

Mark Scheme (Results)

Summer 2022

Pearson Edexcel GCE AS Level
In Economics A (8EC0)
Paper 01 Introduction to Markets and Market Failure

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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)	**The only correct answer is C** ***A*** *is not correct because it is a quasi-public good* ***B*** *is not correct because it is a public good* ***D*** *is not correct because it is a quasi-public good*	**(1)**

Question Number	Answer	Mark
1(b)	**Knowledge 1 Application 1 Analysis 1** **Knowledge and Analysis up to 2 marks e.g.** Recognition that flood defences are public goods (1) • Non-excludable (1) • Non-rival (1) • Public sector provision funded by taxation is more effective (1) • Free rider problem (1) **Application 1 mark e.g.** • Government investment of £74m in the Calder Valley (1) • Individuals may refuse to pay but still use services leading to insufficient funds to build flood defences (1)	**(3)**

Question Number	Answer	Mark
2 (a)	**Knowledge 1** **Knowledge** 1 mark for accurate definition e.g. A minimum price is the lowest price that can legally be set (1) The price floor below which cannot be charged (1)	**(1)**

Question Number	Answer	Mark
2(b)	**The only correct answer is B** ***A*** *is not correct because it is the loss of consumer surplus resulting from the minimum price* ***C*** *is not correct because it is the gain in producer surplus resulting from the minimum price* ***D*** *is not correct because it is the amount spent by the consumer and the EU*	**(1)**

Question Number	Answer	Mark
2(c)	**Knowledge 2** **Knowledge** 1 mark for identifying likely problem and 1 mark for linked development. **One** problem e.g. • At P2 there is a surplus/ excess supply (1) which has to be paid for through higher taxes (1) • This surplus may have to be stored (1) The surplus storage will cost money to maintain the facilities (1) • Opportunity cost of the intervention buying (1) e.g. spending on education (1) • Unintended consequences (1) e.g. firms increase supply (1) • Reference to 'underground markets' • Higher prices for consumers	**(2)**

Question Number	Answer	Mark
3(a)	**The only correct answer is B** ***A*** *is not correct because difficulty in counterfeiting is an attribute of money* ***C*** *is not correct because divisibility is an attribute of money* ***D*** *is not correct because durability is an attribute of money*	**(1)**

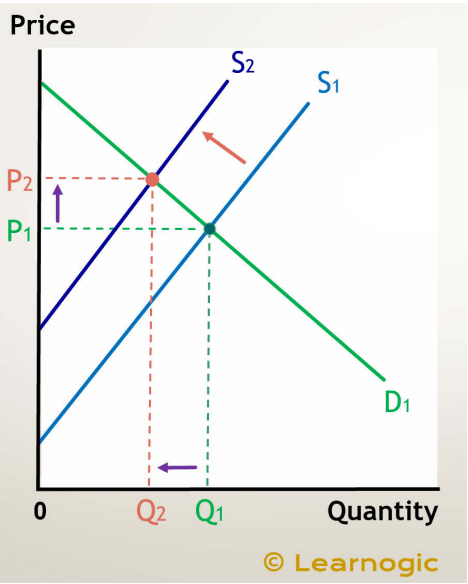
Question Number	Answer	Mark
3(b)	**Knowledge 1 Application 2** Award one function e.g. A measure of value (1) e.g. prices can be measured in satoshis (1) people can compare prices of goods and services (1) OR A store of value (1) when an individual saves bitcoin (1) they are confident they will receive the equivalent value back (1) OR A standard of deferred payment (1) when an individual loans another person bitcoin (1) they are confident they will receive the equivalent value back (1)	**(3)**

Question Number	Answer	Mark
4(a)	**Knowledge 1, Application 1, Analysis 1** Positive statements are value free/ based on facts/ can be verified and/or Normative statements contain value judgements/ not based on facts/ cannot be supported with evidence (1) The reference to 'should' in the statement suggests it is normative as this is a person's value judgement or vaccination can be good for an entire population (1) The idea that those who are not vaccinated will benefit is a positive statement as evidence will exist that shows others will benefit from others being vaccinated or if enough of its members are vaccinated, even those who are not will receive a measure of protection (1)	**(3)**

Question Number	Answer	Mark
4(b)	**The only correct answer is C** ***A*** *is not correct because this is government failure* ***B*** *is not correct because this is the incentive function of the price mechanism* ***D*** *is not correct because this is the rationing function of the price mechanism*	**(1)**

Question Number	Answer	Mark
5(a)	**Knowledge 1 Application 1 Analysis 1** **Knowledge** 1 mark for e.g. • Recognition that supply is price inelastic • It takes time for firms to respond **Application** 1 mark for, e.g. • Flour producers cannot process the wheat into flour quickly enough • It takes time for wheat to grow • It is difficult to store wheat because it is bulky and perishable **Analysis** 1 mark for linked development e.g. a diagram showing inelastic supply or an explanation of a small quantity response to a change in price using numerical or other explanation	**(3)**

Question Number	Answer	Mark
5(b)	**The only correct answer is D** ***A*** *is not correct because the decimal place is in the wrong place* ***B*** *is not correct because the decimal place is in the wrong place* ***C*** *is not correct as the price change would need to be 33.33%*	**(1)**

Question Number	Answer	Mark
6(a)	**Knowledge 1, Application 2, Analysis 2** **Knowledge** 1 mark for original supply and demand diagram with original equilibrium **Application** 2 marks for using source data explaining change in supply e.g. • Cod catch limits cut (1) by 50% (1) • Reduced limited TACs agreed for Celtic Sea/Irish Sea/west of Scotland (1) • Relevant use of data from Figure 1 (1+1) e.g. Identifying the country that is overfishing (1) Identifying the amount of overfishing (1) **Analysis** Accurate diagram – showing price rise or candidate states price rise (1) correct shift in supply (1) e.g.  	**(5)**

Question Number	Indicative content	Mark
6(b)	**Knowledge 2, Application 2, Analysis 2** Reasons why fishing as much as possible is rational • This is completely rational from the perspective of a fishing company, which has revenues clearly linked to size of catch. • Shows an understanding of profit maximising behaviour. 'Private producers will act in their own self-interest and exploit common access resources to maximise profit.' • Figure 1 shows Sweden fishing at an excess of 52.4% in excess of TAC. • Using techniques to increase the size of the catch will help to minimise costs • 'Common access resources provide an opportunity for individuals to create profit, while spreading negative externalities to everyone else.' **NB KAA can be treated as Evaluation and vice versa**	**(6)**

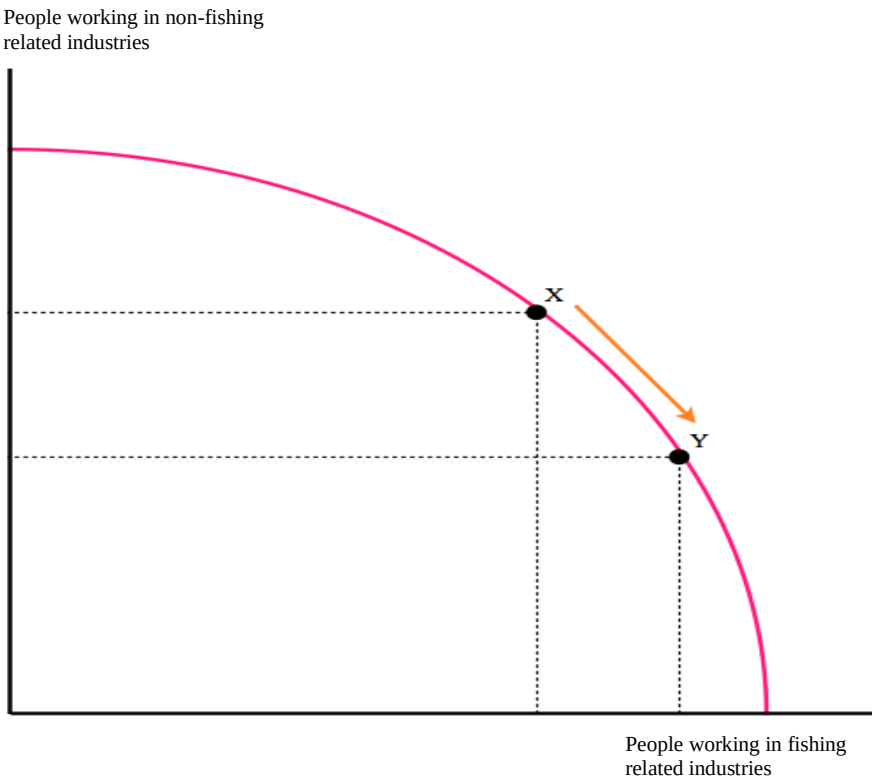
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	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 or the answer may lack balance.
Level 3	5–6	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 applied appropriately to the broad elements of the question.

Question Number	Indicative content	Mark
6(b) continued	**Evaluation 4** Reasons why fishing as much as possible is irrational: • 'Exploitation is unsustainable and will lead to the depletion of resources; this is known as the tragedy of the commons.' • Short run profits means that stocks are rapidly depleted so in the long run there are no resources for them to fish e.g. individual firms find that dwindling fish stocks mean their own revenue base is contracting. '90% of fish stocks are depleted.' • It may be rational for firms to behave this way but also it is harmful to society of which those firms are a part e.g. negative externalities impact society as a whole	**(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 chains of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Answer	Mark
6(c)	**Knowledge 2, Application 2 Analysis 2** **Knowledge and Analysis (1+1)x2** • Excludability (1) e.g. private ownership enables individuals to charge for the use of an asset (1) • Private ownership of resources (1) e.g. land, labour, capital and enterprise may be exploited by private individuals or firms (1) • Rivalry (1) e.g. private owners of resources can choose to buy and sell resources in order to generate profit (1) • Private ownership in a free market economy may lead to wage disparities or other inequalities (1+1) **Application (1+1)** 1 mark for use of Extract B e.g. 'private producers will act in their own self-interest' individuals 'maximise profit' 1 mark for use of own knowledge e.g. private ownership of a resource means someone is accountable for it (1) If someone owns something then they legally stop other people from using it (1)	**(6)**

Question Number	Answer	Mark
6(d)	**Knowledge 2, Application 2** 1 mark for e.g. Identifies the correct formula (1) e.g. the formula for XED is %ΔQD Good A/%ΔP Good B -8 = x/2% (1) -8 x 2% = -16% (1) (decrease in quantity demanded of bags of chips) 950 000 x 16% = 152 000 (1) 950 000 – 152 000 (1) = **798 000** **If correct answer is given award all 4 marks. Award up to 3 marks for correct working but overall correct answer missing.**	**(4)**

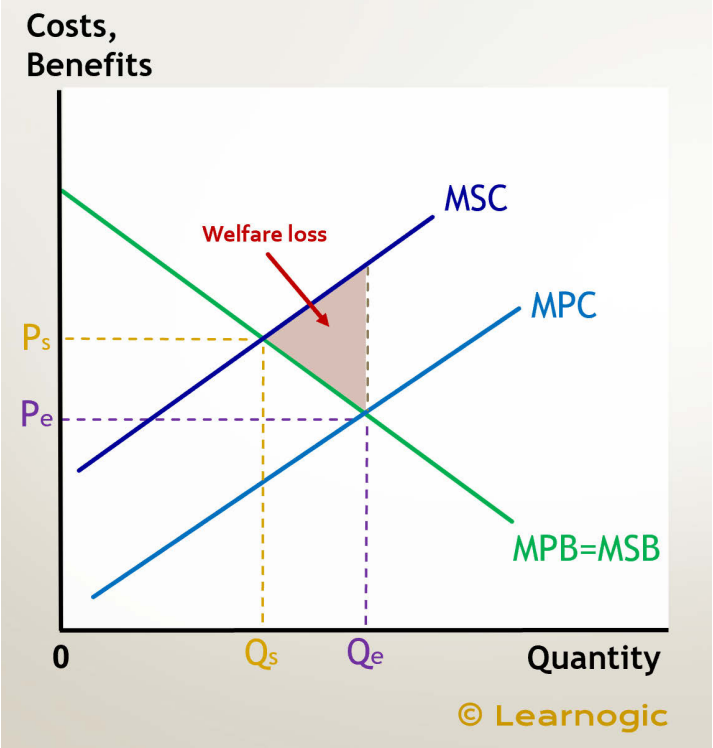
Question Number	Indicative content	Mark
6(e)	**Knowledge 3, Application 3, Analysis 3** Impacts can be positive or negative. • Understanding of specialisation. The number of workers in the fishing industry relative to other workers will be more in Scotland relative to the rest of the UK:  **NB If there is no valid diagram - maximum level 2 KAA** Advantages might include: • Fishing fleets develop expertise based on years of experience • This will be the case for both labour and capital • Fishing ports have the infrastructure to process the catch and to distribute it to markets in the UK and overseas • Employment opportunities will be available and will grow as the industry develops • Specialisation enables training providers to specialise in developing skills for workers in the region - more resources can go in to	**(9)**

	preparing for fishing industry without having to invest in training in other areas. • Spillover effects - skilled labour more freely available so if a new worker is needed they can benefit from training with a different company • Efficient use of resources – a region that specialises in fishing due to availability of resources e.g. good fishing grounds. • Creates jobs – people of Scotland will be able to find employment in the fishing industry • Scotland specialising in the production of fish can catch more and then trade with other countries who specialise in the production of other goods. • By catching more fish the economy can sell these, increasing income in the Scottish economy • By specialising and division of labour increasing output/ reducing costs of production the economy can improve income, living standards. **NB KAA can be treated as Evaluation and vice versa**	

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	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	4–6	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	7–9	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
6(e) continued	**Evaluation 6** There are many disadvantages of specialising in the production of goods and services to trade: • Over-exploitation of resources leaves economic agents over-exposed, leading to possible business failures and job losses • The reduction of the cod TAC could lead to major issues for Scottish fishing • External costs related to congestion and pollution • Demand for fish falls with the increased trend towards vegetarianism and veganism, the economy would be at risk • Workers could find it difficult to transfer to other industries if they are over-specialised • Current consumption may be unsustainable leading to reduced incomes for future generations	**(6)**

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	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

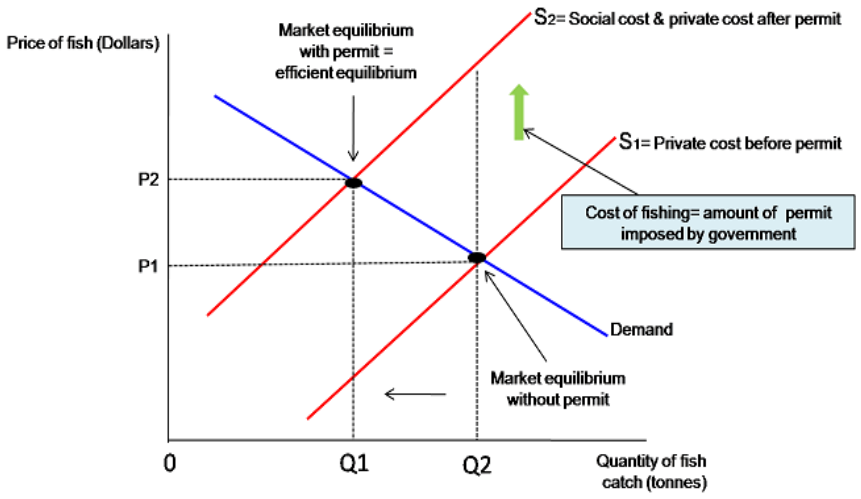
Question Number	Indicative content	Mark
6(f)	**Knowledge 4, Application 4, Analysis 6** Overfishing is a negative externality in production. Diagram e.g.  **NB If there is no appropriate diagram - maximum level 3 KAA** Figure 1 shows the scale of the overfishing for different nations, e.g. Sweden's TAC is 52.4% above what the scientists advise. Multiple external costs are referred to in the Extracts. Extract B states that '90% of fish stocks are depleted.' The cod TAC should be reduced in order to reduce the extent of the overfishing. This would reduce the quantity caught from Q_e to Q_s. Possible external costs/third parties that might be affected • Fishing nets can damage wildlife, costing wildlife charities to rescue and rehabilitate animals • Fishing boats spill oil which has a negative impact	**(14)**

	on those swimming in the sea or wildlife, clear up for Environment Agency etc • Fishing industry throws any over catch back in to the sea, this can pollute the water • Smell from fishing industry can have a negative impact on those that live near the ports • Overfishing increases supply - lowers price and this has negative impact on manufacturers of other food items.	

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	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	4–6	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 or superficial, two stage chains of reasoning only.
Level 3	7–10	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	11–14	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably 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
6(f) continued	**Evaluation 6** • Hard to put a value on external costs - how do you value harm to wildlife • Some impacts are slow to emerge • External benefits may exist - jobs in fish food processing plants, boat building and net making industries • Technology improves meaning risk of oil spills reduces • Net manufacturers are developing safer nets - fishing industry more aware of the need to dispose of nets appropriately • New method of fishing are reducing the external costs • TACs have helped to reduce the external costs	**(6)**

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	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.

Question Number	Indicative content	Mark
6(g)	**Knowledge 4, Application 4, Analysis 6** **Do not award policies involving changes in the total allowable catch (TAC) per country** There are a range of policy options available to reduce over-fishing: Ways might include: • Provision of information, so that consumers can be encouraged to consume sustainably • Regulation e.g. designated areas for fishing allowing stocks to recover • Extension of property rights to international waters • Agreements on shares of fish that can be caught • Imposing indirect tax on fish to reduce consumption • Subsidy paid to firms to use safer technology • Minimum price for fish • Government permits awarded to fishing companies may be tradable • The answer may be supported using a relevant diagram e.g.  **NB If there is no appropriate diagram - maximum level 3 KAA**	**(14)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	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.
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Question Number	Indicative content	Mark
6(g) continued	**Evaluation 6** Evaluation of policies might include; • Unintended consequences, such as illegal fishing • Excessive administrative costs • Information gaps, with consumers unaware of the extent of the damage being caused by over-fishing, not knowing level of tax to implement etc. • UK may increasingly over-fish since leaving the EU • Relative benefits/costs of government intervention versus market-based solutions • Government unaware of the right level of intervention	**(6)**

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	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.

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