GCE MARKING SCHEME

SUMMER 2022

ECONOMICS - UNIT 3
1520U30-1

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INTRODUCTION

This marking scheme was used by WJEC for the 2022 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

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Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good learner to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

Below are the assessment objectives for this specification. Learners must demonstrate their ability 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.

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GCE A LEVEL ECONOMICS - UNIT 3

SUMMER 2022 MARK SCHEME

SECTION A

Question	Mark Scheme	Total
1. (a)	**Outline why output level Q is the profit maximising level of output.** **AO1: 2 marks** Award **1** mark for knowledge that the profit maximising level of output occurs when MC = MR Award **1** mark for reference to /indication of / implication of increasing marginal profit below output level Q or decreasing marginal profit after output level Q	**2**

Question	Mark Scheme	Total
1. (b)	**Adapt the diagram to show the change in output if the firm's variable costs increase.** **AO2: 3 marks** An increase in variable costs causes both the AC (1) and MC curves to shift upwards (1) and correct indication of the change in output (should be a fall) (1) Note: if **both** AC and MC are shifted upwards correctly but are not labelled accurately, award 1m	**3**

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2.	**Using the data, evaluate one likely benefit for Norwegian Airlines of a merger with IAG.** **[6]**		
Band	AO2	AO3	AO4
	2 marks	2 marks	2 marks
2	**2 marks** Good use of the data and application to Norwegian airlines	**2 marks** Good analysis of one benefit for Norwegian Airlines	**2 marks** Good evaluation of the benefit for Norwegian Airlines
1	**1 mark** Limited use of the data and application to Norwegian airlines	**1 mark** Limited analysis of one benefit for Norwegian Airlines	**1 mark** Limited evaluation of the benefit for Norwegian Airlines
0	**0 marks** No relevant application	**0 marks** No relevant analysis	**0 marks** No relevant evaluation

Indicative content:

Benefits (in the context of airlines) include:

- greater economies of scale e.g. purchasing economies on airline-specific items, economies of specialisation due to sharing of ticketing systems / ground-staff / baggage handling etc
- greater access to routes operated by airlines such as BA ("codesharing") which improves popularity of the airline
- able to gain from improved finance so that Norwegian doesn't have to resort to cutting ticket prices

Evaluation could include:

- competition authorities may not allow the merger to go ahead so Norwegian may not benefit anyway
- risk of job losses at Norwegian if some routes are already shared with IAG airlines, because of duplicated resources
- risk of diseconomies of scale by merging with a very large airline group
- possible loss of control
- costs of managing change
- redundancy payments
- loss of morale
- reputational effects

Note: benefits **must** be linked to Norwegian Airlines rather than other economic agents

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Question	Mark Scheme	Total
3. (a)	**Evaluate the effectiveness of measuring UK unemployment using the Labour Force Survey method.** **AO3: 2 marks** **AO4: 3 marks** AO3 Explanation of at least one benefit / advantage of using the LFS method, for example: - allows the ONS to gather more data on the labour market than the Claimant Count method (e.g. part-time, voluntary, inactivity etc) - 80% overlap in questionnaire participants each quarter, so good reflection of overall changes in household circumstances in relation to labour markets - Comparable with overseas data collection on unemployment because of the use of the ILO definition - Helps policymakers and others to understand the broader issues and patterns in the UK labour market AO4 Discussion of at least one evaluative point in relation to the effectiveness of the LFS method, for example: - Representative sample of just 60,000 households, which may not be indicative of the entire population - Time-consuming and costly method – only carried out quarterly as a result, which is not as frequent as the Claimant Count method This is a reversible answer.	**5**

Question	Mark Scheme	Total
3. (b)	**With reference to the data, explain one possible supply side approach that could increase employment in the UK.** **AO2: 2 marks** **AO3: 2 marks** Possible AO2 data references: - Full-time employment higher for men than women / part-time employment higher for women than men (overall employment higher for men than women too by around 1,500,000) - Economic inactivity rates higher for women than men in both age brackets shown AO3 Analysis of one possible supply side approach to raise employment; approaches could include: - Increase in anti-discrimination policy to encourage more women into the labour force - Improvements in available childcare to reduce female inactivity and raise part-time into full-time employment - More policies to encourage men to share parental leave - Disincentivise unemployment - Improve retraining opportunities for the unemployed	**4**

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Question	Mark Scheme	Total
4. (a)	**Using the information in Figure 1, calculate the value of Net Errors and Omissions. Show your workings.** **AO1: 1 mark** **AO2: 1 mark** AO1: knowledge that net errors and omissions is the resultant sum of the other elements of the BOP / evident through workings AO2: net errors and omissions = £20 313m (allow 20 313 ie no units given) Note: candidates including a minus sign in front of their answer cannot be awarded the AO2 mark, but can be awarded the AO1 mark	**2**

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4. (b)	**Using Figure 2 and Figure 3, discuss the extent to which the UK has a structural current account deficit, rather than a cyclical current account deficit. [10]**			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
3				**3-4 marks** Excellent evaluation of the nature of the UK's current account deficit, reaching a judgement on the extent to which the UK has a structural deficit
2	**2 marks** Good knowledge and understanding, explicitly or implicitly, of both cyclical and structural current account deficits.	**2 marks** Good use of data from both Figure 2 and Figure 3 to show evidence of cyclical and structural current account deficits	**2 marks** Good analysis of the nature of the UK's current account deficit	**2 marks** Good evaluation of the nature of the UK's current account deficit
1	**1 mark** Limited knowledge and understanding of cyclical and/or structural current account deficits.	**1 mark** Limited use of data to show evidence of cyclical and/or structural current account deficits	**1 mark** Limited analysis of the nature of the UK's current account deficit	**1 mark** Limited evaluation of the nature of the UK's current account deficit
0	**0 marks** No knowledge and understanding of either cyclical and/or structural current account deficits.	**0 marks** No use of data to show evidence of cyclical and/or structural current account deficits	**0 marks** No analysis of the nature of the UK's current account deficit	**0 marks** No evaluation of the nature of the UK's current account deficit

Indicative content:

- Understanding of structural current account deficit (weak exports due to structural issues in the UK economy e.g. uncompetitive industries, poor productivity etc)
- Understanding of cyclical current account deficit (rising imports during time of economic boom due to rising income and high marginal propensity to import etc)
- Figure 3 shows some correlation in the latter half of the chart between falling / low / negative GDP growth and an improving current account deficit – small time lag, but definitely not a perfect correlation
- Figure 2 shows evidence of some high performing export service industries, suggesting that the UK is capable of competing therefore less likely to be a structural deficit
- Possible need for more data on different industries, and more time-series data to show trends in the components of the current account over time

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5.	**Using the data, discuss the view that demand-pull factors were the main cause of inflation in this economy during the period shown.** **[8]**			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	**2 marks** Good knowledge and understanding of demand-pull inflation / factors affecting demand-pull inflation	**2 marks** Good use of data to show evidence of possible causes of this economy's inflation.	**2 marks** Good analysis of demand-pull inflation factors	**2 marks** Good evaluation of whether this economy's inflation is demand-pull, most likely considering whether demand-pull factors were the main cause of inflation
1	**1 mark** Limited knowledge and understanding of demand-pull inflation.	**1 mark** Limited use of data to show evidence of possible causes of this economy's inflation.	**1 mark** Limited analysis of demand-pull inflationary factors	**1 mark** Limited evaluation of whether this economy's inflation is demand-pull
0	**0 marks** No valid understanding	**0 marks** No valid application	**0 marks** No valid analysis	**0 marks** No valid evaluation

Indicative content:

- Definition / explanation of demand-pull inflation
- Possible understanding of alternative causes (i.e. for use in evaluation) e.g. cost-push inflation or monetary causes of inflation
- Use of Figure 1: inflation trend – significant peak / much higher inflation in 2015/2016, then decreasing to around 3% by the end of the period shown
- Use of Figure 2, which should provide scope to discuss demand-pull inflation
  - Usually a rising GDP growth rate would lead to rising inflation as a result of rising AD and vice versa;
    - Could be illustrated on an AD/AS diagram
  - The opposite is shown in the data i.e. inflation rates peak when GDP growth is negative i.e. recession – there is stagflation, and then inflation rates have reduced as the economy has returned to growth
  - This suggests that demand-pull inflation is unlikely
  - BUT: perhaps we could consider what is happening to the prices of specific goods / services e.g. the economy may be an oil producer and so oil could be rising in price and this leads to inflation, but all other areas of the economy may be shrinking
- Consideration of other data that might be needed to help make an assessment
- Other areas for discussion include imported inflation (we would need exchange rate data, data on imports, and commodity price to analyse this), or information on inflationary expectations

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SECTION B

Question	Mark Scheme	Total
6. (a)	**With reference to Figure 3, and taking 2014 as the base year, calculate an index number to represent** **AO2 – 2 marks** **(i) the price of neodymium in 2022** Award **1** mark for the correct answer 105/71 x 100 = 147.9 **(ii) the price of terbium in 2022** Award **1** mark for the correct answer 556/788 x 100 = 70.6 Note: award no marks if candidates have the decimal point in the wrong place Note: award the mark if the candidate incorrectly gives their answer with units or a % sign, but has the correct number / value	 **1** **1**

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6. (b)	**Evaluate the extent to which China has monopoly power over the supply of rare-earth metals. [10]**		
Band	AO2	AO3	AO4
	4 marks	2 marks	4 marks
3	**4 marks** Excellent use of a broad range of data and application to China and the rare-earth metal market		**4 marks** Excellent evaluation of the extent to which China has monopoly power
2	**2-3 marks** Good use of the data and application to China and the rare-earth metal market	**2 marks** Good analysis of China having monopoly power	**2-3 marks** Good evaluation of China's monopoly power
1	**1 mark** Limited use of the data and application to China and the rare-earth metal market	**1 mark** Limited analysis of China having monopoly power	**1 mark** Limited evaluation of China's monopoly power
0	**0 marks** No relevant application	**0 marks** No relevant analysis	**0 marks** No relevant evaluation

Indicative content:

Monopoly power does exist:

- Understanding of monopoly (single dominant firm, high barriers to entry etc)
- Price-making power is shown in the data i.e. the government intervened to set prices high
- Use of Figure 2, showing that China does dominate the supply of rare-earth metals
- China is involved in much of the manufacturing involved following the mining process, because of its lax environmental laws

Monopoly power does not exist:

- Consideration of whether a country can have monopoly power or whether firms have monopoly power
- Possibility of there being a number of large mining firms in China itself (the data says that the Chinese government has part-ownership of "many" of the mining firms)
- Barriers to entry within the Chinese mining market are quite low – the data says that new illegal firms set up quite quickly
- Creative destruction – there are alternatives to mining rare-earths now e.g. new recycling techniques as a result of R&D elsewhere in the world

Note – this answer is reversible

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Question	Mark Scheme	Total
7. (a)	**Outline the role of the World Trade Organization (WTO).** **AO1 – 2 marks** Award **1** mark for each valid point – accept 1 mark per role and 1 mark per development of the role or 2 marks for 2 roles **Indicative content:** • Deals with / sets the global rules of trade • Intervenes in trade disputes • Supports forums for establishing trade agreements	**2**

7. (b)	**With reference to the data, distinguish between absolute advantage and comparative advantage.** **AO1 – 2 marks** **AO2 – 2 marks** Award **1** mark for understanding of absolute advantage Award **1** mark for understanding of comparative advantage Award **1** mark for each correct application to the data (max 2 marks) **Indicative content:** Absolute advantage: the ability to produce more in total of all goods than another country / the ability to produce at a lower cost than another country / when one country is more productively efficient than another country at producing a good (1m) e.g. China can mine more rare-earth metals than other countries according to Figure 2 (1m) Comparative advantage: the ability to produce at a lower opportunity cost than another country (1m) e.g. range of products referred to in Figure 1 are likely to be produced by countries that have a comparative advantage in those manufactured goods; arguably China has a comparative advantage in rare-earth mining because of its willingness to accept environmental problems such as toxic groundwater Consideration of the information box which notes that rare earths are found throughout the earth's crust	**4**

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7. (c)	**Discuss whether the World Trade Organization's action against China was justified.** **[10]**		
Band	AO2	AO3	AO4
	4 marks	2 marks	4 marks
3	**4 marks** Excellent use of the data and application to WTO action		**4 marks** Excellent evaluation of WTO action, with clear conclusion regarding the justification for the action
2	**2-3 marks** Good use of the data and application to WTO action – perhaps not totally focused on the WTO approach	**2 marks** Good analysis of why the WTO did need to take action	**2-3 marks** Good evaluation of WTO intervention
1	**1 mark** Limited use of the data and application to WTO action	**1 mark** Limited analysis why the WTO did need to take action	**1 mark** Limited evaluation of WTO intervention
0	**0 marks** No relevant application	**0 marks** No relevant analysis	**0 marks** No relevant evaluation

Indicative content:

WTO did need to take action:

- Rare-earths are vital for the manufacture of many other essential items, that impact on quality of life, health etc (see Fig 1) – one role of the WTO is to consider development / living standards in its decisions
- China's dominance / monopoly power and their price-setting powers are anti-competitive
- The excess capacity / supply that was incentivised as a result of Chinese action may cause a price-crash in rare-earths, leading to falling investment and production in the future, therefore action was needed to protect long-term supply of these necessity materials
- Goes against WTO principles and roles – needs to maintain consistency in world trade matters

WTO did not need to take action:

- Free-market response globally: alternative materials and approaches were taken by firms which had previously relied on China's rare-earths e.g. glass polishers using alternative materials, and the impact on recycling rates – better allocation of resources, fewer negative externalities etc
- Free-market response in China: higher prices incentivised illegal mining activity, as the price mechanism (via incentives and signalling) prompted new firms to enter the market, so this undermined the Chinese government's actions

General evaluative comments:

- University of Western Australia's view: the need for intervention really depends on the strength of China's dominance and PED of rare-earths (which might be different for different metals)
- Effectiveness of WTO intervention in general
- Consideration of wider global context e.g. China-US trade war…the WTO may need to look at both sides in this case, rather than just Chinese action

Note – this answer is reversible
Note: do not give credit to candidates who treat the WTO as if it is a competition authority aiming to tackle monopoly power of China

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8.	**Discuss how the mining of rare-earth metals impacts on global levels of development.** **[12]**		
Band	AO2	AO3	AO4
	4 marks	4 marks	4 marks
3	**4 marks** Excellent use of the data and application to rare earths and **global** development	**4 marks** Excellent analysis of 2 ways in which the mining of rare earth metals impacts on **global** development	**4 marks** Excellent evaluation of 2 ways in which mining impacts on **global** development
2	**2-3 marks** Good use of the data and application to rare earths and development	**2-3 marks** Good analysis of 2 ways in which the mining of rare earth metals impacts on global development, although the answer may be unbalanced	**2-3 marks** Good evaluation of both ways in which mining impacts on development, although the answer may be unbalanced
1	**1 mark** Limited use of the data and application to rare earths and development	**1 mark** Limited analysis of 1 or 2 ways in which the mining of rare earth metals impacts on global development	**1 mark** Limited evaluation
0	**0 marks** No relevant application	**0 marks** No relevant analysis	**0 marks** No relevant evaluation

Indicative content:

- Understanding of development i.e. an increase in living standards, HDI increasing etc

Ways in which mining positively impacts on global development:
- Figure 1 shows the range of applications/uses of rare-earths – many of these can be linked to rising living standards because of their use in merit goods / goods with positive externalities / making life more bearable etc
- Mining can generate income and lead to a multiplier effect – the data tells us that illegal mines quickly sprung up when prices rose, suggesting that mining creates jobs

Ways in which mining negatively impacts on global development
- Toxic production process – impacts on a local / regional level; significant negative externalities
- As production expands into other developing economies, there may be negative environmental and health impacts locally in those areas

General evaluation comments:
- Impact depends on whether tech companies contribute towards cleaning up the damage i.e. internalising the externalities
- The data suggests that prices of rare-earths are forecast to fall and so there may be less incentive to mine them in the future
- Impact depends on the extent to which alternatives are found
- Impact depends on any trade restrictions imposed, and the effectiveness of the WTO in dealing with them

Note – this answer is reversible

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