.
			
			Level 3 (11–15 marks)
			Good knowledge and understanding of economic idea(s), principle(s), and model(s).
			Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.
					The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.
					
					Knowledge and Understanding
					
					• government intervention in markets
					
					Application
					Application of economic ideas
					
					• positive externalities
					• merit goods
					• market failure
					• government failure
					
					Relevant context
					
					• healthcare as a good with positive externalities
					• healthcare as a merit good
					• growing waiting lists in the NHS
					
					Analysis
					
					• government provision of healthcare may be desirable because of the under–provision of health care services in a free market
					  • under–provision may be because of large external benefits of healthcare
					  ○ as a result SMB > PMB so that production / consumption is likely to be below the social optimum
					
					• under–provision this may also be because of information failures (merit good status)
					  ○ difficulties of calculating private benefits from healthcare / healthcare insurance
					  ○ actual PMB > perceived PMB
					
					• there may be concerns relating to the affordability of private healthcare insurance
					• provision free at the point of use may be seen as more equitable
					• government provision may avoid market failures resulting from information gaps
					
					  ○ preventative earlier treatments
					    • for specific illnesses – breast /

Question	Answer/Indicative content	Marks	Guidance

	Good analysis of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis. **Reasonable evaluation** of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement
	
	Level 2 (6–10 marks)
	Reasonable knowledge and understanding of economic idea(s), principle(s), and model(s).
	Reasonable application of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate.
	Reasonable analysis of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response.
	Reasonable evaluation of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement
	
	Level 1 (1–5 marks)
	Limited knowledge and understanding of economic idea(s), principle(s), and model(s).
	Limited application of economic concepts to some elements of the given context and scope of the question. Use of data may be generic or irrelevant.
	Limited analysis of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.
	Limited evaluation of different
			▪ cervical / colon cancer
			  ▪ for elderly and children
			
			 ◦ asymmetric information arising from payments to doctors deciding / recommending treatments
			 ◦ missing markets for
			  ▪ elderly
			  ▪ children
			  ▪ remote rural areas
			  ▪ congenital diseases
			  ▪ patients with pre–existing conditions
			
			• government provision of healthcare may also be justified because of a misallocation of resources by market provision
			 ◦ administration charges
			 ◦ invoicing health insurance companies
			 ◦ profit incentive misallocating resources ahead of patient needs
			
			• government provision of healthcare is more productively and allocatively efficient and offers better care than private sector
			 ◦ NHS operates close to capacity reducing unit costs of healthcare
			 ◦ NHS eliminates transaction costs which are high in private healthcare
			
			Evaluation
			
			• absence of competition / price mechanism / incentives in the provision of state healthcare
			 ▪ resulting excess demand as price does not ration allocation of resources
			 ▪ NHS waiting lists and lack of choice
			 ▪ budget constraints limit what government provided healthcare can provide
			• private health care is better than government provision of healthcare because it increases choice, encourages competition and drives up standards
			 ▪ explained by functions of the price mechanism in allocating resources in private health sector – rationing, incentivising, signalling

Question	Answer/Indicative content	Marks	Guidance
	perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement or the absence of a judgement. **0 mark** Response is not worthy of credit		**Judgement(s)** • growing population and increased life expectancy may mean that government provision of healthcare is no longer affordable or efficient • there are other solutions to reducing market failure • consideration may need to be given to compulsory healthcare insurance with some means–tested basic healthcare available for those on low incomes • depends on political will • depends on reform of the NHS to encourage greater efficiencies in government provision **Examiner's Comments** Many candidates chose this question and many correctly identified the underconsumption of healthcare as a merit good. This proved a very accessible question and there were no problems for candidates in providing arguments both for and against state provision of healthcare. There were however a surprising number of candidates who lost focus of the question and talked about the market failure of a monopsonist employer. Many candidates incorrectly believe that the market failure of merit goods is underconsumption due to positive externalities as well as healthcare being a Public Good. (?) **Misconception** A Public Good is one with characteristics on Non–excludability, Non–Rivalry and Non–Reject ability. State Provision is where the Government provides a good or service to its citizens, funded by Tax Revenue. Merit goods are different from goods with positive externalities. Merit goods are those where there is information failure – the consumer underestimates the positive impact on their own welfare of consuming the good. Positive externalities arise when the production or consumption of goods creates a positive spillover effect on third

Question			Answer/Indicative content	Marks	Guidance
					parties not involved in the consumption or production of the goods.
			Total	25	

Question	Answer/Indicative content	Marks	Guidance

5	Evaluate the impact an increase in labour mobility is likely to have on labour markets.
	
	Level 5 (21–25 marks)
	Strong knowledge and understanding of economic idea(s), principle(s), and model(s).
	Strong application of economic concepts to the context and scope of the question, which may include relevant examples or good use of data where appropriate.
	Strong analysis of the question characterised by consistently well–developed chains of reasoning; relevant diagram(s) which are accurate, integrated into the response and have no errors that affect the validity of the analysis.
	Strong evaluation of different perspectives on the question characterised by well–developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; a logical and well supported judgement.
	
	Level 4 (16–20 marks)
	Good knowledge and understanding of economic idea(s), principle(s), and model(s).
	Good application of economic concepts to the context and scope of the question, or some good use of data where appropriate.
	Good analysis of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis.
	Good evaluation of different perspectives on the question characterised by well–developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement.
	
	Level 3 (11–15 marks)
	Good knowledge and understanding of economic idea(s), principle(s), and model(s).
	Good application of economic concepts to the context and scope of the question, or
			The side of the argument presented first should be credited as Analysis with the other side credited as Evaluation.
			
			Knowledge and Understanding
			
			• labour markets and labour mobility
			
			Application
			Application of economic ideas
			
			• labour markets – demand for and supply of labour
			• labour market flexibility
			• labour market failure
			• wage elasticity of supply of labour
			
			Application to context
			
			• labour mobility has not changed significantly in the UK
			• governments seek to increase the mobility of labour using a range of policies
			• application to different labour markets
			• rapid change in labour markets (technological change / less labour–intensive manufacturing / redundant skills)
			
			Analysis
			
			• advantages of increased labour mobility
			• improved occupational mobility
			  • achieved by removing barriers (mismatched skills / training' lack of labour market information) to the mobility of labour between different sectors / occupations of the economy
			  • leads to workers previously remaining unemployed, or underemployed finding work
			  • as a result there are higher incomes / higher standards of living / reduced inequality / reduction on poverty
			  • labour is used in more efficient ways because of improved human capital / labour productivity
			  • leads to a reduction in labour market failure
			  • because labour is more more productive and there is an more

Question			Answer/Indicative content	Marks	Guidance

			some good use of data where appropriate. **Good analysis** of the question characterised by some developed chains of reasoning beyond single links; relevant diagram(s) which are predominantly correct, integrated into the response and have no errors that affect the validity of the analysis. **Reasonable evaluation** of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement		• allocatively efficient use of labour
					• easier for firms expanding in new markets to attract qualified labour
					• without labour mobility, innovation and expansion will meet supply constraints
					• firms can respond more quickly to changing market conditions
					• reduced costs meaning firms are more competitive
					• improved geographical mobility
					  • increase in the supply of labour to markets which are attractive to workers
					  • as more workers enter the market, the labour supply increases
					  • this may reduce labour shortages in certain occupations / reducing regional unemployment
					  • this improves labour market efficiency
					  • an increase in the labour supply will lead to a decrease in wage rates
					  • possible increase in labour productivity
					  • this is because it may attract skilled labour to some regions
					  • this will increase MRP (demand for labour)
					  • increased use of the Internet and social media means that the search costs of geographical mobility are now less
					  • geographical mobility can help to reduce asymmetric shocks between regions
					  • this is because a mobile workforce allows a region to shed workers when jobs are scarce and gives those workers the opportunity to seek employment elsewhere, where opportunities might be better

			Level 2 (6–10 marks) **Reasonable knowledge and understanding** of economic idea(s), principle(s), and model(s). **Reasonable application** of economic concepts to some elements of the given context and scope of the question, although possibly inconsistent or not always relevant. Relevant data may be referred to if / where appropriate. **Reasonable analysis** of the question characterised by undeveloped chains of reasoning in the form of single links; relevant diagram(s) which have errors that affect the validity of the analysis or are not integrated into the response. **Reasonable evaluation** of different perspective(s) on the question characterised by some developed chains of reasoning; consideration of counter arguments / assumptions / limitations of theory / factors that determine significance / extent; an unsupported judgement		
			Level 1 (1–5 marks) **Limited knowledge and understanding** of economic idea(s), principle(s), and model(s). **Limited application** of economic concepts to some elements of the given context and scope of the question. Use of data may be generic or irrelevant. **Limited analysis** of the question characterised by reasoning that lacks a clear structure and / or does not address the question; simple statement(s) of cause and consequence; absence of relevant diagram(s) or diagram(s) which have errors / omissions that significantly affect the validity of the analysis.		**Evaluation** • impact of increasing labour mobility may be limited by other factors • these include the general availability of labour, the level of unemployment and trade union power • there may be downward pressure on wages in some occupations / regions • the relative decline of manufacturing has caused some workers to lose

Question			Answer/Indicative content	Marks	Guidance
			Limited evaluation of different perspective(s) on the question characterised by simple statement(s) related to counter arguments / assumptions / limitations of theory / factors that determine significance / extent, a stated judgement or the absence of a judgement. **0 mark** Response is not worthy of credit		well–paid, permanent manual work • with low education levels, new employment opportunities tend to be of a different nature (temporary, no security) • therefore, the unemployed worker feels the labour mobility requires a decline in employment status • an economy which relies on high levels of labour mobility can make labour markets more stressful • workers may need to rely on zero–hour contracts without any guarantee of sufficient work. • high levels of net migration can cause other social issues such as an impact on the limited housing stock / pressure on education and health services Judgement(s) • depends on the current performance / flexibility of labour markets • depends on the relevance of geographical immobility given recent trends for working from home • depends on time factors – improvements in occupational mobility may be very long term • depends on time taken to train workers and also availability of training providers / adaptation of education curriculums. Examiner's Comments Not many candidates chose this question, but those who did were able to correctly distinguish between geographical and occupational mobility of labour. The best responses used this distinction to facilitate the argument that both are necessary to improve labour market mobility. Strong responses incorporated a wage elasticity of supply diagram into their analysis. Some candidates interpreted the question too broadly and instead analysed the causes and consequences of labour flexibility. This often resulted in responses evaluating the impact of zero–hour contracts and so these responses did not score well. A small number of candidates analysed the impact of trade unions as a cause of improved labour market flexibility, which was not the focus of the question.

Mark Scheme

Question			Answer/Indicative content	Marks	Guidance
			Total	25	