Pearson Edexcel

Mark Scheme (Results)

November 2021

Pearson Edexcel GCE A Level
In Economics A (9EC0)
Paper 3: Microeconomics and Macroeconomics

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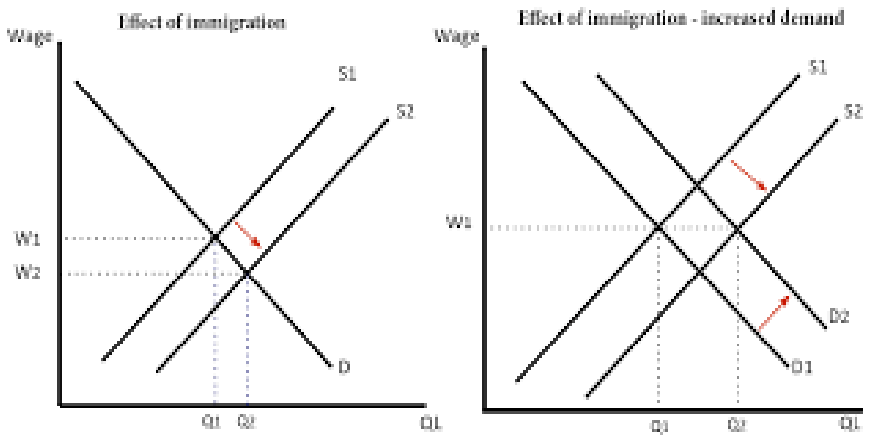
General Marking Guidance

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

Question Number	Answer	Mark
1(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge and analysis** 3 marks for identifying market structure and relevant features. Points might include: • Monopolistic competition or highly competitive (1) • Many small sellers in the market (1) • Low price setting power (1) • Firms sell differentiated goods (1) • Normal profit/low profit margins as a sign (1) of low barriers to entry/exit (1) • Allow up to 2 marks for diagrammatic analysis **Application:** 2 marks for data (1+1 or 2): point might include: • there are many firms 10 000 to 20 000 (1) • cheap, low skill labour are possibly migrants (1) • low level of capital required (1) • everyone paying the same £5 (1) • some offering inside and out washes (1) / similar car washing at each provider (1) • Availability of cheap premises make market entry easier (1)	**(5)**

Question Number	Answer	Mark
1(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge/ implicit understanding:** (1+1) marks for **two** reasons and explanation e.g. • HCWs are inferior goods if demand rises when incomes fall • HCWs at £5 are a very small percentage of consumer income so they might be seen as essential or basic goods • Other factors affect demand apart from income, for e.g. availability and price of substitutes (automatic car washes [might be normal/luxury good] or car washing equipment), working patterns **Application:** (2 marks for any relevant point, or two points 1 +1). Points might include: • Incomes are not keeping up with inflation so real incomes are falling • HCWs at £5 are a very small percentage of consumer income so they might be seen as essential or basic goods. • Increased demand when people have lower incomes – high level of utility at small expense, Extract A paragraph 2 • Extract B: there is a decrease in the availability of automatic car washes as independent petrol retailers go out of business. • Increased number of sites and rents have fallen (Extract A paragraph 3) **Analysis** (1 + 1)**:** • Linked development of the two points made • Maybe shown by diagrammatic analysis **Evaluation:** (2 marks for any relevant point, two points 1 +1). Points might include: • Subjective happiness is yielded from an HCW, implying that it is rational to use an HCW/it is not rational as washing the car at home is cheaper when incomes fall • Incomes have not been falling over the whole period, so it is more likely that as incomes rise people are buying a HCW as a YED is low (small percentage of income) • Regional or demographic changes in incomes	**(8)**

Question Number	Indicative content	Mark
1(c)	**Knowledge 2, Application 2, Analysis 4** **Knowledge/implicit understanding:** Points might include: • Increased labour supply – workers willing to take low-paid jobs • Arguments also allowed that since the UK left the EU, many workers are leaving – question does not specify immigration or emigration • Increased demand from increased UK population also allowed as an approach **Application:** • Immigrants the main employees at HCWs and similar labour intensive firms (Extract A) • Implication in EU that increased immigration (Extract A paragraph 4) has caused supply to increase and therefore wages half of minimum wage (Ext A last paragraph) • HCW often a first job while the migrant's language improves on arrival in the UK (Ext A) • Following UK leaving the EU many low skilled labour may leave • Workers are not able to migrate as wages are not high enough in sector to be able to migrate to post UK leaving the EU **Analysis:** • Labour market diagram showing increase in the supply of labour • NMW diagram showing excess supply of labour at the wage floor • Allow decrease in supply, e.g. since the UK leaving the EU • Allow backward bending supply of labour • Allow monopsony diagrams (although not required) • Some segments require more skilled workers and not suit low skilled migrant workers, e.g. valeting • Reference to any industry that relies on migrant workers, e.g. hospitality, nursing, construction **NB if no valid diagram or reference to an industry, then award a maximum of Level 2 KAA**	**(8)**

	Diagram, shift in demand and/or supply, or minimum wage e.g. 	

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
1(c) continued	**Evaluation 4** • Impact of UK leaving the EU, Global Health Crisis etc. might put immigration figures into negative, and wages and conditions might improve • Depends on monopsony power • Evidence suggests there is not exploitation, or there is not enough evidence • Some firms are charging a fair wage • Other changes in the pipeline • The size of the changes in migration will dictate the impact on labour market • The ability of workers to move to other sectors/ speed language developed will determine impact on labour market • Within HCW there are sub-markets - some specialise in luxury vehicles - others are mobile operators who visit home - each will be affected differently	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
1 (d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** 16 marks for KAA, for causes of the number of firms in an industry to change. Microeconomic causes may include: • nationalisation • privatisation • contestability • market power • economies of scale – natural monopoly • regulation and deregulation • oligopoly behaviour • barriers to entry e.g. factors linked to demand- tastes- preference for HCW over automatic, income, availability of substitutes- decline in automatics Macroeconomic causes may include: • economic growth – e.g. a growing market means more firms will enter • trade patterns • level of protectionism • government policies e.g. supply side policies • TNCs and FDI • unemployment (especially given recent events) • inflation- if inflation is high, costs rise and if unable to increase prices, then firms may exit the market • Level of environmental protection- adds to the costs and may reduce the number of firms. • Exchange rates - if appreciated - costs to import lower and export higher - exporters may exit the market • Relative poverty high and rising - more demand low costs HCW increasing demand and market size - more firms **NB for a Level 4 response there must be micro and macro cause(s). Foreign direct investment, role of TNCs, or regulation could be seen micro or macroeconomics** **NB for a Level 4 response there must be reference to an industry**	

	9 marks for evaluation – points might include: • Depends on the nature of the business. Another industry could be used as a contrast, e.g. a capital intensive industry • Depends on the LRAC and the minimum efficient scale in the current situation • Changes over time – barriers to entry or exit are likely to change e.g. in the face of new technology in car wash industry or other industry • Exchange rates go up and down so could equally depreciate • Environmental protection may create more demand as it is a more ethical service and not cause the number of firms to fall	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
1 (e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** 16 marks for KAA, for effects of increased government intervention. Microeconomic effects may include: • Minimum price, living wage enforced, planning issues, tax, health and safety • Rise in wages (if wage floors introduced) will have a large impact on costs. Might be shown on increasing NMW diagram • Effect on price of car washes – consumer surplus falls, output falls, price increases • Impact on quantity of labour/marginal revenue productivity • Impact on productivity • Diagram to show the effect of the intervention approach, e.g. of minimum price as solution to market failure • Price of a car wash might be passed on to higher wages Macroeconomic effects may include: • Income equality improvements – may use Gini coefficient or Lorenz curve • Prices rise – inflationary effects • reduction in levels of poverty • effects on growth – inflexibility in markets can reduce I or FDI • might improve environmental standards • Reduced employment **NB for a Level 4 response there must be micro and macro effect (s). Employment or welfare issues could be seen as micro or macro, for example, can be used as either micro or macroeconomics** **NB for a Level 4 response there must be reference to an industry**	

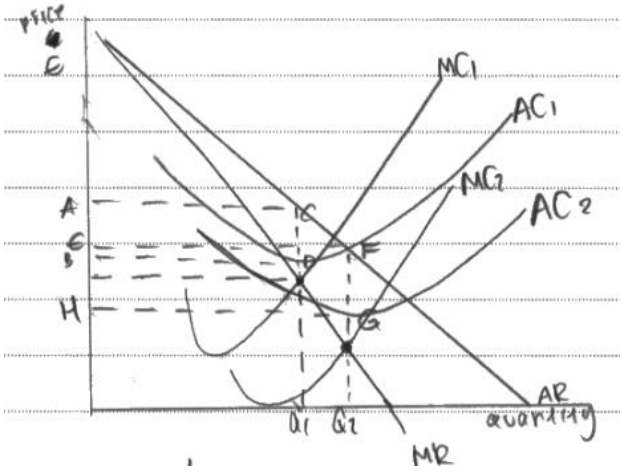
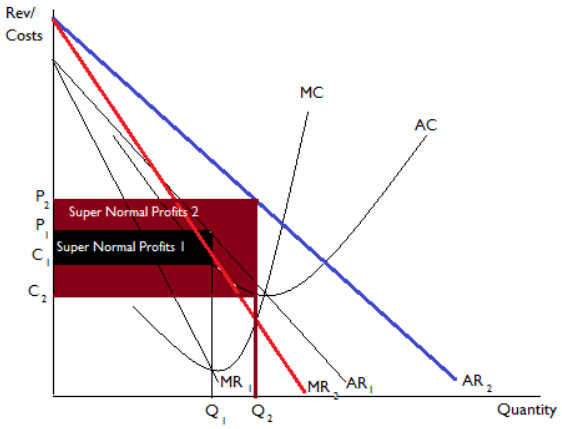
	9 marks for evaluation – points might include: • Government failure, e.g. regulatory capture, asymmetric information • depends on impact of other events such as UK leaving the EU, high unemployment from recent Global Health Crisis • effect on workforce of employment regulation depends on elasticity for demand for labour, and degree with which it can be replaced with capital • depends on PED of HCW market as a whole • consumers might also have increases in wages • some firms will face decreased demand and go out of business. Loss of jobs and other economic activity • depends on the PED and PES in factor market and product market as a whole • Wash Mark Certificates not government regulation may have more of an impact in improving quality and conditions for workers and reducing pollution than government action	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
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Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
2(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge and analysis:** 3 marks. Points might include: • Explanation that national debt is the accumulation of pas fiscal deficits (may be implicit) • National debt interest payments have an opportunity cost in terms of current spending • It may be harder to raise borrowing in the future • In case of a debt crisis, it might be impossible to raise new credit • Also could argue that increased debt worsens the fiscal deficit through debt repayments • 'Jam today not jam tomorrow' or similar idea that it's today's benefits paid for in the future **Application (2 marks for 1 point, or 1 + 1)** Award valid data use only e.g. • Reference to data in Figure 2 e.g. ratio falls (1) to 60% in 2019 (1) • Fig 2: debt is falling as a percentage of GDP which is either because there is a fiscal surplus (Fig 1) or because there is economic growth (Fig 3) • Use of other data, e.g. to keep surplus, 1.9% Fig 1 or Ext C • Want to stay the largest economy in the EU. Data from any of the sources can be credited, if relevant, not just Figure 2. • Maintain independence by not having to borrow	**(5)**

Question Number	Indicative content	Mark
2(b)	**Knowledge 2, Application 2, Analysis 2** **Evaluation 2** **Knowledge/implicit understanding of two effects (1 + 1) e.g.** • Consumers demand falls • Firms may pay lower wages • Lower labour turnover • Easier to recruit staff • Reduction in skills, efficiency • Deterioration of public sector finances further reducing spending on infrastructure **Application:** (2 marks for any relevant point, or two points 1 +1): e.g. • Unemployment is forecast to rise (1) to 6.1 percent from 5 percent (1) / 1.1 percentage points (2) • This comes after several years of a declining rate of unemployment (1) **Analysis** (1+1) • Development of points made **Evaluation** (2 marks for any relevant point, or two points 1 +1): e.g. • Demand might rise for inferior goods • Wages may be sticky downwards • This is only a forecast and given events at the beginning of 2020 might end up worse. • Firms exporting goods may not be affected as demand from abroad may remain strong if unemployment does not fall there • The rise in unemployment is small and is still below 11.7% 2005. So, the impact will be relatively small	**(8)**

Question Number	Indicative content	Mark
2(c)	**Knowledge 2, Application 2, Analysis 4** **Knowledge and analysis** • Might mean costs rise in the short run and/or • Costs fall in the long term – fixed or variable • Demand for products might increase as firms improve product quality and choice **Application** • Some firms in Germany are expecting higher long-term profits from the investment (Extract C) • Germany still far behind other countries in the area of technology especially broadband (Extract C) **Analysis** Example of diagram (can use AC or ATC or not shift MC)):   	

	NB for a level 3 response there must be at least one valid diagram. The diagram can show either a rise in AR/MR or a fall in costs, or both.	**(8)**

Knowledge, application and analysis		
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Question Number	Indicative content	Mark
2(c) continued	**Evaluation 4** • Discussion of whether costs would rise (short term) or fall if successful (long term) • It depends on how labour intensive the production is • It depends on what competitor countries are doing • New technology needs highly skilled labour and cannot be discussed in isolation	**(4)**

Evaluation		
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Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
(d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Microeconomic factors to explain low growth may include: • Labour force factors e.g. changing NMW will affect ULCs and therefore growth • Increased level capital by making investment more profitable/subsidy • Infrastructure spending e.g. schools crumbling, poor internet • Investment in education/skills or cutting/capping university fees • Low level of willingness to embrace modern technologies Macroeconomic influences may include: • Population changes • Trade liberalisation – may refer to tariffs or trade agreements to improve price competitiveness, changes in EU • Tax and benefit changes • Government policy improvements, e.g. weak expansion in fiscal policy, cut interest rates, subsidies, privatisation • Actions of other institutions e.g. banks, schools • Control of price level e.g. stop QE • Competitiveness – use of Extract D **NB some points such as regulation, supply-side policies, changing the interest rate, can be regarded as micro or macroeconomics** **NB for a Level 4 response there must be reference to Germany in context** Possible evaluation points include: • Degree to which the factors might be a success • Depends on other countries (relative competitiveness issue) – it could be that other countries have a comparative or absolute advantage/other trade pattern and trade bloc arguments • Depends on the value of the euro/ other currency of trading partners which cannot be directly controlled in Germany • Germany might be better protected from worldwide crises such as the recent Global Health Crisis • Growth is not the only desirable economic outcome (it might be argued that slower growth is better)	**(25)**

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Question Number	Indicative content	Mark
2(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Microeconomic effects may include: • Employment improves or unemployment stops rising • Incomes rise/stop falling • Increased profits for firms e.g. motor manufacturers • Other micro effects of increased spending and welfare e.g. improved health service • Infrastructure improves if spending on this area • Higher taxes in future might have an impact on demand and other aspects of consumer behaviour Macroeconomic effects may include: • AD increases • multiplier • Shift in SRAS or LRAS might be drawn e.g. capacity increases • Increase in price level/output • increase in borrowing – cost for future generations • Diagrams might involve an increase in AD with multiplier effects • Increased debt payments in the future – opportunity cost arguments may be used **NB for a Level 4 answer there must be reference to the German fiscal policy. Some effects such as lower costs or increased investment could be seen as micro or macro** **NB for a Level 4 response there must be reference to Germany** Possible evaluation points include: • Depends on Classical vs Keynesian shape of AS • Depends on size of multiplier • Depends on the cost of borrowing – currently very low • Impact on money markets and conflict with other policies • Opportunity cost arguments • Reference to budget deficit and national debt • Confidence in the markets and consumers in the fiscal policy will determine whether or not it is effective • Will interest rates remain low? • An essential action in the recent context, and without stimulus many incomes and businesses would be lost	**(25)**

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