PEARSON EDEXCEL IAL ECONOMICS · YEC11

ECONOMICS



MARK SCHEME

UNIT 3: GOVERNMENT INTERVENTION

SCORE	PERCENTAGE
/364	%

STEMUP

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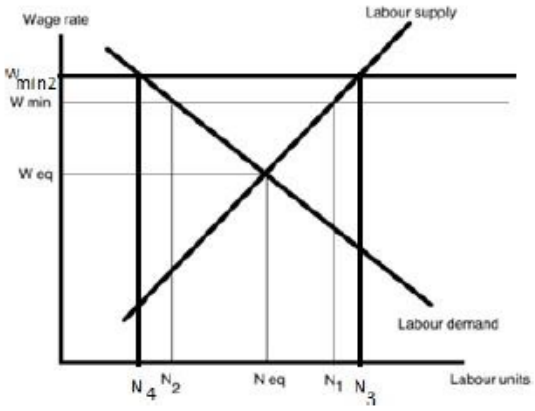
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(Total for question = 6 marks)

Mark Scheme

Q1.

Question	With reference to extract B, analyse two likely effects on the labour market for garment workers of the possible increase in the minimum wage to 22000 taka. **Answer**	Mark
	Knowledge 2 Application 2 Analysis 2 **Quantitative skills assessed:** **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and analysis** **1 mark for identifying each effect and 1 mark for each linked expansion (2k+2An)** • Increasing minimum wages causes workers to lose their jobs **(1k)** SMEs cannot afford to employ as many individuals at the higher wage rate causing individuals to lose their jobs **(1An)** • An increased supply of labour/extension in labour supply **(Kn)** because the higher wage rate acts as an incentive for more people to join the labour force **(An)** • An increase in minimum wage may increase motivation **(Kn)** increasing output/productivity **(An)** • If used, correct diagram showing the increase in the NMW causing a contraction of demand N_2 to N_4 and an extension of supply N_1 to N_3 **(1+1)** • Unemployment rises from N_1-N_2 to N_3 to N_4	**(6)**



N.B Minimum wage diagram must show an increase in the minimum wage, not the introduction

Application

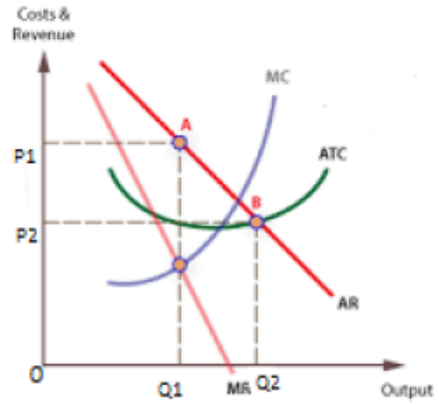
Up to 2 marks for application to Extract B

- The minimum wage for garment workers was 8 000 taka per month **(1)**
- The Government has been under pressure from trade unions to increase this rate to 22 000 taka per month **(1)**
- The minimum wage for garment workers has not increased since 2018 **(1)**
- Garment manufacturers argue that they do not have the funds to pay a higher minimum wage **(1)**

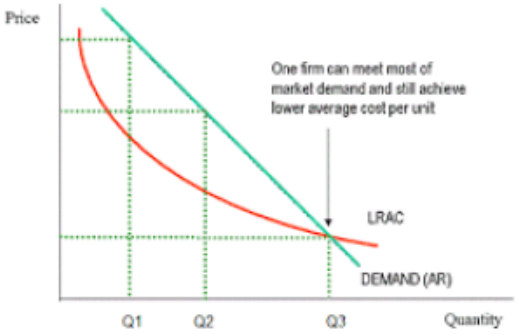
Q2.

Question	By 2017 Ethiopia was one of very few African countries that had not privatised its telecommunications market and introduced competition. The state-owned company, Ethio Telecom, was the only firm in the market. Evaluate the likely benefits of a monopoly to its consumers. Illustrate your answer with an appropriate diagram(s). **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS4**: Construct and interpret a range of standard graphical forms. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application, Analysis (12 marks) – indicative content** • Understanding of monopoly – the firm is the sole supplier in the market **Benefits to consumers** • A monopoly could offer new services with the knowledge that it will have no competition • Dynamic efficiency: Ethio Telecom might use supernormal profits for investment in new technology • If the monopoly is required by a government to produce the allocatively efficient level of output, then the price will reflect marginal cost and ensure that the goods produced reflect consumer demand • Some consumers may benefit if the monopolist price discriminates. This may reduce deadweight loss associated with a single price monopolist • A monopoly may need to keep prices low and continue to introduce new products in order to deter new entrants (contestable market) - price lowered from P1 to P2 and only normal profit made

Award relevant diagram e.g.



- Falling LRAC diagram. Greater productive efficiency – production will be at a lower point on LRAC curve than if there were more firms in the market. This may lead to a reduction in prices for consumers and higher consumer surplus
- If the monopoly is state-owned it may have an obligation to keep prices low and provide subsidised products/services to consumers



Restrict to a maximum of 9 marks for Knowledge, Application and Analysis if no diagram provided.

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

Evaluation (8 marks) – indicative content

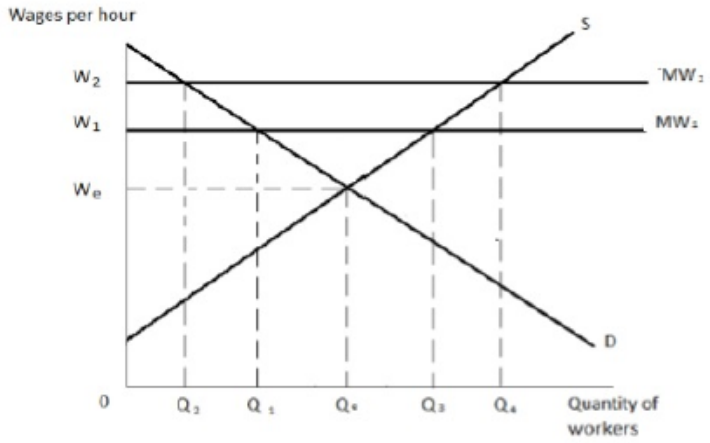
- Consumers might suffer from higher prices, so moving away from the allocatively-efficient level of output
- A monopoly might result in X-inefficiency, resulting in higher costs and higher prices
- Profits may be used for dividends rather than for investment and innovation in the products or services of the business
- Lack of competition may lead to less incentive to innovate and develop. Hence lack of choice. In terms of technological change, telecommunications is a fast moving market. The lack of competition could mean that products are out-dated and of relatively poor quality
- A state-owned monopoly may not have a profit motive and may be inefficient
- Any profits made by a state-owned monopoly may not be reinvested into the business because the government may cream off profits
- The size of benefit/problems depends on level of regulation

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

Q3.

Question	In 2018 the Malaysian Government increased the monthly minimum wage for garment and textile workers from MYR1 000 to MYR1 500. Evaluate the benefits of an increase in the minimum wage on businesses **and** workers. Illustrate your answer with an appropriate diagram(s). **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS4**: Construct and interpret a range of standard graphical forms. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (12 marks) – indicative content** • Understanding of minimum wage - the lowest wage that a business is legally required to pay its workers **Benefits to businesses** • Workers may be better-motivated and hence more productive. Labour productivity increases • An increase in efficiency may result in a fall in unit labour costs, more than offsetting the rise in the minimum wage rate • Lower unit labour costs may mean that the business becomes more competitive • Workers are more likely to stay employed with their current employer. Lower labour turnover rates means more experienced and loyal workers. Lower recruitment and training costs on replacement workers • Consumers may be on higher incomes which may result in an increased demand for the firm's products/services. Revenue and profit may rise • Businesses may replace workers with capital. Hence efficiency and profit may rise

Award relevant diagram e.g.



Benefits to workers

- A rise in income for low-paid workers. Greater purchasing power and a rise in living standards. Minimum wage rises from $0W_1$ to $0W_2$
- Less dependence on benefits to top-up household income level
- Greater motivation and job satisfaction
- Workers may be more inclined to seek promotions and pursue careers
- If the employer is a monopsony, a rise in NMW may lead to a rise in employment

Restrict to a maximum of 9 marks for Knowledge, Application and Analysis if no appropriate diagram provided or only one economic agent is considered.

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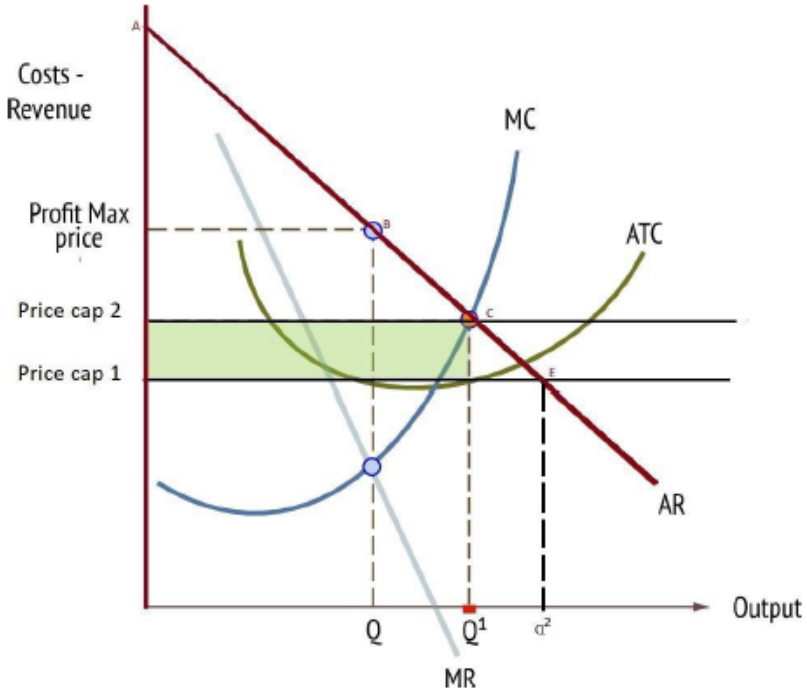
	Evaluation (8 marks) – indicative content **Drawbacks of minimum wage to businesses** • Increase in labour costs (see diagram). May make business less competitive especially in international markets • May exert upward pressure on wages for other workers not just the low-paid. This further increase production costs • May result in some businesses having to downsize or even leave the market • Small firms may be particularly vulnerable • Possible rise in administration costs

		Drawbacks of minimum wage to worker • Some workers may lose their jobs as the business seeks to lower the increase in labour cost (see diagram 1). Employment in the industry falls from OQ_1 to OQ_2 • Businesses may expect workers to work harder/more efficiently to compensate for higher costs • A minimum wage may result in a rise in inflation (demand-pull and cost-push). Hence real wages may not rise significantly (may even fall) • A minimum wage may increase the number of people working in the informal sector, so firms can avoid paying the legal minimum **General points** • Impact on a firm partly depends on number of low-paid workers it employs • Magnitude - depends on the extent of the rise in the minimum wage. E.g. for Malaysian textile workers the rise is 50% • Impact depends on how effective a government will be in enforcing the minimum wage
Level	Mark	Descriptor
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Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
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Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Q4.

Question	With reference to Extract A and Extract B, discuss the likely effects of the increase in the energy price cap on both energy suppliers and consumers. Illustrate your answer with an appropriate cost and revenue diagram. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **QS4:** Construct and interpret a range of standard graphical forms. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Knowledge, Application, Analysis (8 marks) – indicative content



The price cap for energy has increased by 54%, increasing the price to consumers from price cap 1 to price cap 2

	Negative effects on consumers: • Maximum price for energy rises from £1277 to £1971 per year • Consumer surplus will reduce as energy bills have risen • Standards of living will fall as consumers have to switch from consuming other products to cover the additional cost of higher energy prices • Quantity of energy consumed is likely to decrease • Consumers may increase spending on energy saving electricity measures such as green technology, solar panels and insulation **Positive Effects on suppliers:** • Higher profits: as prices have increased, revenues will increase allowing firms to cover their costs and make higher profits • Firms are more likely to survive in the long-run as they are able to increase their prices • Producer surplus will rise as prices will increase • Increased competition/ lower barriers to entry **NB Maximum level 2 if only one economic agent is discussed** **NB Maximum level 2 if no appropriate cost/revenue diagram is included showing increase in price cap**

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	Evaluation (6 marks) – indicative content **Positive impacts on consumers:** • The effect on the consumer will depend on their household income. Low-income households may be affected more than high-income households • The UK Government announced help for approximately 28 million households by providing a discount on energy bills worth £200 in 2022. This will reduce the effects of the price cap on consumer surplus • The negative effect on standards of living will be reduced as there would also be a £150 cash payment to some households that will not need to be repaid • If consumers can reduce their energy usage the increase in the cap may not increase their energy bill as much • If consumers use energy saving devices/install solar panels, this may reduce the effects of the price cap **Negative impacts on suppliers:** • The increase in the price cap may not be sufficient to cover the increase in the wholesale price of gas and some suppliers may make losses • Consumers may continue to reduce their energy usage reducing revenues for the suppliers • If wholesale price rise again, price caps may not be sufficient for suppliers to survive

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

Q5.

Question	With reference to Extract A and your own knowledge, discuss the likely effects of Government policies on the productive efficiency of SMEs **Indicative content**
	Indicative content guidance **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, Application, Analysis (8 marks) – indicative content** • Productive efficiency occurs when the business is operating at its MES/lowest point on its AC curve • Training would improve the quality of management, enabling better decision-making and improving productive efficiency. Training the workforce would increase output and productivity, reducing production costs and increasing productive efficiency • The SME foundation's funding for R&D may create process innovations that could help to reduce the average cost of production • Creation of industrial parks creates external economies of scale for businesses that can allow them to lower their LRATC and move towards their MES • Investing in the quality of infrastructure within industrial parks will make running SMEs easier due to better broadband connections and power supplies lowering average costs for SMEs • Establishing loan schemes to support SMEs could result in more SMEs in being created/started increasing competition resulting in lower prices/higher productivity/more choice • Providing subsidies to SMEs lowers their average cost

Level	Mark	Descriptor
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Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence

	Evaluation (6 marks) – indicative content • Many of these policies would only have an impact in the long-run because of time lags involved in training • The quality of labour is low and may not have sufficient skills to produce the newly innovated products/ if training is inefficient the quality of labour may not improve sufficiently • Research and development may help identify new areas of product development. However, if there are insufficient skills/capital the new products may not be developed • Subsidies are not available for all markets limiting the improvements in efficiency to all markets • Lower production costs may not be passed on to the consumer in the form of lower prices • The impact of the industrial parks will depend on the number of businesses willing/able to locate in these areas • Funds would be more effective if allocated to large enterprises that are more likely to experience economies of scale

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

Q6.

Question Number	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	**The only correct answer is A** **B** *is not correct because the profit motive and an increase in competition resulting from privatisation would increase productive efficiency* **C** *is not correct because an increase in competition resulting from privatisation would lead to greater consumer choice* **D** *is not correct because privatisation involves the sale of shares to individuals and institutions*	**(1)**

Q7.

Question Number	Answer	Mark
	Knowledge 2 Application 2 Analysis 2 Evaluation 2 **Knowledge** Up to 2 marks for **two** of the following: • Effect on employment **(1)** • Effect on profitability of firms **(1)** • Effect on price of coal **(1)** • Effect on Government **(1)** • Effect on workers **(1)** • Effect on efficiency **(1)** • Effect on output **(1)** 1 mark for definition of deregulation - removing government restrictions/regulations in a particular market **Application and Analysis** Up to 2 marks for relevant application and up to 2 marks for linked expansion of effects • More employment of coal miners **(1ap)** if the coal industry is more profitable and efficient, higher demand for labour **(1an)** • Entry of firms such as Rio Tinto **(1ap)** leading to a more internationally competitive Indian coal mining industry **(1an)** • Entry of firms such as Rio Tinto **(1ap)** leading to a more internationally competitive Indian coal mining industry/ leading to a fall in coal prices because of greater competition **(1an)** • Indian Government raises revenue from sale of mines **(1ap)** leading to more funds available for government spending/opportunity to reduce taxes **(1an)** • More jobs in other industries in coal mining areas **(1ap)** as a result of higher incomes **-** regional multiplier effect **(1an)**	

	Evaluation Up to 2 marks for evaluative comments, eg: • Mining trade unions fear that privatisation and deregulation may lead to job losses if Coal India, for example, needs to become more efficient (rationalise) in order to compete **(1+1)** • Privatisation and deregulation may make very little difference to employees if Coal India continues to dominate the market **(1+1)** • Changes may have a negative effect on the environment if private sector firms prioritise profit above environmental factors **(1+1)** • Changes may have a negative impact on health and safety issues if private sector mining firms prioritise profit **(1+1)** • Price of coal may not fall **(1)** if Coal India continues to dominate the market/if large international mining companies are able to exert monopoly power **(1)**	**(8)**

Q8.

Question	Evaluate measures to reduce the occupational and geographical immobility of labour. **Indicative content**
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	Measures implemeted by government, businesses could include: • offer training or subsidise businesses that provide specific training for their staff. This improves the skills of the workforce enabling them to fill gaps in the labour market more easily • offer subsidies to businesses who take on workers from groups with very high unemployment levels. Businesses are incentivised by the lower labour costs and the work experience these individuals receive to improve their skill level making them more employable in the future • encourage more apprenticeships to improve the skills of young people entering the workforce, to overcome occupational immobility, by improving their skill level • introduce relocation subsidies or support for individuals who live in regions with lower house prices, that need to move to regions with higher house prices for work • improve the knowledge of job opportunities available across the country to help individuals know where they could locate to find better work • reduce barriers to immigration to overcome occupational immobility of labour • improve infrastructure to reduce geographical immobility of labour **Restrict to a maximum of Level 3 if reference is not made to both occupation and geographical immobility**

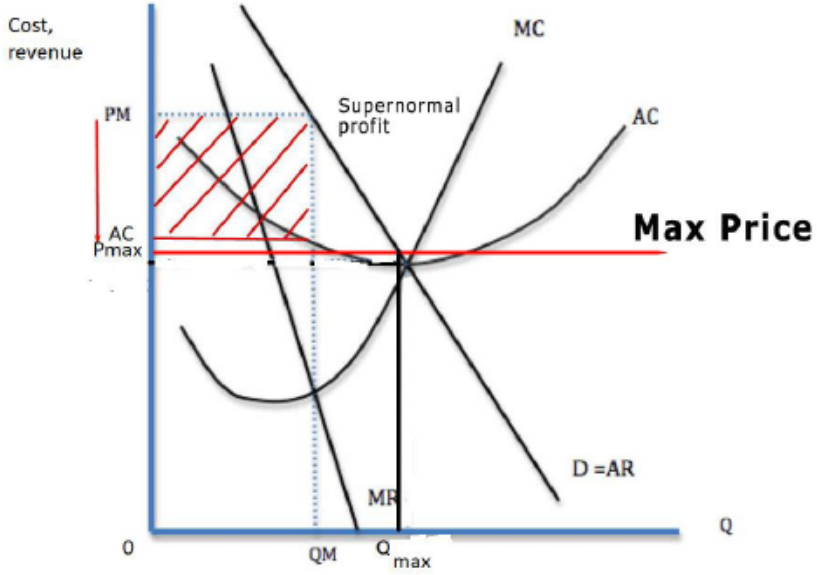
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Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
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	Evaluation (8 marks) – indicative content • The labour force may not have the potential to fill the vacancies for high skilled occupations • Many individuals will not move if they have family ties or friends, even if the government/ business provides relocation subsidies • If the training/education provided does not fill gaps in the labour market, the occupational mobility of labour will not improve • There are time lags for education/training to have an effect. Therefore there may not be any change in the mobility of labour in the short-run • It will depend upon the magnitude of the government/ business expenditure on measures • Lack of information for those putting in place measures mean the wrong level of support is offered

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Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
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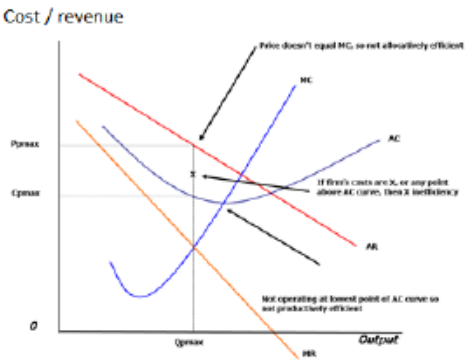
Q9.

Question	Evaluate methods that a government could use to control monopoly behaviour. Illustrate your answer with an appropriate diagram(s). **Indicative content**
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- The introduction of the price cap at Pmax stops the monopoly charging a price at PM reducing the level of supernormal profits and producer surplus made

- Monopolies are inefficient and government intervention is needed to improve efficiency and to avoid consumer exploitation



- The government can use maximum price on goods, such as water to stop prices increasing and force the monopolist to charge the allocatively efficient price (P = MC)

- The price is set below the monopoly equilibrium, reducing the price level, increasing consumer surplus
- Price regulation can stop a firm increasing prices in line with inflation if there is any X-inefficiency in the business
- The government may use profit regulation, this limits the amount of total profit that can be earned by a firm operating in an industry, encouraging lower prices or increased investment

	• Quality standards may be set e.g. to ensure a minimum legal quality of water being produced • Performance targets aim to regulate the quality produced by the monopoly through ensuring there is adequate output/safety standards of water produced • Imposition of fines for poor performance • Nationalisation of the monopoly • Measures to reduce entry barriers/increase contestability **NB if no diagram candidate can achieve a maximum of level 3**

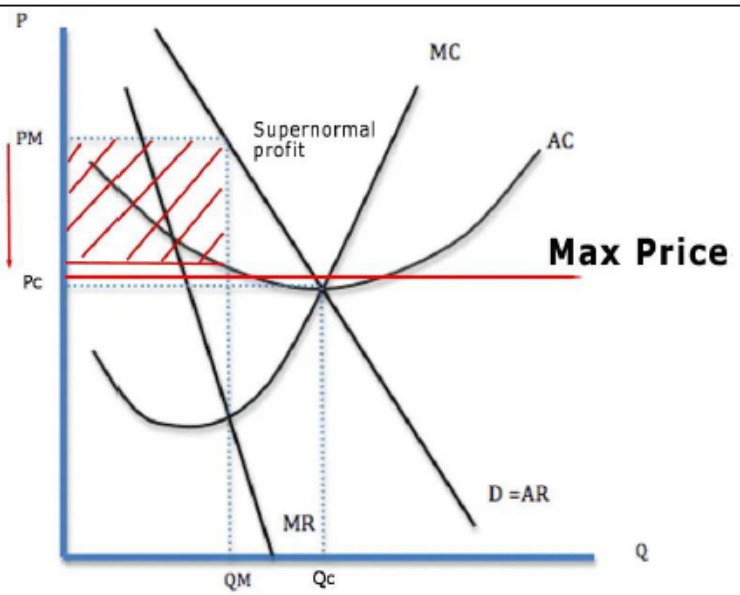
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Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Government failure and unintended consequences: examples below • If regulatory capture occurs the regulator may become focused on the interests of the firms they regulate rather than on the public interest • Profit regulation/price control may limit the ability for the monopoly to be dynamically efficient or improve the quality of drinking water production • Profit regulation/price control may reduce profits leading to the companies having insufficient funds for investment e.g. to improve water quality • The level of X-inefficiency can be hard to estimate. If overestimated the firm may find it difficult to be profitable • Performance targets may move the focus of the firm away from essential services reducing quality in other areas of the business • If there is asymmetric information/information gaps in the market, the regulator may not know the issues/problems associated with specific monopoly therefore may not put in place sufficient regulation to control the firm • If the regulator has inadequate resources it may not be able to control the monopoly or fully investigate the level of inefficiency/market abuse • Lack of regulatory power may stop any regulation being implemented effectively

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

Q10.

Question	Evaluate policies a government could adopt to control monopolies. Illustrate your answer with an appropriate diagram(s). **Indicative content**
	Indicative content guidance **Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • A monopoly is a sole supplier that exists in the market with high barriers to entry • A business may have monopoly power if it controls a high percentage of the market • Monopoly power enables a business to set prices, limit output and restrict competition • Profit regulation by imposing limits on the amount of profit a monopoly can earn, to ensure the business does not exploit its market power and to promote increased allocative efficiency and consumer welfare • Price regulation is a maximum allowable price for a particular good or service. This limits the amount that a monopoly can charge consumers and protects consumers from excessively high prices set by a profit-maximising monopolist



- Price is capped to Pc, reducing the price from PM. This would reduce supernormal profit and increase consumer surplus
- Performance targets: set specific objectives that the monopoly must meet, ensuring that it operates efficiently and provides quality services
- Quality standards can be used to control a monopoly by establishing specific criteria and requirements that the monopoly must meet to ensure the provision of high-quality goods or services
- Fines: competition authorities may impose fines for not meeting performance targets or quality standards
- Legislation to control mergers and takeovers: laws can block any integration that may result in an increase in monopoly power
- Nationalisation will transfer the business to the state sector where the objectives of the business may change e.g. reducing profit incentives, leading to lower prices
- Tax on profits encourages firms to invest more to reduce supernormal profits, increasing dynamic efficiency
- Tax incentives/Subsidies for new firms to enter the market increases competition and reduces monopoly power
- Government policies to promote competition and contestability e.g. deregulation

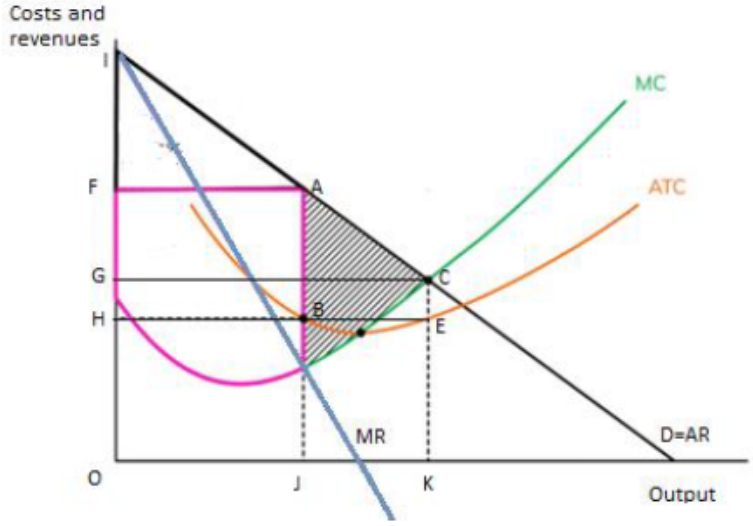
NB: If diagram does not show the impact of a policy then candidate can achieve a maximum of level 3

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

	Evaluation (8 marks) – indicative content • Regulatory capture may occur if the regulator becomes influenced or controlled by the monopoly that it is supposed to regulate, resulting in the regulator allowing the monopoly to abuse its dominant position • Government failure e.g. asymmetric information may lead to the government making inaccurate decisions on the level of a price cap or the level of profit control. This could cause the monopoly to shut down if it cannot cover costs/or allow the consumers to pay a high price for the goods • Government failure may lead to a misallocation of resources or unintended consequences, such as businesses shutting down • Inadequate resources may stop the government from being able to control and challenge the behaviour of a monopoly • Limited regulatory power may make it impossible to control the business. The regulator may not be able to impose a fine high enough to deter monopolies from abusing their power • Increased performance and quality targets may lead to an increase in the costs of production for the monopoly. These increases could be passed onto consumers • Price controls may cause the monopoly to cut costs which can lead to a reduction in quality for the consumer

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

Q11.

Question	Evaluate the impact of a profit maximising monopolist being nationalised. Illustrate your answer with an appropriate diagram(s). **Indicative content**
	Indicative content guidance **Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • Nationalisation is the transfer of a business or industry from private to state ownership or control • Nationalised businesses do not have to make a profit, which could reduce the price of energy for the consumer in France from F to G, if marginal cost pricing is adopted • Output would also increase from J to K • Consumer surplus would increase from AFI to CGI • Producer surplus/supernormal profit would fall 
	• With nationalisation there would be a more secure supply of energy in France, even when costs are rising. This would ensure that energy companies would not exit the market • Natural monopoly diagram could also be included • Profits made by a nationalised business may be used for investment or to finance public services • Nationalised businesses may receive more finance for investment to ensure the stability of energy supplies. This might increase the level of dynamic efficiency in the energy market • The nationalised EDF is likely to be more regulated than a private energy business as it is run using tax revenues. This could lead to more productive and allocative efficiency • The energy produced might make more use of green technology as the government may have environmental objectives **NB if no diagram candidate can achieve a maximum of level 3** **Positive impacts of nationalisation may be regarded as KAA and negative impacts as evaluation or vice versa**

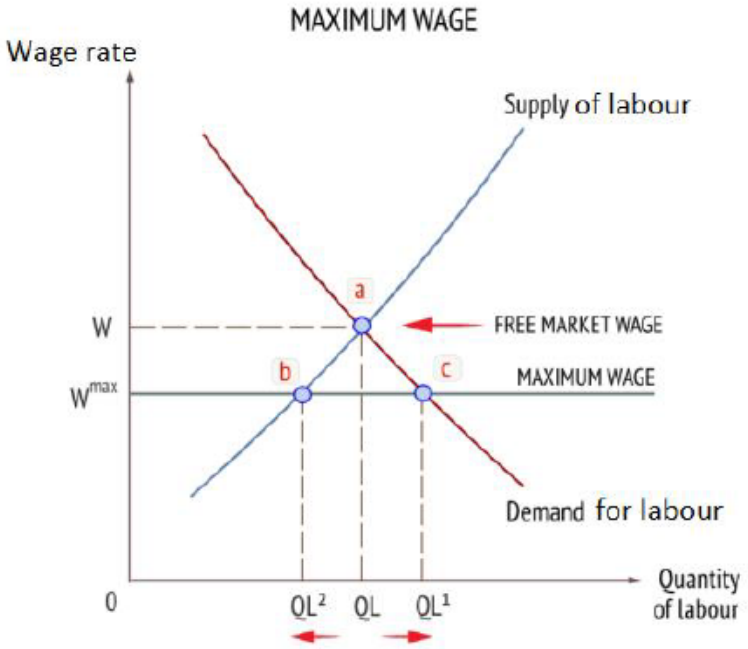
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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	Evaluation (8 marks) – indicative content • A nationalised business may be more inefficient than a profit maximising monopolist, as it lacks a profit motive. Therefore there may be a reduction in allocative/productive/dynamic efficiency • Lack of efficiency may increase costs of production for energy, these would be passed onto the consumer with higher energy prices • There is no guarantee that nationalisation would ensure stability of supplies • Marginal cost pricing could result in losses if EDF is a natural monopoly • There might be an increase in diseconomies of scale caused by poor management as the French Government are not expert in energy provision allowing costs to rise • X-inefficiency may cause costs to increase caused by complacency and lack of competition, actual AC above potential AC • The energy firms might be under-funded as a result of the government preferring to invest in other aspects of the economy • EDF may run at a loss/deficit, which may force the government to divert funds from key areas of the French economy to provide support • Nationalised firms are not able to access commercial loans, restricting their access to finance, hindering investment

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

Q12.

Question	Evaluate the impact of imposing a maximum wage. Illustrate your answer with an appropriate diagram(s). **Indicative content**
	Indicative content guidance **Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.** **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • Definition of maximum wage: wage ceiling above which workers cannot be paid • Diagram to illustrate maximum wage below market equilibrium



- Contraction of supply of labour QL- QL_2
- Extension of demand for labour QL-QL_1 that cannot be fulfilled
- Shortage or excess demand for labour
- 200 executives resigned from banking sector
- The pay would not reflect the responsibilities
- Likely to move to other countries/ occupations without a maximum wage
- Loss of highly skilled and experienced banking executives
- Efficiencies are reduced
- May impact government finances, less tax revenue
- Profits could fall as a result of loss of highly skilled workers
- 200 banking executives leaving might be a significant loss to the Egyptian banking sector

NB if no diagram candidate can achieve a maximum of level 3
Negative impacts of national minimum wage may be regarded as KAA and positive impacts as evaluation or vice versa

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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	Evaluation (8 marks) – indicative content • Impact on supernormal profits/reducing wage costs/reducing average costs and leading to higher profits • Labour may be immobile between countries/occupations • Other policies might be more effective- e.g. progressive taxes • Service charges to consumers are reduced as costs fall for banks • Impact on shareholders – dividends would rise if profits increased • Reduction in the difference between those earning the minimum wage and the highest earners • Improvements in equality in the country • Impact depends on gap between the competitive wage and the maximum wage • The Egyptian banks are likely to offer other incentives to retain workers e.g. bonus, company car • 200 banking executives leaving might be a significant loss to the Egyptian banking sector • Only impacts a small number of employees, therefore may not be significant • The government may not set the optimal level of the maximum wage

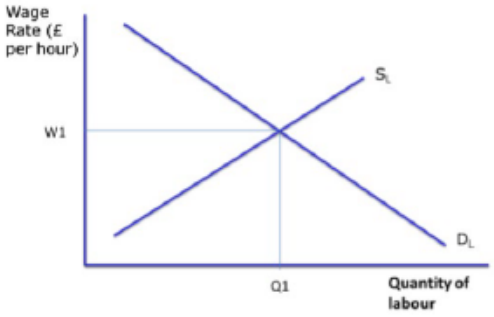
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Q13.

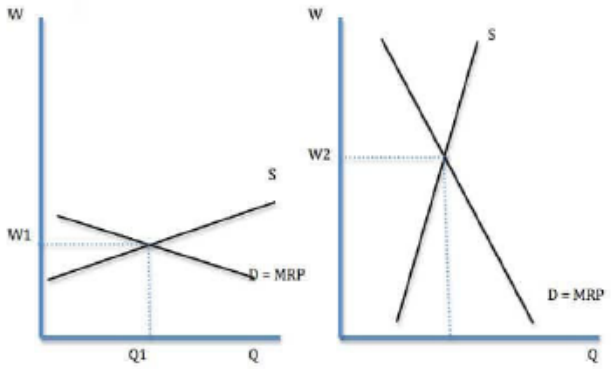
Question Number	In New Zealand in 2018, it was estimated that the average worker employed in the private sector earned 30% less than the average worker in the public sector. Evaluate the reasons why wage differences exist. Illustrate your answer with an appropriate diagram(s). Indicative content
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed:** **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Knowledge, Application and Analysis (12 marks) – indicative content

- This labour market equilibrium may differ between markets and this will cause the wage rate to differ as the equilibrium determines the wage rate



Or



	• If the supply or demand for labour changes in a market, this will also change the equilibrium price of labour. Therefore, the supply or demand of labour in a market will cause the wage to differ • The level of education/skill required for the job. Jobs which require more training and education offer higher wages because the supply of workers with this training and skills will be lower than the supply of unskilled workers • Wages in the private sector could be lower than the public sector because public sector pay is funded from taxation and not dependent on profit • In some parts of the private sector firms may have monopsony power and so be able to pay lower wages than firms in other sectors • Other factors such as age, gender and ethnic background may account for wage differences • A monopoly/trade union may be able to increase the wage rate through collective bargaining • Workers may have non-financial benefits that account for some of the difference e.g. hours of work, holidays, security • Workers may have financial benefits that account for some of the difference e.g. pensions, private healthcare, longer holidays • If the demand for labour is inelastic wages would be higher than if elastic • Wages tend to be higher in the sector that has more inelastic demand and /or inelastic supply **Restrict to a maximum of Level 3 if no appropriate diagram provided** **Accept reverse argument for KAA**

Level	Mark	Descriptor
	0	No rewardable material.
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • If labour is homogenous wage differences may not be different • If workers and employers have perfect knowledge of the labour market wages will be more similar • High mobility of labour enables workers to move between jobs and areas keeping wages stable • If there is no (age/gender/ethnic) discrimination in the market, everyone should be paid the same for the same job • Relative significance of relevant reasons • Private sector in some countries may be able to offer higher wages due to higher levels of profit • In the public sector, the government may have monopsony in the labour market and so can drive down the price of labour as workers have a lower price setting ability • The wage differential in NZ between workers in the public and private sectors may be temporary e.g. due to a downturn/recession • Government may limit pay rises for public sector workers e.g. to reduce budget deficit

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
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Q14.

Question Number	Answer	Mark
	Knowledge 2 Application 2 **Knowledge** • 2 marks for defining 'privatisation' - the sale of state-owned organisations (public sector) to the private sector **(1)** • Privatisation often involves removing barriers to enable private sector firms to enter a market **(1)** • Privatisation may make a market more competitive **(1)** • Privatisation may involve removing the monopoly power of a state-owned firm **(1)** **Application - up to 2 marks** for application to context of India's coal mining industry • The Indian Government decided to privatise part of India's coal mining industry **(1)** • In 2017 state-owned Coal India Ltd. was the sole producer but domestic private sector mining firms are now able to enter the industry **(1)** • Contracts to private sector mining firms would be awarded by auction **(1)** Any other valid application point - **1 mark for each**	**(4)**

Q15.

Question	Evaluate policies that a government could use to reduce the geographical immobility of labour **and** the occupational immobility of labour. Refer to industries of your choice in your answer. **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Occupational immobility of labour refers to the difficulty that workers face in switching between different occupations Belgium has a skills shortage as unemployed people are unable to fill the vacancies available. Policies to improve the occupational immobility of labour are therefore needed

	Policies to overcome occupational immobility of labour: • Skills training programs: Governments may provide skills training programs to help workers acquire new skills and move to a different occupation • Apprenticeship programs: Governments may offer apprenticeship programs e.g. in engineering or robotics, to provide training to increase vocational skills and fill gaps in the market • Education and training subsidies: Governments may provide subsidies to support education and training programs for workers who are looking to move to a different occupation e.g. subsidies for workers training for medical professions • Labour market information/support with job searches: Governments may provide up-to-date labour market information to help workers make informed decisions about their careers and the skills they need • Support for small businesses: Governments may offer support to small businesses to create new job opportunities and reduce occupational immobility • Tax incentives for employing workers: The government may offer tax incentives to employers who hire individuals who are facing difficulty finding work, such as those with disabilities Geographical immobility of labour is the difficulty of workers moving from one location to another Policies to overcome geographical immobility of labour:

	• Relocation assistance: e.g. The Government provides financial support to low-income workers/the unemployed who need to move for work, helping them with the cost of moving • Housing subsidies: providing housing subsidies to low-income workers/the unemployed to help them afford to move to areas with better job opportunities with high living costs • Transportation infrastructure: Improving transportation infrastructure, such as roads, train links and public transport, can make it quicker/easier for workers to move to areas with job opportunities • Labour market information: better provision of information about job opportunities in different regions, to help workers make informed decisions about moving • Job creation in local areas: encourage job creation in areas with high unemployment by providing tax incentives and other subsidies to businesses that locate in these areas • Regional/industrial policy e.g. freeports or joining a trading bloc/ common market to reduce national barriers to the mobility of labour **NB: award a maximum of level 3 for a response that does not refer to industries** **NB: award a maximum of level 3 for a response that does not consider both types of immobility of labour**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content Occupational immobility policies: • There may be a lack of funding for policies to address immobility of labour. If there is a lack of government funding or political will to support these policies, they may not be implemented • There could be structural barriers: factors such as discrimination or lack of access to education and training could be causing the immobility. Therefore, short-term policies are not likely to be effective • Workers might be resistant to changes in their occupations • The market conditions could change, and policies aimed at overcoming occupational immobility may not keep pace with these changes, or may not be flexible enough to respond to shifting labour market demands • Workers may not have the skill level to retrain to fill gaps in the market

	Geographical immobility policies: • Individuals may have strong personal and family ties that prevent them from moving, such as caring for elderly relatives or having children in school • Workers may resist moving, especially if they are familiar with their current community and have established social networks • Policies are costly and require significant investment in infrastructure. if there is a lack of government funding they may not be implemented or be underfunded • Time lags in building infrastructure may occur and the problem will not be resolved in the short-run • Workers may not have enough information about job opportunities and the conditions in different regions, making it difficult for them to make informed decisions about moving

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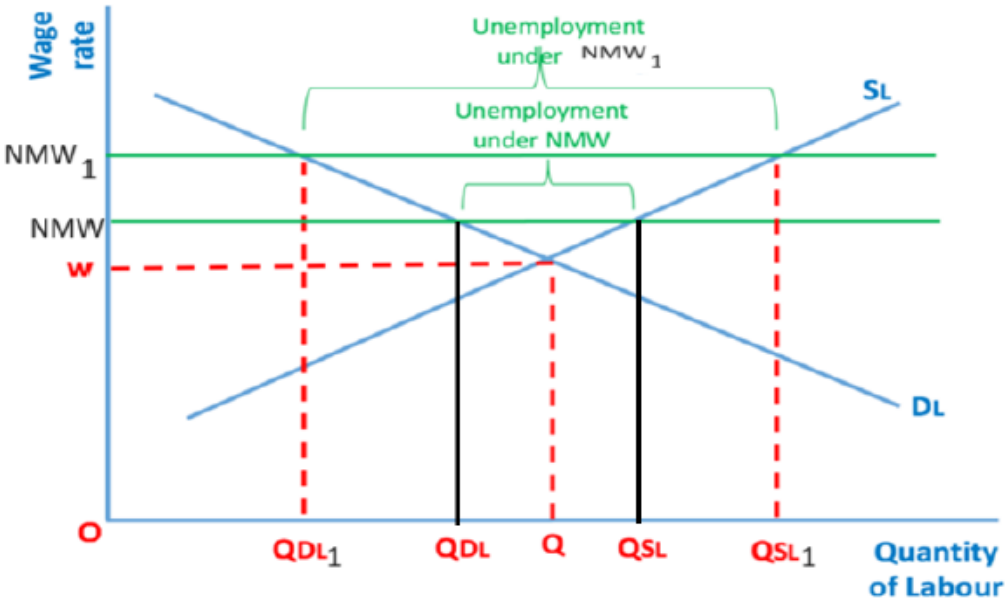
Q16.

Question	Quantitative skills assessed	Answer	Mark
		C	**(1)**

Q17.

Question	Quantitative skills assessed	Answer	Mark
		The correct answer is **D** **A** is incorrect because this is not related to the impact of government intervention **B** is incorrect because this would improve the impact **C** is incorrect because this would improve the impact	**(1)**

Q18.

Question	Evaluate the economic benefits of government intervention in labour markets. Illustrate your answer with an appropriate diagram(s). **Indicative content**
	Indicative content guidance **Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.** **Quantitative skills assessed:** **QS4: Construct and interpret a range of standard graphical forms.** **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.** 

	• Minimum Wage Controls: Setting a minimum wage above the market equilibrium (NMW to NMW_1) protects workers from exploitation and ensures that they receive a basic standard of living. For example the increase in the NMW in Mexico by 20% to 207.44 pesos in 2023 This wage floor prevents the exploitation of low-skilled or vulnerable workers in Mexico May result on increased productivity/ higher output for business • Regulating working conditions to improve the quality of work, for example the Government of Mexico setting a maximum of 48 hours of work for a full-time employee • Measures to reduce discrimination and exploitation: anti-discrimination laws and labour standards protect workers from unfair treatment and exploitation. These measures promote and establish working conditions that improve employee welfare



- Maximum Wage Controls: Maximum wage controls reduce income inequality and prevent excessive wages earned by higher income groups. By capping the maximum earnings an individual can receive below the market equilibrium (W to W^{max}) , the economy can achieve a fairer distribution of income and reduce the gap between high and low-income earners
- Direct Taxes e.g.: National insurance contributions may fund unemployment benefits and pensions. It may also fund spending on infrastructure, education and healthcare that can enhance the overall quality of the labour market
- Measures to reduce geographical and occupational immobility of Labour: These can include investing in transportation infrastructure, improving education and training programs, and creating policies that facilitate the transfer of workers between industries and regions, ensuring a more efficient and flexible labour market

NB: A candidate can achieve a maximum of level 3 if no relevant diagram

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

	Evaluation (8 marks) – indicative content
	• Minimum wage controls: setting a minimum wage too high could lead to job losses in Mexico, especially for small businesses, as they may struggle to afford increased labour costs • Maximum wage controls: may discourage the most skilled from pursuing the most senior jobs or it may hinder motivation impacting productivity (fall in quantity of labour QL^2 to QL^1). The most skilled may be encouraged to move to another country to work seeking a higher salary • Direct taxes (e.g., National Insurance contributions): High rates may discourage investment and job creation, potentially leading to reduced employment opportunities • Measures to reduce geographical and occupational immobility of labour may be ineffective because of resistance to change, lack of resources for retraining, or failing to match gaps in the market with the skills of the workforce • Measures to reduce discrimination and exploitation: Enforcement of anti-discrimination measures can be challenging for a government (government failure) • Government intervention may impose excessive costs on businesses

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

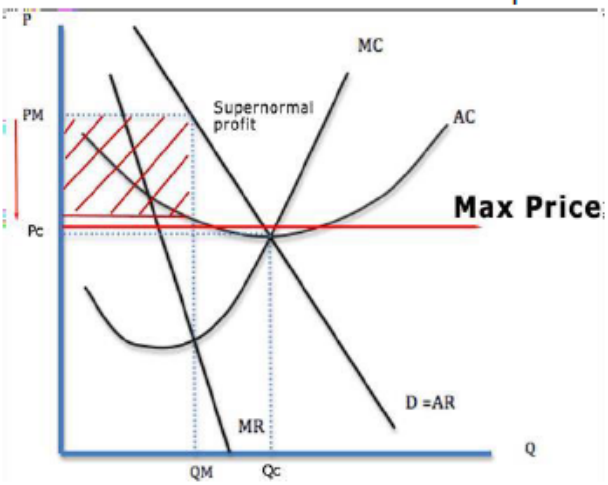
Q19.

Question	Evaluate measures that a government could introduce to promote competition and contestability. **Indicative content**
	Indicative content guidance **Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.** **Quantitative skills assessed:** **QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.** Market contestability refers to the ease with which new firms can enter and leave a market. Students may use a costs and revenue diagram to show reduced costs or increase supply in the market. • Subsidy: by offering subsidies it will lower production costs to encourage the entry of new firms into the market by reducing barriers to entry and increasing incentives • Reduced tax burdens: these would reduce costs of entry into the market and make it easier for small businesses to compete with larger, established businesses, increasing competition • Support for small businesses: Indonesia's Government is offering low-cost loans to help small businesses to compete more easily with medium-sized and large businesses • Foreign Direct Investment (FDI): FDI allows foreign businesses to enter the market and compete. A government can offer tax incentives to encourage businesses to enter, as their costs will be reduced • Deregulation: eliminates unnecessary barriers and restrictions, making it easier for new businesses to enter the market • Privatisation: a government could transfer state-owned enterprises to private ownership, opening up industries to competition • Competitive tendering for public sector contracts: encourages private firms to bid for projects, promoting a competitive environment • Trade liberalisation: reduces barriers to international trade, allowing foreign businesses to enter domestic markets. This increases the number of firms in the market, promoting competition and contestability

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
		Evaluation (8 marks) – indicative content • Tax incentives may not be high enough to overcome the barriers to entry if there are significant start-up costs in the industry • The time scale of any measures could determine how effective they are in promoting competition and contestability • Effectiveness depends on the scope and scale of the government measures • Measures will result in opportunity costs for the government • Government failure: imperfect knowledge, administrative costs, unintended consequences • Large foreign businesses may force smaller domestic firms out of the industry reducing competition • If foreign businesses are very efficient, their entry may act as a barrier to other firms in the long-run • Privatisation may create a private monopoly thereby reducing contestability and competition • Cost of measures may outweigh benefits • Businesses may fail anyway even with govt help • Economic conditions - growth phase or recession may have a significant impact on determining success of measures

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

Q20.

Question	Evaluate policies that a government could use to control and regulate monopolies, such as PTCL. Illustrate your answer with an appropriate diagram(s). **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • Price regulation: prevents monopolies from charging a price much higher than the price set under competitive market conditions. The government will set a maximum price below the current price (PM to PC) to increase allocative efficiency and reduce supernormal profits • Limiting the amount of profit monopolies such as PTCL are allowed to make. A maximum level of profit can be set equal to what the regulator thinks a firm would earn in a competitive market. 

	• Performance targets: would increase the quality of services e.g. internet services provided in Pakistan. The government would monitor the quality of the service, e.g. speed, reliability and coverage and set targets to improve, this increases the performance of the business and improves the experience for the consumer • Quality standards: the government could enforce standards e.g. to ensure that PTCL improves the quality of the internet by imposing fines on PTCL if it does not improve the quality of its service • Regulatory authorities can regulate against anti-competitive practices such as predatory pricing or price discrimination. These monopolies could be fined. This acts as a deterrent for monopolies and discourages them from acting in a way that is negative for consumers • Control mergers and takeovers to avoid the creation of monopolies. These monopolies could distort the market by reducing quality and/or increase prices. This would maintain the level of competition in the market maximising consumer welfare • Nationalisation: Government control of monopolies would change their objectives to work in the interest of the consumer as the business would not have a profit incentive • Measures to reduce barriers to entry e.g. subsidies to new entrants; reducing patent protection would increase competition in the market **NB if no diagram candidate can achieve a maximum of level 3**

Level	Mark	Descriptor
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Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Limiting profits can reduce dynamic efficiency. This might cause a lack of productive efficiency in the long-run the fine for not meeting the performance targets is too low, the monopoly would not have the incentive to change its production methods/services • A lack of regulatory power may stop the regulator from effectively controlling the operations of the monopoly • If price regulation is set too low, the monopoly may make a loss, reducing the opportunity for dynamic efficiency or causing the monopoly to close down • Regulatory capture means the regulator may act in the interests of the monopolists rather than consumers • Unintended consequences e.g. reduced quality of service to consumer • Information gaps mean the regulator does not have the required information to effectively control and regulate monopolists • Government failure may occur where government intervention results in a net welfare loss

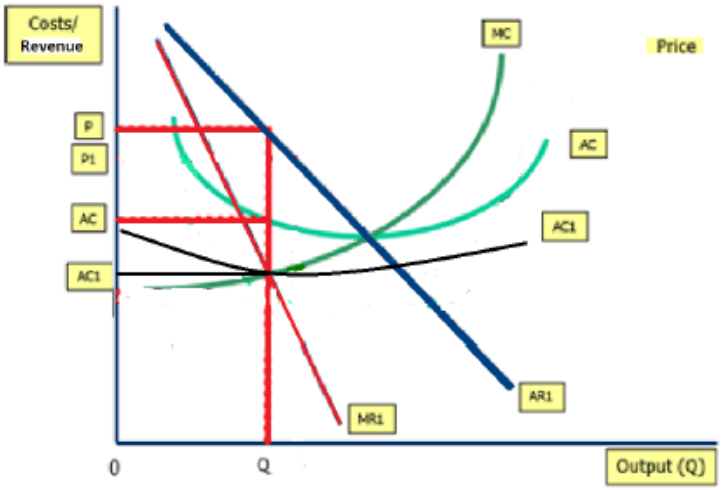
Level	Mark	Descriptor
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Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
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Q21.

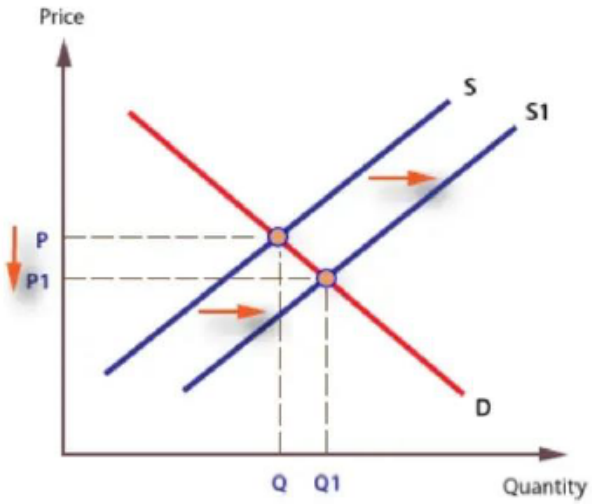
Question	**Evaluate methods that a government could use to promote competition in a market.** **Illustrate your answer with an appropriate diagram(s).** **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Knowledge, Application, Analysis (12 marks) – indicative content

- Definition of competition: a number of rival firms operating in a market
- The Government in Singapore introduced tax incentives to new firms to encourage them to operate. A reduction in the tax burden should incentivise more new firms to start up in Singapore which increases the level of competition in the market
- The tax incentives of S$100 000 should result in a decrease in average costs leading to an increase in profits
- Fall in AC to AC1 showing a new equilibrium with a higher profit level AC1- P1, 0- Q



- Government intervention will increase the level of supply in the market causing the supply curve to shift otwards, with a higher quanity and lower equlibrium price



- Deregulation makes it easier for a firm to set up and expand, as it reduces time/costs. This increases the number of firms entering the market improving the level of competition
- Deregulation reduces the barriers to entry into the market, as less legal expertise is needed, increasing competition
- Privatisation moves an industry from the public sector into private sector, allowing an increase in competition between firms, if more firms enter the market
- Competitive tendering for public sector contracts encourages firms to compete over price and quality, encouraging firms to become more competitive. The removal of long-term contracts also reduces the barriers to entry in the provision of public sector services
- Trade liberalisation removes barriers to entry that may stop foreign firms from being able to enter a market, encouraging more market entrants and competition
- Measures to control mergers must relate to how this improve competition

NB if no diagram candidate can achieve a maximum of Level 3.

Level	Mark	Descriptor
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • If tax incentives are not generous enough, they may not incentivise small business to set up • Reducing the tax burden may not be enough for small firms/FDI to enter the market. There might be more significant factors stopping firms, such as market conditions or access to finance • Deregulation may reduce the costs of production for incumbent firms, allowing prices to fall, making it more difficult for new firms to enter the market and compete over price, increasing barriers to entry • If deregulation encourages more FDI, smaller domestic firms may find it hard to compete, reducing competition • If privatisation creates a private monopoly, then competition may not be increased • Competitive tendering may not reduce barriers to entry/improve competition if a cartel is in operation in the industry, as new firms would not be able to undercut the cartel to make an offer and win the bid • Trade liberalisation can lead to foreign monopolies undercutting smaller domestic firms, reducing the level of competition and increasing barriers to entry in the market

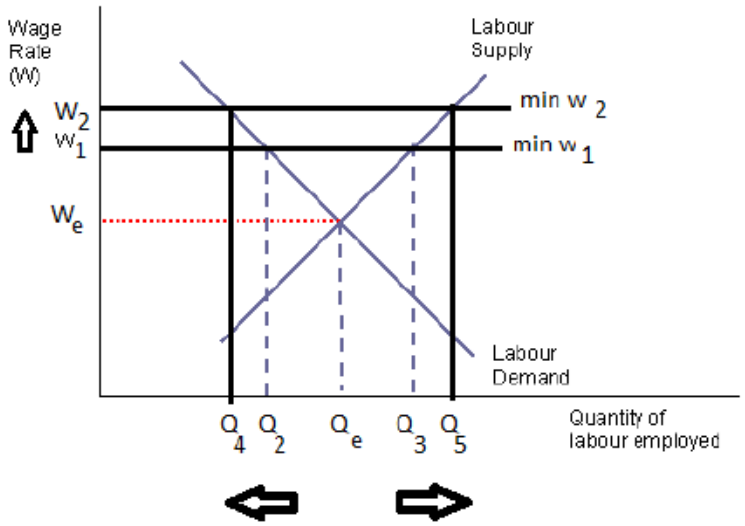
Level	Mark	Descriptor
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Q22.

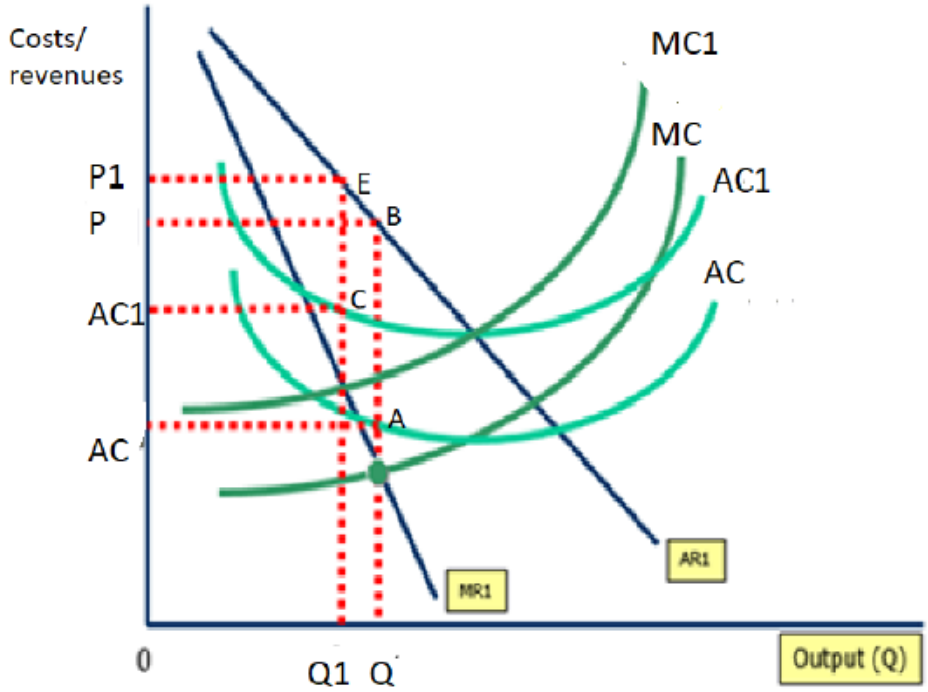
Question Number	Quantitative skills assessed	Answer	Mark
	QS4: Construct and interpret a range of standard graphical forms **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** *is not correct because this is an average variable cost curve* **C** *is not correct as there is no change in cost per output* **D** *is not correct because the curve is upward sloping*	**(1)**

Q23.

Question	Evaluate the likely microeconomic effects of an increase in the national minimum wage on an industry of your choice. Illustrate your answer with an appropriate diagram(s). **Indicative content**
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: **QS4:** Construct and interpret a range of standard graphical forms. **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • National minimum wage is a price floor below which the wage rate cannot fall/the lowest amount businesses are allowed to pay per month/per hour



- An increase in the national minimum wage would cause the equilibrium wage rate for restaurant workers to increase from W_1 to W_2 and the level of employment in this market to fall from Q_2 to Q_4
- Unemployment may increase in the restaurant industry from Q_2Q_3 to Q_4Q_5 as firms cannot afford to employ the same amount of labour
- Unemployment will rise as more individuals enter the labour market, incentivised by the higher wage rate, but cannot find employment



- Profits may fall for restaurants from A,B,P,AC to C,E,P1,AC1, as labour costs have risen causing AC to rise to AC1 and MC to rise to MC1,
- Businesses may make a loss as restaurants may be labour intensive
- Businesses may face a significant increase in costs and may have to reduce other costs e.g. costs of materials, reducing quality
- Businesses may need to increase prices reducing consumer surplus
- An increase in the informal sector, as businesses try to avoid paying higher wages to workers

NB if no diagram candidate can achieve a maximum of level 3

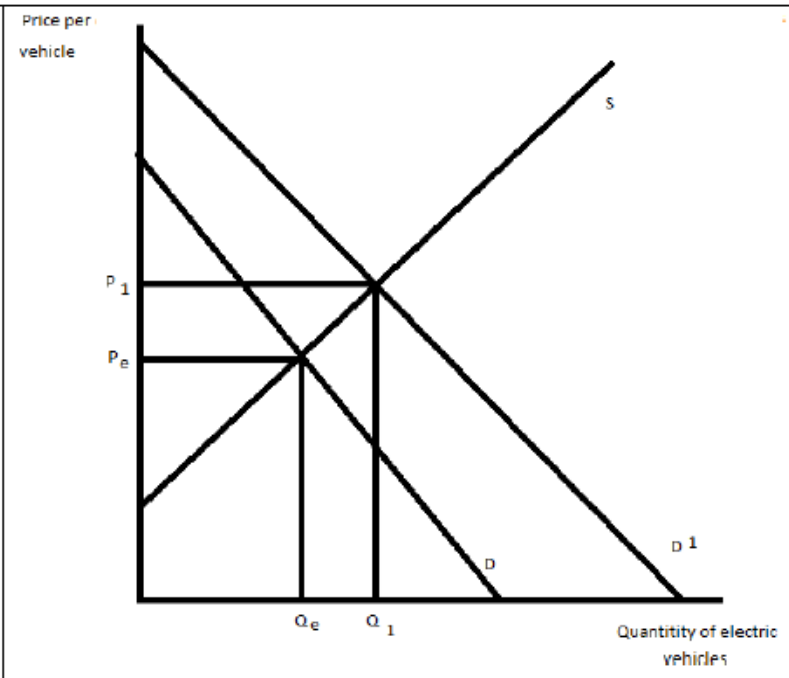
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Higher wages may improve productivity, reducing production costs and increasing profits • Many workers are paid above the NMW, therefore the rise will not have an impact on them • Higher wages would increase standards of living • If the proportion of costs allocated to wages is low, businesses may absorb the extra cost and unemployment may not rise • It depends on how labour-intensive the industry is. For more labour-intensive industries, the impact will be more significant • If the labour is derived demand the national minimum wage may not significantly impact the demand for labour • It will depend on the PED of labour as to the size of the impact

Level	Mark	Descriptor
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Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
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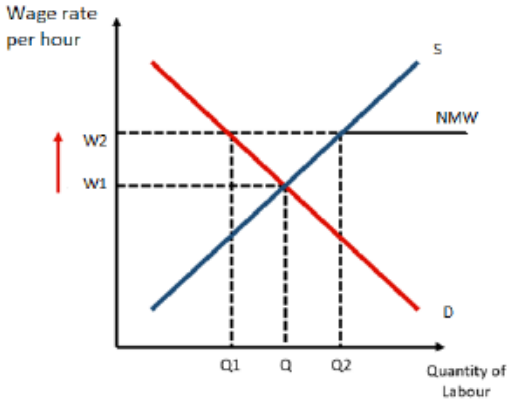
Q24.

Question	Reference to Extract A, analyse **two** reasons why sales of electric vehicles in China increased. Illustrate your answer with a supply and demand diagram. Answer	**Mark**
	Knowledge 2, Application 2, Analysis 2 Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for the diagram showing: • Original supply, demand and equilibrium price and quantity **(1)** • New equilibrium price and quantity having correctly shifted demand **(1)** **Analysis** Up to two marks for reasons from Extract A, e.g.: • Measures to reduce CO_2 emissions in order to meet its climate change goals by 2030 **(1)** • Increasing the number of charging points **(1)** • Raising the tax on non-electric vehicles **(1)** • The global increase in the price of fuel has also led to an increase in demand for electric vehicles **(1)** **Application** 1 mark for correct shift of demand on diagram: • Shift demand to the right **(1)** 1 mark for reference to change in sales: • Between 2021 and 2022 the sales of electric vehicles in China increased by 83% to 5.92 million **(1)**	


Price per vehicle
S
P 1
Pe
D
D 1
Qe
Q 1
Quantitity of electric vehicles

(6)

Q25.

Question Number	Indicative content
	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed** **QS4**: Construct and interpret a range of standard graphical forms. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, application and analysis (12 marks) – indicative content** Minimum wage is a government sets a price floor that no one can be paid below.  • The introduction of a minimum wage increases the wage rate from W1 to W2 • The quantitly of labour supplied extends from Q to Q2. • The quantity of labour demanded contracts from Q to Q1 • Unemployment would be Q2-Q1

	Effects on the businesses • An increase in costs of production for hotels/restaurants etc reducing profits • Output may rise if employees are more motivated and productive • A greater labour pool to choose from when employing new staff • Increased costs associated with redundancy payments • May substitute from labour to capital – robots to clean rooms, electronic check ins **Effect on the workers** • The introduction of a minimum wage will increase the supply of labour to the tourist industry as there is an increase in the incentive to work • Unemployment will rise if firms make workers redundant if the firm can not afford the rise in wage rates • If the increase in wages is above the rate of inflation then real wages will rise • A rise in minimum wage would increase standards of living for those still employed in tourisum **NB if no diagram candidate can achieve a maximum of Level 3.** **NB if no reference to tourism industry referred to candidate can achieve a maximum of Level 3**

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	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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	Evaluation (8 marks) – indicative content • In the tourism industry many workers are paid below the minimum wage, therefore the change will have a significant impact on businesses or employees. • However, in some parts of the tourism industry, e.g. management, the new national minimum wage may be below the equilibrium wage • Tourism is labour intensive and therefore business will face significantly increased costs of production and fall in profits. • Depends on the ease with which the tourism industry can substitute labour to capital • If businesses can offset the increase in costs, jobs may not be lost/ profits will remain constant • If demand for tourism is price elastic, it will be difficult for firms to pass on higher costs to consumers so resulting in a fall in profit for hotels • Depends on where the tourist comes from – those from high income countries are likely to absorb any increase in price, enabling the hotels etc to pass on any increased costs • In the short-run firms might be slow to respond to changes in minimum wage, therefore job losses may only occur in the long run • Magnitude – how far above the equilibrium wage the minimum wage is set will determine the impact on costs and employment • Impact will depend on how well minimum wage law is enforced

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

Q26.

Question	Quantitative skills assessed	Answer	Mark
	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** ***A*** *is not correct as the increase in minimum wage would cause unemployment* ***B*** *is not correct because there is a contraction of demand* ***C*** *is not correct because there is an extension of supply*	**(1)**

Q27.

Question	Quantitative skills assessed	Answer	Mark
	QS4: Construct and interpret a range of standard graphical forms **QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.**	**The only correct answer is A** B is incorrect because this was unemployment at the lower minimum wage C is incorrect because demand would contract from Q_2 to Q_1 D is incorrect because supply would extend from Q_3 to Q_4	**(1)**

Q28.

Question Number	Answer	Mark
	Knowledge 2, Application 2, Analysis 2 **QS9:** Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge and Analysis** 1 mark for definition of merger, e.g.: • When two firms willingly join together / definition of competition policy- government policy that aims to make markets more competitive **(1)** Up to 2 marks for identification of two reasons why the merger was blocked and up to 2 marks for linked explanations e.g.: • Job losses/redundancy as firms cut back on excess staff **(1)** leading to job losses in the steel industry. **(1)** • Losses or fall in profit for firms that use steel in their production process **(1)** as the increase in market power of the merged firms enables these firms to increase the price of steel **(1)** • The increased price of steel **(1)** increases the costs of production for many products **(1)** • An increase in monopsony power gives the firms stronger bargaining power over wages **(1)** this could lead to lower wages in the steel industry **(1)**	

	Application Up to 2 marks for reference to Extract C, e.g.: • Reduce competition **(1)** • Tata steel and Thyssenkrupp more dominance in market **(1)** • Monopsony employer of steel workers in UK and Netherlands **(1)** • Negative feedback from car manufacturers/firms in the packaging industry **(1)**	**(6)**