

INTERNATIONAL AS ECONOMICS EC01

Unit 1 The Operation of Markets, Market Failure and the Role of
Government

Mark scheme

June 2025

Version: 0.1 Pre-Standardisation



2 5 6 X E C 0 1 / M S

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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International AS Economics mark scheme

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in question 21 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

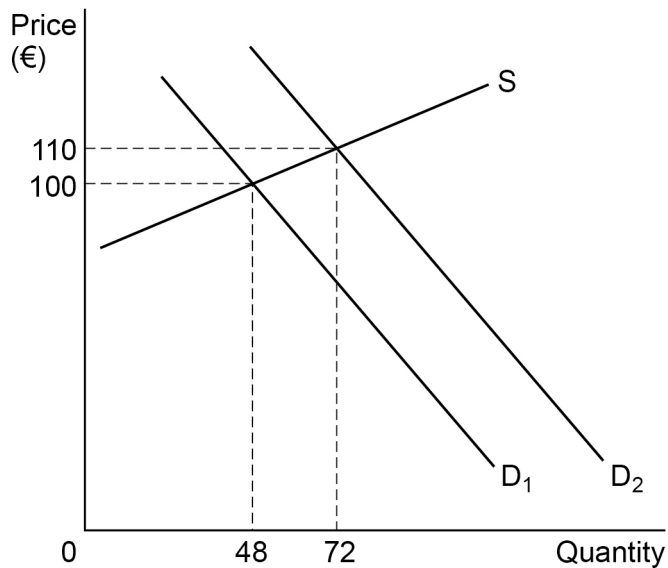
Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 15 marks

Question	Part	Marking guidance	Total marks
01		Which one of the following is a function of the price mechanism? Answer: D (To resolve the basic economic problem in a market economy)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
02		Which one of the following is the correct definition and example of a factor of production? Answer: B (Enterprise, Risk-taking resource, Decision maker in a firm)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
03		 When the price rises from €100 to €110, what is the value of price elasticity of supply? Answer: D (5.0)	1 AO3 = 1

Question	Part	Marking guidance	Total marks
04		A demerit good, such as a cigarette, is most likely to be Answer: C (rival with negative externalities in consumption.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks						
05		<table><tr><th>Output (units)</th><th>Average variable cost (£)</th><th>Total cost (£)</th></tr><tr><td>4</td><td>8</td><td>72</td></tr></table> What is the average fixed cost of producing four units of output? Answer: A (£10)	Output (units)	Average variable cost (£)	Total cost (£)	4	8	72	1 AO3 = 1
Output (units)	Average variable cost (£)	Total cost (£)							
4	8	72							

Question	Part	Marking guidance	Total marks
06		Which one of the following best describes a market failure? Answer: C (Producers do not consider the external benefits they create.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
07		Price of Good A Quantity of Good A O When the price of Good B falls and the demand for Good C rises, which one of the following is the new equilibrium point? Answer: C (Y)	1 AO3 = 1

Question	Part	Marking guidance	Total marks																										
08		<table><tr><th rowspan="2">Firm</th><th colspan="2">Market share (%)</th></tr><tr><th>Q1, 2022</th><th>Q4, 2022</th></tr><tr><td>Apple</td><td>18</td><td>15</td></tr><tr><td>Honor</td><td>5</td><td>4</td></tr><tr><td>OPPO</td><td>9</td><td>10</td></tr><tr><td>Samsung</td><td>23</td><td>23</td></tr><tr><td>Vivo</td><td>8</td><td>8</td></tr><tr><td>Xiaomi</td><td>12</td><td>11</td></tr><tr><td>Others</td><td>25</td><td>29</td></tr></table>	Firm	Market share (%)		Q1, 2022	Q4, 2022	Apple	18	15	Honor	5	4	OPPO	9	10	Samsung	23	23	Vivo	8	8	Xiaomi	12	11	Others	25	29	1 AO2 = 1
		Firm		Market share (%)																									
			Q1, 2022	Q4, 2022																									
		Apple	18	15																									
		Honor	5	4																									
		OPPO	9	10																									
		Samsung	23	23																									
		Vivo	8	8																									
		Xiaomi	12	11																									
		Others	25	29																									
What is the change in the three-firm concentration ratio between Quarter 1 and Quarter 4 of 2022?																													
Answer: B (Decreased by 4 percentage points)																													

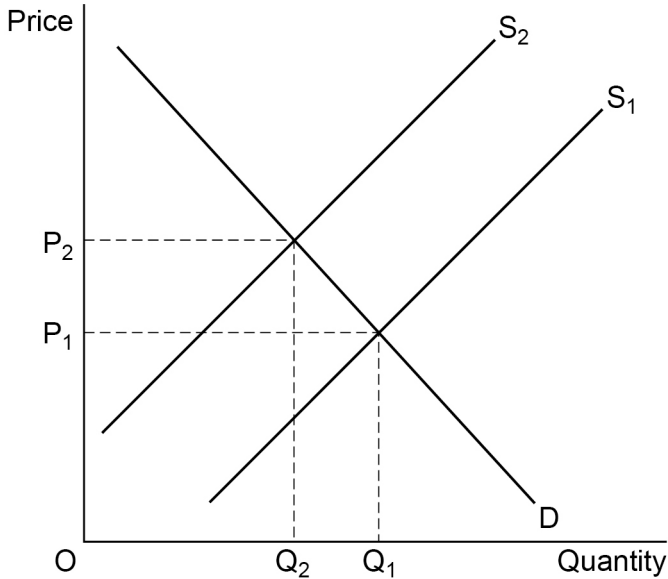
Question	Part	Marking guidance	Total marks
09		Immobility of labour may exist because Answer: C (some workers cannot afford to live in other parts of a country.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
10		What is the opportunity cost to Sumarni if she decides to keep the piano? Answer: A (\$1500)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
11		The competitive market process suggests that Answer: C (firms with competitors are likely to differentiate their goods.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks															
12		<table><tr><td></td><th>Bridge (¥bn)</th><th>Tunnel (¥bn)</th></tr><tr><th>Private benefit</th><td>10</td><td>10</td></tr><tr><th>Private cost</th><td>15</td><td>27</td></tr><tr><th>Social benefit</th><td>30</td><td>42</td></tr><tr><th>Social cost</th><td>48</td><td>53</td></tr></table> Which one of the following can be concluded from the data in Table 3? Answer: A (The external benefits of building the bridge are less than the external benefits of building the tunnel.)		Bridge (¥bn)	Tunnel (¥bn)	Private benefit	10	10	Private cost	15	27	Social benefit	30	42	Social cost	48	53	1 AO3 = 1
	Bridge (¥bn)	Tunnel (¥bn)																
Private benefit	10	10																
Private cost	15	27																
Social benefit	30	42																
Social cost	48	53																

Question	Part	Marking guidance	Total marks
13		Specialisation requires Answer: A (an efficient means of exchange.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
14		 Which one of the following would cause the supply curve for rice to shift from S_1 to S_2? Answer: C (Poor weather conditions in regions where rice is grown)	1 AO2 = 1
15		Which one of the following is the most likely outcome? Answer: D (The average market price of pollution permits will rise.)	1 AO2 = 1

Section B

Total for this section: 65 marks

Question	Part	Marking guidance	Total marks
16	1	Define 'perfect competition' (Extract B, line 6). A full and precise definition is given (3 marks) (3 characteristics are required) Examples: • a market with a large number of buyers and sellers, where products are identical, there is perfect information, and there are no barriers to entry into or exit from the industry • where there are homogeneous goods and many buyers and sellers, who are unable to influence the market price • a market structure, with many buyers and sellers, and with no barriers into or exit from the industry. The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (2 marks) (2 characteristics are required) Examples: • where the firms are price takers and there are no barriers to entry or exit • where there are many buyers and sellers, selling identical products • where there are many buyers and sellers, who are unable to influence the market price. Fragmented points only (1 mark) Examples: • many buyers and sellers • a (competitive) market structure.	3 AO1 = 3

Question	Part	Marking guidance	Total marks
16	2	Define 'internal economies of scale' (Extract B, line 13). A full and precise definition is given (3 marks) Examples: • a fall in long-run average costs due to the growth of a firm • a fall in unit costs of production as a firm grows in the long run. The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (2 marks) Examples: • a fall in average costs due to growth of a firm • a fall in long-run unit costs • a fall in costs of production as a firm grows in the long run. Fragmented points only (1 mark) Examples: • falling average costs • benefits of growth.	3 AO1 = 3

MAXIMUM FOR QUESTION 16: 6 MARKS

Question	Part	Marking guidance	Total marks								
17	1	In 2021, the average income per person in the EU was €28 050. The index for this is 100. Use this information and Extract A (i) to calculate the index of income per person in Latvia to one decimal place. Calculation: $\frac{12870}{28050} \times 100 = 45.8824 = 45.9 (1dp)$ <table><tr><th>Response</th><th>Max 3 marks</th></tr><tr><td>For the correct answer: 45.9 (no units but allow index points or equivalent) (with or without working shown)</td><td>3 marks</td></tr><tr><td>For the correct answer not rounded to one decimal place: eg 45.88 OR For the correct answer rounded the wrong way: 45.8 OR For the correct answer but with added/incorrect units: eg 45.9%</td><td>2 marks</td></tr><tr><td>For the correct method but the wrong answer OR For the correct answer but with <u>two</u> errors from ‘not to one decimal place’, ‘rounded the wrong way’ and ‘with added/incorrect units’: eg 45.88%</td><td>1 mark</td></tr></table>	Response	Max 3 marks	For the correct answer: 45.9 (no units but allow index points or equivalent) (with or without working shown)	3 marks	For the correct answer not rounded to one decimal place: eg 45.88 OR For the correct answer rounded the wrong way: 45.8 OR For the correct answer but with added/incorrect units: eg 45.9%	2 marks	For the correct method but the wrong answer OR For the correct answer but with <u>two</u> errors from ‘not to one decimal place’, ‘rounded the wrong way’ and ‘with added/incorrect units’: eg 45.88%	1 mark	3 AO1 = 1 AO2 = 2
Response	Max 3 marks										
For the correct answer: 45.9 (no units but allow index points or equivalent) (with or without working shown)	3 marks										
For the correct answer not rounded to one decimal place: eg 45.88 OR For the correct answer rounded the wrong way: 45.8 OR For the correct answer but with added/incorrect units: eg 45.9%	2 marks										
For the correct method but the wrong answer OR For the correct answer but with <u>two</u> errors from ‘not to one decimal place’, ‘rounded the wrong way’ and ‘with added/incorrect units’: eg 45.88%	1 mark										

Question	Part	Marking guidance	Total marks								
17	2	Extract C (lines 20–21) states: ‘Many other countries have received payments from this fund, including Belgium (€87.84m), Germany (€612.61m), Latvia (€17.70m) and Lithuania (€16.90m).’ Calculate the median payment made to Belgium, Germany, Latvia and Lithuania. Give your answer to the nearest million euros (€m). Calculation: $€87.84m + €17.70m = \frac{€105.54m}{2} = €52.77m = €53m$ <table><tr><th>Response</th><th>Max 3 marks</th></tr><tr><td>For the correct answer: €53m (with or without working shown)</td><td>3 marks</td></tr><tr><td>For the correct answer not rounded to the nearest million: eg €52.77m OR For the correct answer rounded the wrong way: €52m OR For the correct answer but with missing/incorrect units: eg 53m</td><td>2 marks</td></tr><tr><td>For the correct method but the wrong answer OR For the correct answer but with <u>two</u> errors from ‘not to the nearest million’, ‘rounded the wrong way’ and ‘with missing/incorrect units’: eg 52.77</td><td>1 mark</td></tr></table>	Response	Max 3 marks	For the correct answer: €53m (with or without working shown)	3 marks	For the correct answer not rounded to the nearest million: eg €52.77m OR For the correct answer rounded the wrong way: €52m OR For the correct answer but with missing/incorrect units: eg 53m	2 marks	For the correct method but the wrong answer OR For the correct answer but with <u>two</u> errors from ‘not to the nearest million’, ‘rounded the wrong way’ and ‘with missing/incorrect units’: eg 52.77	1 mark	3 AO1 = 1 AO2 = 2
Response	Max 3 marks										
For the correct answer: €53m (with or without working shown)	3 marks										
For the correct answer not rounded to the nearest million: eg €52.77m OR For the correct answer rounded the wrong way: €52m OR For the correct answer but with missing/incorrect units: eg 53m	2 marks										
For the correct method but the wrong answer OR For the correct answer but with <u>two</u> errors from ‘not to the nearest million’, ‘rounded the wrong way’ and ‘with missing/incorrect units’: eg 52.77	1 mark										

MAXIMUM FOR QUESTION 17: 6 MARKS

Question	Part	Marking guidance	Total marks
18	1	Extract A shows income per person in 2021 and EU funding for flood damage in selected EU countries, between 2017 and 2021. Explain why a higher income per person in a country may lead to less funding for flood damage from international organisations.	6 AO1 = 2 AO2 = 2 AO3 = 2

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	5–6	- Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. - Includes good application of relevant economic principles to support the response. - Includes well-focused analysis with a clear, logical chain of reasoning.
2	3–4	- Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. - Includes reasonable application of relevant economic principles to the question. - Includes some reasonable analysis but it might not be adequately developed and may be confused in places.
1	1–2	- Shows limited knowledge and understanding of relevant economic terminology, concepts and principles. - Includes limited application of relevant economic principles to the question. - May include some limited analysis but the analysis lacks focus and/or becomes confused.
	0	No creditworthy material

Indicative content:

- meanings of income per person and ‘less funding for flood damage’
- link between income per person and the need for less/more funding
- identification of how a higher income per person suggests a greater ability to consume goods and services
- explanation of how this suggests individuals and firms are more likely to be able to afford to pay for flood damage
- explanation of how this suggests the objectives of firms may be more likely to consider community issues
- explanation of how this suggests there is likely to be more taxation revenue from income tax and indirect taxes for governments to use to pay for flood damage
- in a country with higher income per person there is likely to be less funding from international organisations.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
18	2	To what extent do the data suggest that a higher income per person in a country leads to less funding for flood damage from international organisations? Use the data in Extract A to support your answer.	6 AO2 = 1 AO3 = 1 AO4 = 4

Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	5–6	- Includes sound evidence that indicates the extent to which a higher income per person in a country leads to less funding for flood damage from international organisations. - Includes a supported overall judgement concerning the extent to which a higher income per person in a country leads to less funding for flood damage from international organisations.
2	3–4	- Includes limited evidence that indicates the extent to which a higher income per person in a country leads to less funding for flood damage from international organisations. - Attempts a judgement concerning the extent to which a higher income per person in a country leads to less funding for flood damage from international organisations.
1	1–2	- Includes evidence that does not clearly indicate the extent to which a higher income per person in a country leads to less funding for flood damage from international organisations. - May include an unsupported judgement concerning the extent to which a higher income per person in a country leads to less funding for flood damage from international organisations.
	0	No creditworthy material

Indicative content:

- Belgium has the highest income per person (€36 250) and received the least funding for flood damage (1.6% of the total cost of flood damage), supporting the expected relationship
- Germany has the second highest income per person (€35 630) and received the second lowest funding for flood damage (2.1%)
- Latvia has the lowest income per person (€12 870) and received the highest funding for flood damage (4.6%)
- Lithuania has the second lowest income per person (€14 870) and received the third highest funding for flood damage (4.1%)
- Italy has the third highest income per person (€27 120) and received the second highest funding for flood damage (4.2%)
- although the data for lower income countries do not completely support the expected relationship, countries with a significantly higher income per person receive significantly less funding for flood damage (Latvia and Lithuania receive more than double, in % terms, the funding received by Belgium)
- recognition that figures relate to only five countries, with only one year's data for income per person, and that the EU is only one international organisation that may provide funding for flood damage

- identification of other factors influencing funding such as international relations, quality/quantity of existing infrastructure, the extent of the flood damage in different countries
- the likely conclusion is that the higher the income per person in a country, the less funding for flood damage it is likely to receive (or vice versa).

Credit valid alternative content.

MAXIMUM FOR QUESTION 18: 12 MARKS

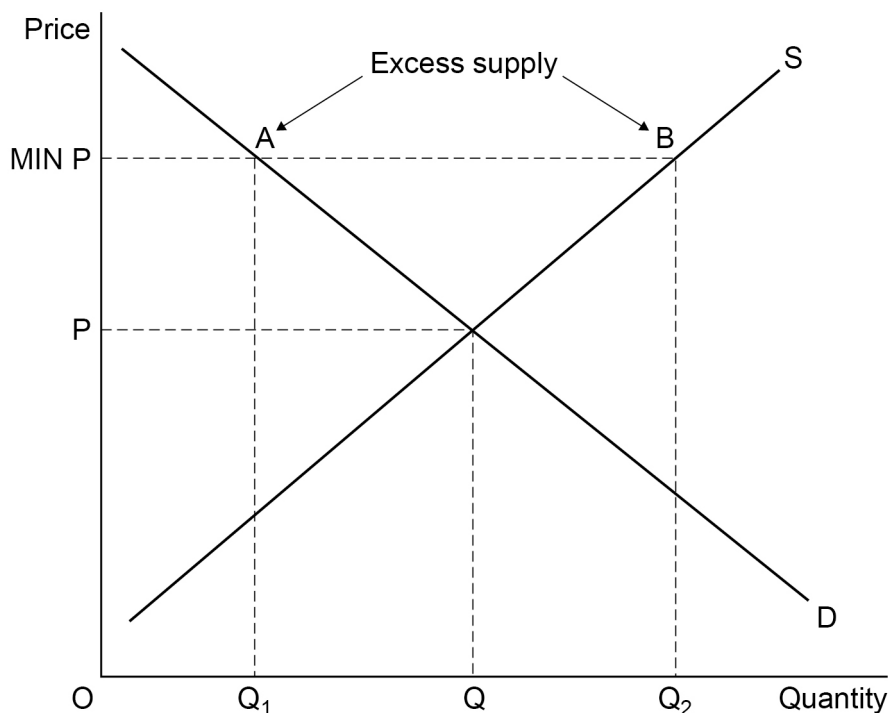
Question	Part	Marking guidance	Total marks
19		Extract C (lines 4–5) states: ‘...using a minimum price, with the government buying up the excess supply...’. With the help of a diagram, explain how putting a minimum price on a private good, with the government buying up the excess supply, can increase producers’ total revenue.	9 AO1 = 2 AO2 = 4 AO3 = 3

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	7–9	- Is well organised and develops one or more of the key issues that are relevant to the question. - Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. - Includes good application of relevant economic principles and/or good use of data to support the response. - Includes well-focused analysis with a clear, logical chain of reasoning. - Includes a relevant diagram, that will, at the top of this level, be accurate and used appropriately to support their explanation.
2	4–6	- Includes one or more issues that are relevant to the question. - Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. - Includes reasonable application of relevant economic principles and/or data to the question. - Includes some reasonable analysis but it might not be adequately developed and may be confused in places. - May include a relevant diagram to support their explanation.
1	1–3	- Is very brief and/or lacks coherence. - Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. - Demonstrates very limited ability to apply relevant economic principles and/or data to the question. - May include some very limited analysis but the analysis lacks focus and/or becomes confused. - May include a diagram but the diagram is likely to be inappropriate or inaccurate in some respects, or not used.
	0	No creditworthy material

Indicative content

The expected diagram is a demand and supply diagram, showing an initial equilibrium price and quantity, with a minimum price placed above the initial equilibrium price, and an indication of the quantity of excess supply. The diagram is likely to have coordinates which can be used to show the increase in revenue, using letters or numbers, but this is not a requirement, for example, the students may use shading.



Relevant issues include:

- meanings of minimum price, excess supply, total revenue, private good
- identification of reason for implementation of a minimum price to increase producers' incomes
- identification of the original revenue received by the producers, original equilibrium price $\times$ original quantity
- explanation of how a minimum price above the equilibrium price will lead to a contraction along the demand curve, leading to a fall in quantity demanded
- explanation of how a minimum price will lead to an extension along the supply curve, leading to an increase in quantity supplied, resulting in excess supply
- explanation of how, as part of the buy-up scheme, the government buys the excess supply from the producer, which when added to the revenue received from consumers leads to a greater total revenue, which has increased from $P \times Q$ to $MIN P \times Q_2$
- the significance of price elasticity of demand or supply.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		Extract B (lines 8–9) states: ‘There are circumstances when public goods take on some of the characteristics of private goods and become quasi-public goods.’ Analyse the circumstances when a public good may take on some of the characteristics of a private good and become a quasi-public good.	12 AO1 = 3 AO2 = 4 AO3 = 5

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives.

Level	Marks	Descriptor
3	9–12	- Is well organised and develops one or more of the key issues that are relevant to the question. - Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. - Includes good application of relevant economic principles and/or good use of data to support the response. - Includes well-focused analysis with a clear, logical chain of reasoning. - May include a relevant diagram that is accurate and used appropriately to support their explanation.
2	5–8	- Includes one or more issues that are relevant to the question. - Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present. - Includes reasonable application of relevant economic principles and/or data to the question. - Includes some reasonable analysis but it might not be adequately developed and may be confused in places. - May include a relevant diagram to support their explanation.
1	1–4	- Is very brief and/or lacks coherence. - Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely. - Demonstrates very limited ability to apply relevant economic principles and/or data to the question. - May include some very limited analysis but the analysis lacks focus and/or becomes confused. - May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.
	0	No creditworthy material

Indicative content:

- definition of public good, private good, quasi-public good
- examples of public goods, private goods, quasi-public goods
- meaning and significance of non-excludable, non-rival, free-rider problem
- identification of the circumstances when a public good may become excludable
- analysis of the circumstances when a public good may become excludable
- identification of the circumstances when a public good may become rival
- analysis of the circumstances when a public good may become rival
- the significance of technological change

- analysis of the ease or not of charging a price
- reference to tragedy of the commons
- reference to the ease or not of assigning property rights.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		Extract C (lines 1–3) states: ‘Public goods, like flood defences, provide important benefits to consumers and firms, but who should provide them? Many economists believe that state provision is essential to solve this type of market failure.’ Use the extracts and your knowledge of economics to assess whether it is essential for governments to provide public goods.	20 AO1 = 3 AO2 = 4 AO3 = 5 AO4 = 8

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
5	17–20	Sound, focused analysis and well-supported evaluation that: • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.
4	13–16	Sound, focused analysis and some supported evaluation that: • is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.
3	9–12	Some reasonable analysis but generally unsupported evaluation that: • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren’t well-supported by arguments and/or data.
2	5–8	A fairly weak response with some understanding that: • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes some evaluation which is weak and unsupported.

1	1–4	A very weak response that: - includes little relevant knowledge and understanding of economic terminology, concepts and principles - includes application to the given context which is, at best, very weak - includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- definitions of public goods, market failure, state provision
- examples of public goods, such as flood defences and street lighting, and their importance to welfare
- discussion of the characteristics of public goods
- analysis of the free-rider problem and the significance of missing markets
- analysis and evaluation of the reasons for state provision
- analysis and evaluation of the arguments for state provision, including future cost savings, eg the significant paybacks of flood defences for India and Bangladesh in **Extract B**
- analysis and evaluation of the arguments against state provision, including the costs and opportunity cost, eg the Netherlands' €1bn spending on flood defences in **Extract C**
- discussion of alternative means of provision, including working with firms, non-government support, eg the Malaysian project on flood defences in **Extract C**
- analysis and evaluation of the benefits and drawbacks of alternative means of provision
- discussion of the significance of technological improvements
- analysis and evaluation of how easy it is for public goods to take on some of the characteristics of quasi-public goods
- market failure versus government failure
- experience of different countries
- an overall assessment of whether it is essential for governments to provide public goods.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

Assessment Objectives Grid

	AO1	AO2	AO3	AO4	Total
Section A					
01	1				1
02		1			1
03			1		1
04	1				1
05			1		1
06	1				1
07			1		1
08		1			1
09	1				1
10		1			1
11	1				1
12			1		1
13	1				1
14		1			1
15		1			1
Section B					
16.1	3				3
16.2	3				3
17.1	1	2			3
17.2	1	2			3
18.1	2	2	2		6
18.2		1	1	4	6
19	2	4	3		9
20	3	4	5		12
21	3	4	5	8	20
Unit total	24	24	20	12	80