

WJEC A-LEVEL ECONOMICS

ECONOMICS



EXAM QUESTION PACK

UNIT EC1 OLD SPECIFICATION PAPERS

STEMUP

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Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1131/01



S15-1131-01

ECONOMICS – EC1

A.M. MONDAY, 11 May 2015

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	4	
2.	4	
3.	6	
4.	8	
5.	6	
6.	6	
7.	8	
8.	8	
Total	50	

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DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Do not use pencil or gel pen.

Do not use correction fluid.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. You may use continuation paper on pages 15 and 16 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.



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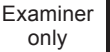
Examiner
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-
- | May 2012 | May 2013 |
|----------------------------|----------------------------|
| Average price:
£243,759 | Average price:
£249,841 |
| Housing sales:
76,810 | Housing sales:
83,740 |

Examiner
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[6]

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- (b) Explain why the guaranteed minimum price scheme might be seen as an example of government failure. [4]

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Worker Productivity in selected Countries

Value of production per hour worked (\$US)

Country	Value of production per hour worked (\$US)
Ireland	68
USA	60
France	58
Germany	56
Euro area	51
UK	47
Italy	46
Japan	42
Poland	26
Mexico	17



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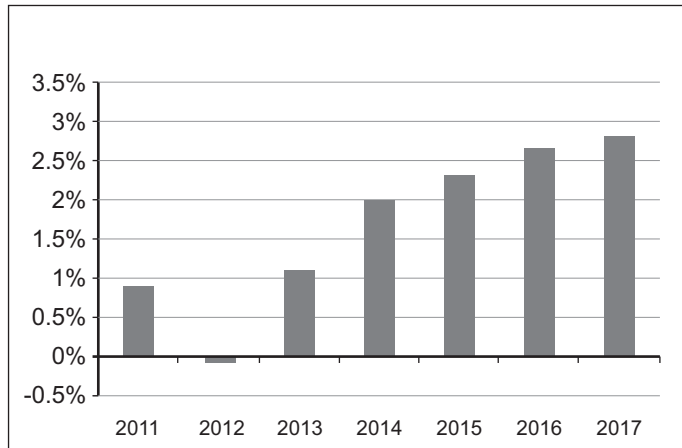


7. Economists raise UK growth forecasts

Strong demand for services has helped to boost economic growth and has led forecasters to be more optimistic about GDP over the next few years.

However, with global food and oil prices rising, some commentators fear that higher growth may contribute to higher inflation.

GDP growth forecasts



Source: OBR

UK Economic fact-file: July 2013

Output gap	-3.1%
Inflation	2.7%
Unemployment	2.51m (7.8% of the labour force)

With reference to the data and using an AD/AS diagram, discuss whether the growth forecasts in the chart above were likely to lead to higher inflation in the UK economy after 2013. [8]

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8



Australian base interest rate

A line graph showing the U.S. Treasury yield from 2007 to 2013. The vertical axis represents the yield percentage, ranging from 0 to 8% in increments of 2%. The horizontal axis represents time in years, from 2007 to 2013. The yield starts at approximately 6.25% in 2007, rises to a peak of about 7.25% in early 2008, then drops sharply to around 3.25% by late 2008. It remains relatively stable around 3.25% through 2009, then rises to about 4.75% by early 2010. It stays at 4.75% until late 2011, when it begins to decline, reaching approximately 3.25% by early 2013. A specific point is marked on the graph for May 8th, 2013, at a yield of 2.75%.

Year	U.S. Treasury Yield (%)
2007	6.25
2008	7.25
2009	3.25
2010	4.75
2011	4.75
2012	3.25
2013 (May 8th)	2.75

Source: Reserve Bank of Australia
The Wall Street Journal

[8]



END OF PAPER

8



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GCE MARKING SCHEME

ECONOMICS
AS/Advanced

SUMMER 2015

INTRODUCTION

The marking schemes which follow were those used by WJEC for the Summer 2015 examination in GCE ECONOMICS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were 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 conferences was to ensure that the marking schemes were 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' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

	Page
EC1	1
EC2	12
EC3	43
EC4	55

EC1

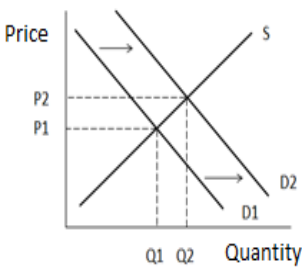
GENERAL MARKING GUIDANCE

Positive Marking

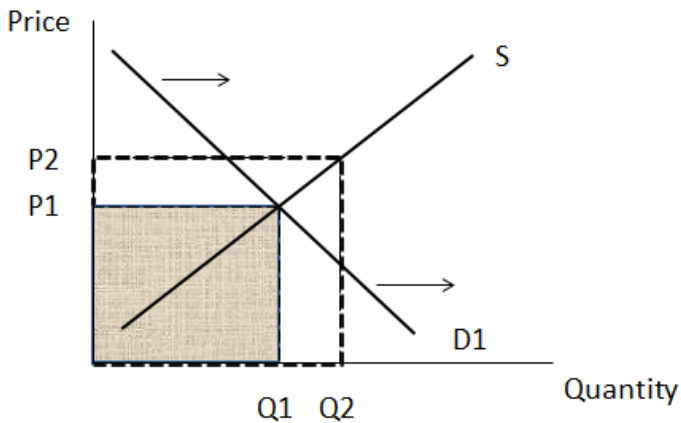
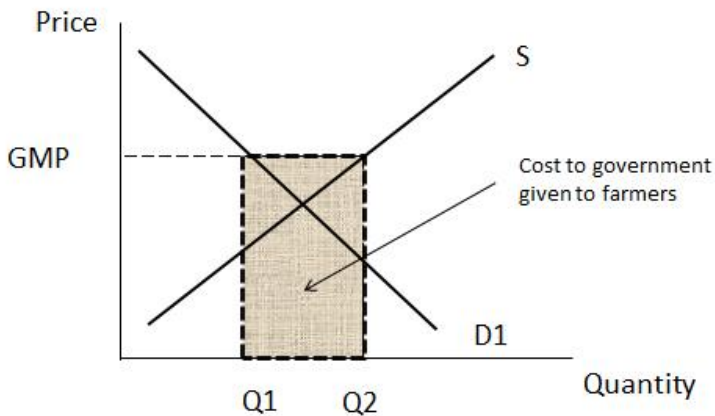
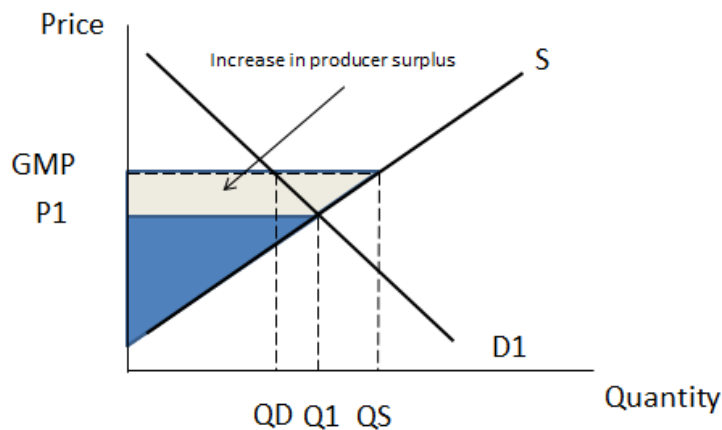
It should be remembered that candidates are writing under examination conditions and credit should be given for what the candidate writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one 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.

GCE ECONOMICS – EC1

Summer 2015

Question	Answer	Mark allocation	Assessment objective
General	The marks in brackets show the maximum number of marks for a point. Less well developed ideas may not be worth the full credit shown.		
1	Define opportunity cost and use the data to explain what would be the opportunity cost of putting £1000 into a Tesco Instant Access Cash ISA Definition of opportunity cost: Value of the best alternative forgone. Good understanding = (2) Weaker understanding (e.g. not realising it is <i>best</i> alternative = (1) Use of data – Opportunity Cost = 2.5% at Cheshire Building Society, explained as best alternative (2 – 1+1 identification and explanation)) £23 vs £25/0.2% difference (2) Other examples: Not related to the data (e.g. spending the money) (1), One of the lower paying accounts = (1) All of the other accounts indiscriminately – ie they imply that they are all really the opportunity cost (1)	4	AO1 2 AO2 2
2	Using a supply and demand diagram, explain a possible reason for the changes in the data for the UK housing market shown between May 2012 and May 2013. Appropriate diagram: (D shifts to the right or any diagram with higher P and Q at equilibrium), correctly labelled (numbers from the data not required P1, Q1 etc. are fine) (2)  Appropriate factor: Economic recovery, continued low interest rates, weak £ leads to foreign buyers moving in, social factors (divorce rate) etc. etc. (2) If they simply assert that demand increases, this is not a factor and therefore if that's all the analysis that is present, they will only get diagram marks. Allow any plausible factor which would have shifted demand to the right.	4	AO1 2 AO2 2

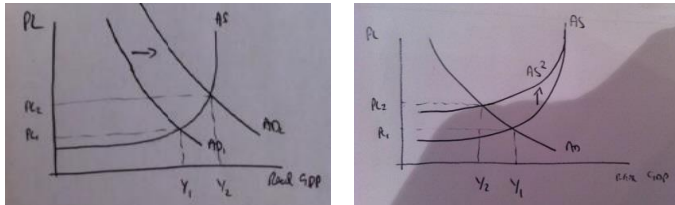
Question	Answer	Mark allocation	Assessment objective									
	If candidate shifts supply, then they will only be able to explain either the increase in P or increase in Q therefore max 2; 1 for the diagram and 1 for a relevant factor. If candidate shifts both S and D, then provided they have reason for this, and provided both P and Q increase, this is fine. For half-correct answers which get either Q or P right, 1 for diagram and one for appropriate factor. 2 max. Geographic/socioeconomic factors need to be well developed for 2 Wealth effects based around the data are a little back to front and will probably score (1) unless there is a clear idea that there is a speculative bubble, or that prices were already rising before and this is part of a continuation.											
3	Using economic theory, explain the differences between goods A, B and C. <table border="1"><tr><td>Level 1</td><td>1-2 Marks</td><td>Candidate only defines YED and simply identifies differences between the goods without explanation or one characteristic well-explained e.g. Normal goods identified and explained only = 2.</td></tr><tr><td></td><td>3-4 Marks</td><td>Candidate correctly explains either Normal/Inferior (B vs. A/C or elastic/inelastic* (A vs. C) Or candidate identifies both key difference without explaining, and defines YED (=3)</td></tr><tr><td>Level 3</td><td>5-6 Marks</td><td>Candidate correctly explains the key differences between the three goods, both Inferior/Normal and elastic/inelastic. If one explained and one identified, then this is probably 5.</td></tr></table> *for income elastic/inelastic, allow luxury/necessity as an alternative. Hence: Income elastic/luxury because YED greater than 1. Income inelastic/necessity because YED lower than 1 For Normal/Inferior need to identify the sign and then explain the correlation in one direction.	Level 1	1-2 Marks	Candidate only defines YED and simply identifies differences between the goods without explanation or one characteristic well-explained e.g. Normal goods identified and explained only = 2.		3-4 Marks	Candidate correctly explains either Normal/Inferior (B vs. A/C or elastic/inelastic* (A vs. C) Or candidate identifies both key difference without explaining, and defines YED (=3)	Level 3	5-6 Marks	Candidate correctly explains the key differences between the three goods, both Inferior/Normal and elastic/inelastic. If one explained and one identified, then this is probably 5.	6	AO1 2 AO2 2 AO3 2
Level 1	1-2 Marks	Candidate only defines YED and simply identifies differences between the goods without explanation or one characteristic well-explained e.g. Normal goods identified and explained only = 2.										
	3-4 Marks	Candidate correctly explains either Normal/Inferior (B vs. A/C or elastic/inelastic* (A vs. C) Or candidate identifies both key difference without explaining, and defines YED (=3)										
Level 3	5-6 Marks	Candidate correctly explains the key differences between the three goods, both Inferior/Normal and elastic/inelastic. If one explained and one identified, then this is probably 5.										
4 (a)	(a) Using a diagram, explain how the guaranteed minimum price scheme was supposed to 'raise the incomes of farmers'. Appropriate diagram (2): Diagram: unused GMP diagram =1, GMP diagram used to show increase in revenue in some way = 2.	4	AO1 1 AO2 2 AO3 1									

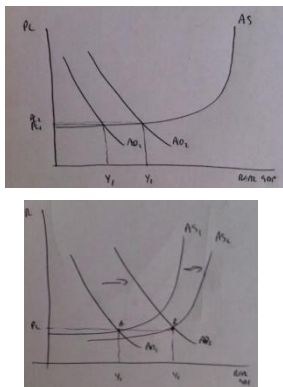
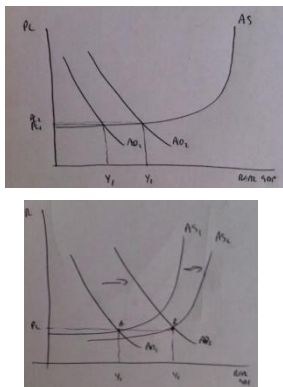
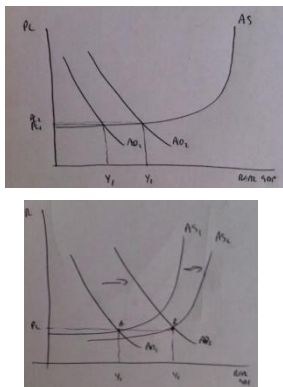
Question	Answer	Mark allocation	Assessment objective
	 Price P2 P1 Q1 Q2 Quantity S D1 Allowable variants:  Price GMP Q1 Q2 Quantity S D1 Cost to government given to farmers  Price GMP P1 QD Q1 Q5 Quantity S D1 Increase in producer surplus Explanation (2) Farmers can sell produce for a higher price than before (30-50% higher than the market price) and can sell as much as they wish to produce. Some explanation of how revenue will rise without reference to data or diagram = 1 Explanation of how revenue will rise with reference to data or diagram = 2.		

Question	Answer	Mark allocation	Assessment objective
4 (b)	Explain why the guaranteed minimum price scheme might be seen as an example of government failure Understanding of government failure (2): A situation in which government intervention causes a more inefficient allocation of goods and resources than would occur without that intervention (2). Government intervention wastes resources (2). Some candidates may refer to welfare loss, but this is not required (2). Other variations on this may well be fine - see marker notes (below) for further guidance. Application to the situation (2): Waste of money – only benefits rice farmers (2) when other groups are equally needy Costs of storing rice, which is then left to rot. (2) Jobs lost in rice processing – Pareto inefficiency? (2) Opportunity cost – money could have been used much more effectively elsewhere (2) Corruption/Public Choice theory (2) Government has had to reduce the minimum price, indicating that the policy was ineffective/counterproductive (2) Credit other relevant points The key is that the application needs to explain why resources have been misallocated. Marker notes: Government failure is the idea that governments as well as markets can cause a misallocation of resources. Governments generally intervene in markets to improve the allocation of resources, but these attempts may fail or be counterproductive. Ineffective policies are an example of government failure, because they use scarce resources to no end, hence using resources without improving the situation the intervention was intended to fix. Counterproductive policies may result in both the waste of resources implicit in a failed policy as well as a creating new problems and distortions which require further intervention. Here costs can be very great – both the resources used in the intervention and the costs of distortions created. Hence, government failure occurs where government intervention leads to a waste or misallocation of resources.	4	AO1 2 AO2 2

Question	Answer	Mark allocation	Assessment objective
5	Explain how the policies suggested by Britain's doctors might help to correct market failure. Broad guidance: Up to 4 for good explanation of how policies work with some understanding of MF. 2 policies required for 4 (but could be 3+1) – see AO2. Up to 2 more marks for explaining how market failure is corrected, probably with reference to how resources are now not misallocated (but there may be other market failures that are focused on more explicitly and if well explained then 2 can be gained) – see AO3. AO1: Some understanding of market failure and/or an awareness that the policies might reduce obesity. 1-2 Marks. AO2: Candidate analyses how the policies are likely to reduce obesity: Tax will drive up the price, reducing demand. Ban on fast food near schools might encourage healthier eating. Support for weight management programmes should lead to healthier eating. Diagram might well be used. 1-2 Marks Top of AO2, 4 marks explains how obesity is reduced with reference to two policies, but not how market failure will be corrected. AO3: Candidate explains how market failure will be corrected - some sense of a misallocation of resources being corrected: Sugary foods and drinks are over-consumed in a free market because external costs are ignored (therefore price will be too low and equilibrium quantity will be too high). Hence: • A tax on drinks/ban on fast food near schools will therefore reduce the equilibrium quantity closer to the optimum level, therefore correcting market failure. • Tax on sugary drinks will internalise the externality, making $PC=SC$, therefore resulting in an increase in price and a fall in equilibrium output to the optimal level. Weight management programmes will tend to be under-consumed due to information gaps and present-bias/retrospective regret. Therefore an increase in the provision of such programmes should increase their uptake, again correcting market failure. 1-2 Marks for showing that misallocation of resources has been corrected. This level of detail isn't necessary to get 6, but answers worth 5 or 6 marks should definitely refer to the idea that resource allocation is being improved, or that there was a problem that needed to be tackled in economic terms. Max 5 for one policy.	6	AO1 2 AO2 2 AO3 2

Question	Answer	Mark allocation	Assessment objective
6	Discuss whether the data shown on productivity will make it difficult for the UK to reduce its trade deficit. AO1: Candidate understands productivity and that poor productivity can make UK firms uncompetitive by raising costs/ or they understand what productivity is but don't think it really matters. AO2: Candidate makes use of the data (e.g. UK productivity is below that of the US, France, Germany and the Eurozone as a whole) to explain that this will make it hard to improve the trade position (exports likely to be weak, imports will tend to rise). To get 4 marks, answer needs to show a clear understanding of productivity (1), use the data (up to 2 done well) and explain clearly why the trade deficit might not improve because of the impact on costs (up to 2, needs reference to X,M for 2, but must refer to the trade balance.). Therefore up to 5 but 4 max without AO4. Data use = relative comparison AO4: Candidate evaluates, either by: 1) using the data to point out that the UK's productivity performance is better than some countries (esp. Japan) and not much worse than the Eurozone as a whole. Or may note that many countries' data is not given – especially China and India, which are likely to be key markets in years to come. Or 2) Explaining that other factors are important. This statement alone, however is not worth any credit. A list of 'it depends' factors should not be given any marks unless one of these factors is explained in the context of the question. These may include elasticity of demand, quality, which sectors are more important and so on. 3) Might comment on policies which might raise productivity in the LR Answers which treat productivity and production as the same will not get more than 2.	6	AO1 2 AO2 1 AO3 1 AO4 2

Question	Answer	Mark allocation	Assessment objective
7	With reference to the data and using an appropriate diagram, discuss whether the growth forecasts in the chart above are likely to lead to higher inflation in the UK economy. AO1, 2 and 3 - up to 4 marks 1-2 Marks Limited analysis Candidate draws a simple AD/AS diagram and asserts that an increase in AD will cause inflation/ commodity price rises will cause cost-push inflation with no explanation as to why prices might be rising. 	8	AO1 1 AO2 1 AO3 2 AO4 4
	3-4 Marks Reasonable analysis (Diagram not necessarily required, although see cap at bottom). Candidate explains how the increased AD will actually cause inflation (increased competition for scarce resources/less competition between firms due to buoyant demand or explains how rising commodity prices can feed through to the prices of final goods); Or Both types of inflation dealt with, with some development. i.e. a good theoretical explanation Or Candidate makes use of the data, explaining: • That inflation is already close to top of target and that inflationary expectations may occur. • Global commodity prices are also on the rise • Growth is forecast to rise increasingly quickly and that the output gap will soon be closed. i.e., a good applied explanation		

Question	Answer	Mark allocation	Assessment objective						
	AO4 – up to 4 marks <table><tr><td>1-2 Marks</td><td> Limited evaluation – candidate says ‘it depends on the state of the economy and draws a diagram, without any real reference to the context of the UK economy.  Or, candidate says it depends on whether AS increases and draws a diagram, again without any real reference to the UK economy. Or they might say it depends on other factors without really developing the ideas. Or they might assert that the forecasts might be wrong without any development They might do all of these, but it is still only worth 2 marks unless one of them is developed. </td><td></td><td></td></tr><tr><td>3-4 Marks</td><td> Reasonable evaluation: This will be in context (Diagram not necessarily required, although see cap at bottom). Hence, this is not 2 limited evaluation points; reasonable evaluation requires some sort of depth, probably the candidate adopts one of the approaches in limited evaluation, but applies it to the context/develops it fully. In the first case, might talk about the fact that the UK is still recovering from the credit crunch/make reference to the output gap/the fact that u/e is still high. In the second case, they might talk about <i>why</i> AS might be expected to rise – I recovering, SSPs, trend growth arguments. In the third case they might explain in detail about exchange rates, or rising productivity in other countries holding down import prices. The fourth case will be difficult to develop fully, but alongside other developed points, adds to the general quality of the answer. </td><td></td><td></td></tr></table> Cap: No diagram = 6 max. Answer is reversible, so the analysis of why inflation would occur becomes the evaluation of why it wouldn't.	1-2 Marks	Limited evaluation – candidate says ‘it depends on the state of the economy and draws a diagram, without any real reference to the context of the UK economy.  Or, candidate says it depends on whether AS increases and draws a diagram, again without any real reference to the UK economy. Or they might say it depends on other factors without really developing the ideas. Or they might assert that the forecasts might be wrong without any development They might do all of these, but it is still only worth 2 marks unless one of them is developed.			3-4 Marks	Reasonable evaluation: This will be in context (Diagram not necessarily required, although see cap at bottom). Hence, this is not 2 limited evaluation points; reasonable evaluation requires some sort of depth, probably the candidate adopts one of the approaches in limited evaluation, but applies it to the context/develops it fully. In the first case, might talk about the fact that the UK is still recovering from the credit crunch/make reference to the output gap/the fact that u/e is still high. In the second case, they might talk about <i>why</i> AS might be expected to rise – I recovering, SSPs, trend growth arguments. In the third case they might explain in detail about exchange rates, or rising productivity in other countries holding down import prices. The fourth case will be difficult to develop fully, but alongside other developed points, adds to the general quality of the answer.		
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3-4 Marks	Reasonable evaluation: This will be in context (Diagram not necessarily required, although see cap at bottom). Hence, this is not 2 limited evaluation points; reasonable evaluation requires some sort of depth, probably the candidate adopts one of the approaches in limited evaluation, but applies it to the context/develops it fully. In the first case, might talk about the fact that the UK is still recovering from the credit crunch/make reference to the output gap/the fact that u/e is still high. In the second case, they might talk about <i>why</i> AS might be expected to rise – I recovering, SSPs, trend growth arguments. In the third case they might explain in detail about exchange rates, or rising productivity in other countries holding down import prices. The fourth case will be difficult to develop fully, but alongside other developed points, adds to the general quality of the answer.								

Question	Answer	Mark allocation	Assessment objective						
8	With reference to the data, discuss whether further cuts in interest rates are likely to significantly weaken the Australian dollar. <table><tr><td colspan="2">AO1, 2 and 3</td></tr><tr><td>1-2 Marks</td><td> Limited analysis Candidate identifies that a fall in interest rates will cause the exchange rate to fall. Might draw a simple diagram, but no real explanation. Might assert that there will be hot money outflows, but does not explain why. Might mix up supply and demand factors. </td></tr><tr><td>3-4 Marks</td><td> Reasonable analysis. Candidate explains why a cut in interest rates might be expected to cause the Australian dollar to fall further. Candidate explains: Australian banks will now be less attractive to investors, causing D for A\$ to fall. Or Existing holders of A\$ may seek higher returns elsewhere, causing an outflow of short term capital (S A\$ will increase) Speculators may fear further falls in the A\$ especially as government seems determined to weaken it. Candidate may use a well-integrated diagram, but this is not required. 1 factor (D/S without diagram, up to 3) </td></tr></table> Further guidance: AO1, 2 and 3 well integrated diagram is worth up to 2. Impact on D – up to 2 (needs to be fully explained for 2) Impact on S – up to 2 (needs to be fully explained for 2)	AO1, 2 and 3		1-2 Marks	Limited analysis Candidate identifies that a fall in interest rates will cause the exchange rate to fall. Might draw a simple diagram, but no real explanation. Might assert that there will be hot money outflows, but does not explain why. Might mix up supply and demand factors.	3-4 Marks	Reasonable analysis. Candidate explains why a cut in interest rates might be expected to cause the Australian dollar to fall further. Candidate explains: Australian banks will now be less attractive to investors, causing D for A\$ to fall. Or Existing holders of A\$ may seek higher returns elsewhere, causing an outflow of short term capital (S A\$ will increase) Speculators may fear further falls in the A\$ especially as government seems determined to weaken it. Candidate may use a well-integrated diagram, but this is not required. 1 factor (D/S without diagram, up to 3)	8	AO1 1 AO2 1 AO3 2 AO4 4
AO1, 2 and 3									
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Question	Answer		Mark allocation	Assessment objective
	Evaluation			
	1-2 Marks	Limited evaluation – Throw-away lines like: “It depends on how much interest rates are cut” are worth at most 1 mark and require some development even for that and they are not cumulative – no matter how many under-developed evaluative points they make, they will get at most 2 marks. Other reasonable evaluation might be long run effects. Once the exchange rate has fallen for some time, the trade balance may start to improve or further inward investment might be attracted, pushing the A\$ back up. Limited evaluative points will tend to be assertive rather than explained and will tend not to be in context. E.G. It depends on what happens to interest rates in other countries.		
	3-4 Marks	Reasonable evaluation: This will be in context 2 points with at least one point that is well applied to the case, or one fully applied point with excellent development. This is not 2 limited evaluation points; reasonable evaluation requires some sort of depth and will use the context. Possible angles might include: Interest rates have already fallen 7 times, and appear not to be having much impact. Interest rates in the US/UK/Eurozone are still much lower than 2.75% Australia may still be experiencing a commodity boom, meaning that funds will flow in regardless of the interest rate. This will also attract speculators.		

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1131/01

ECONOMICS – EC1

A.M. TUESDAY, 13 May 2014

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	5	
2.	3	
3.	4	
4.	3	
5.	10	
6.	4	
7.	8	
8.	8	
9.	5	
Total	50	

1131
010001

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Do not use pencil or gel pen.

Do not use correction fluid.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. You may use continuation paper on page 13 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.



M A Y 1 4 1 1 3 1 0 1 0 1

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JD*(S14-1131-01)

Answer all the questions in the spaces provided.

1. Study the data in Figures 1 and 2 below.

Figure 1.

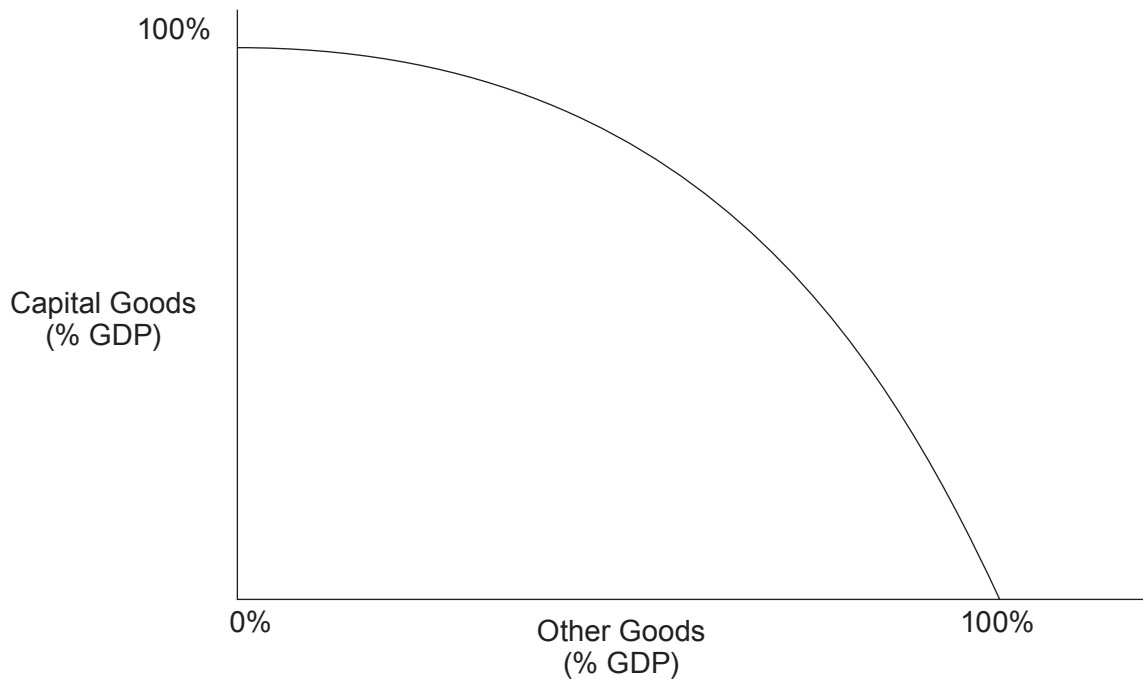
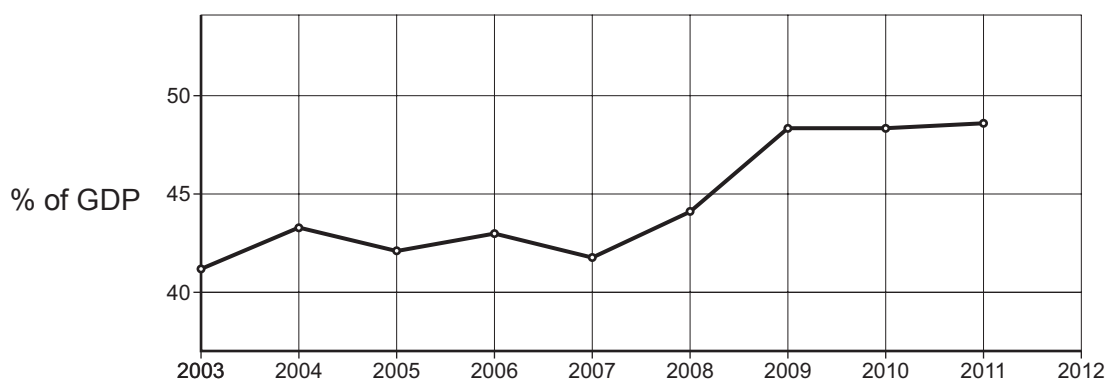


Figure 2. Gross domestic capital formation (% of GDP) for China



Gross domestic capital formation is a measure of investment in capital goods in an economy.



(a) Mark on the production possibility curve diagram in figure 1 China's production pattern in 2011. [1]

(b) Explain why the data shown in figure 2 might lead to higher economic growth in China. [4]

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2. In 2010 Toyota's Burnaston car manufacturing factory produced about 130,000 cars with 2600 employees. In 2012, the same factory produced around 110,000 cars with 2750 employees.

Define productivity and calculate the apparent change in productivity between 2010 and 2012. [3]

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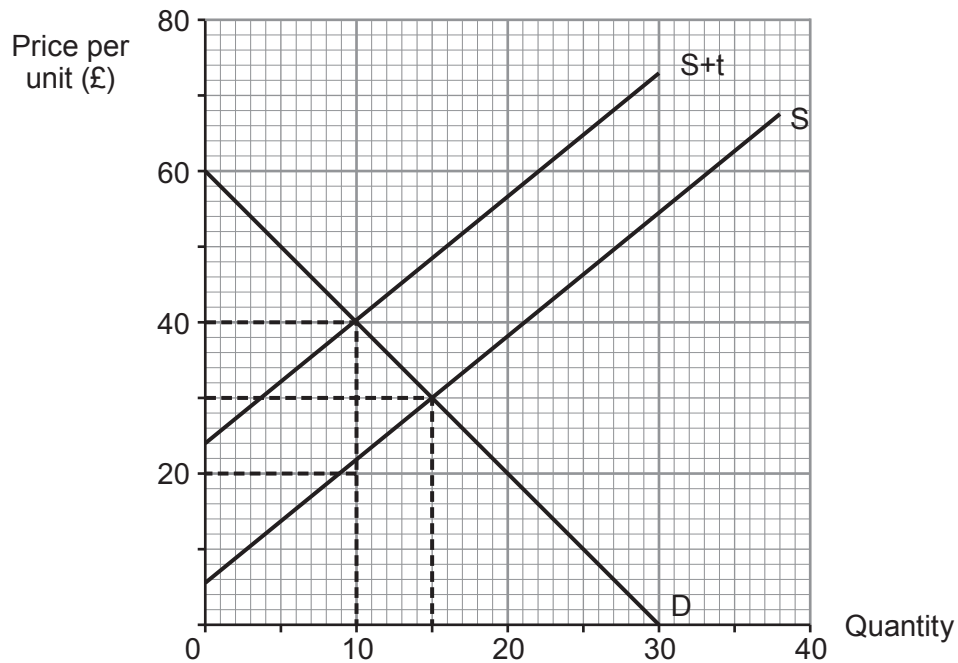
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3. The diagram below represents a market for a product before and after the imposition of a specific sales tax. The tax shifts the supply curve from S to $S+t$.



- (a) Calculate the consumer surplus after the imposition of the tax. [2]

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- (b) Calculate the government's total tax revenue after the imposition of the tax. [2]

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4. WATER COMPANIES' PRICES CONTROLLED BY REGULATOR

Ofwat, the water industry regulator, has set limits on how much the price of water bills to households can rise over the next few years. Households in the UK have no choice of water provider as firms such as Welsh Water are monopolies in their own regions.

How might uncontrolled market power of such monopolies result in market failure? [3]

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5.

ETS carbon price
€ per tonne



The **price of carbon** fell below €5 a tonne for the first time on the European Union's Emissions Trading System. A glut of pollution permits has caused carbon prices to fall by 70% since 2011, providing little incentive for companies to cut emissions rather than pay for the permits. Officials want to withdraw some of the permits in the hope that the price will rise.

Source: Economist 26/1/13

- (a) Using a diagram explain why a reduction in the number of pollution permits would raise their price. [4]

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6. Air passenger duty (APD) was introduced in 1994 as part of the government's policy to reduce carbon emissions. By increasing the price of tickets for air travellers it was hoped that fewer people would travel by air. However by 2013, with APD at £13, a report found that to avoid paying the tax many travellers took connecting flights via European airports such as Amsterdam to avoid paying the tax in the UK. This practice has apparently increased emissions from extra journeys. The same report found that by abolishing the tax altogether 60,000 jobs would be created, GDP would rise by 0.46% and the government's tax revenue would actually rise!

Using the data explain the meaning of the term government failure.

[4]

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The graph illustrates the Aggregate Demand and Aggregate Supply model. The vertical axis represents the Price Level, and the horizontal axis represents Real GDP. The Aggregate Demand (AD) curve is downward sloping, and the Aggregate Supply (AS) curve is upward sloping. The equilibrium point is at the intersection of AD and AS, corresponding to Price Level P_1 and Real GDP Y_1 .





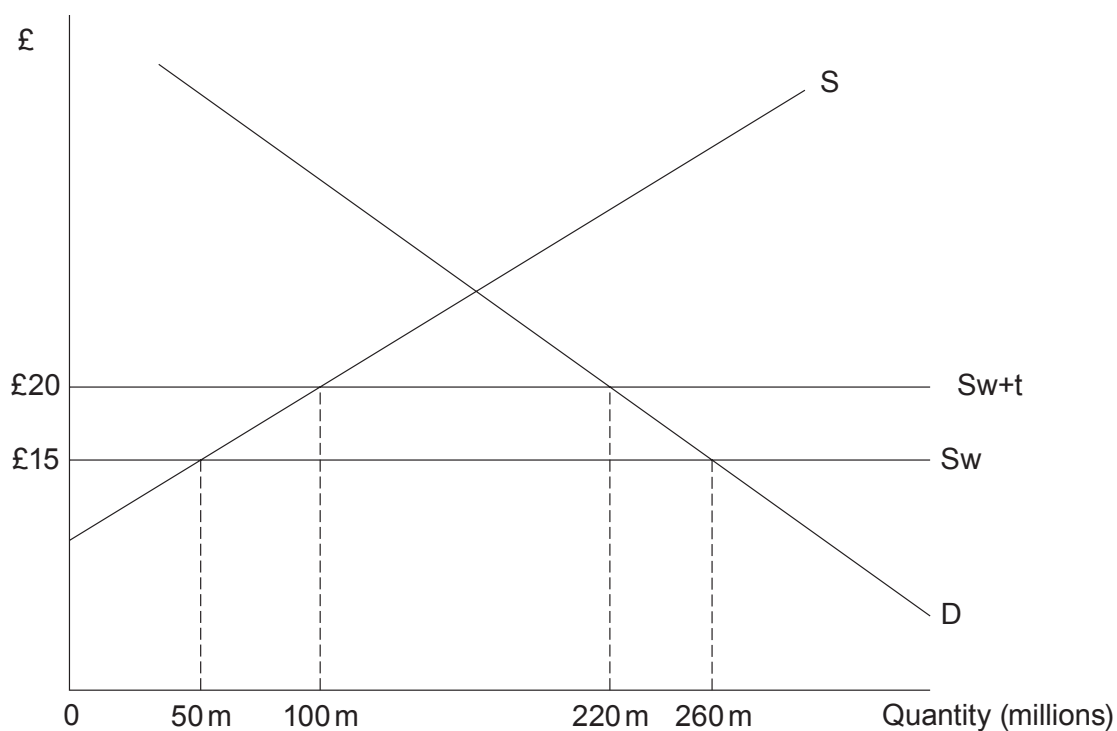
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9. The diagram below shows a £5 tariff being imposed on an imported product with a world price of £15.



- (a) By how much will imports fall as a result of the tariff? [1]

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- (b) What will be the government's revenue as a result of the tariff? [1]

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- (c) With reference to the diagram, explain how domestic producers might benefit from the imposition of tariffs. [3]

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END OF PAPER



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GCE MARKING SCHEME

**ECONOMICS
AS/Advanced**

SUMMER 2014

INTRODUCTION

The marking schemes which follow were those used by WJEC for the Summer 2014 examination in GCE ECONOMICS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were 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 conferences was to ensure that the marking schemes were 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' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

	Page
EC1	1
EC2	7
EC3	27
EC4	35

EC1

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that candidates are writing under examination conditions and credit should be given for what the candidate writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate 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.

GCE ECONOMICS - EC1

MARK SCHEME - SUMMER 2014

Question	Answer	Mark allocation	Assessment objective
1 (a)	Mark on the production possibility curve diagram in figure 1 China's production pattern in 2011. Candidate marks the correct proportion of capital goods inside the PPF (allowing for economy not at proportion) Or Candidate marks on the PPF the approximate level of capital goods and other goods.	1	AO1 1
(b)	Explain why the data shown in figure 2 might lead to higher economic growth in China. Candidate explains that high numbers of capital goods will increase productivity or will increase the stock of factors of production. (2) Therefore with higher productivity/more FoPs, the potential of the economy will be greater, PPF/AS will shift outwards etc. (2) Also: increased production of capital goods implies higher investment. Hence AD will increase which will create actual growth/rising GDP. (2) Good use of data/diagrams will support the quality of the answer.	4	AO1 1 AO2 1 AO3 2
2	Define productivity and calculate the apparent change in productivity between 2010 and 2012. Productivity is measured by output per head <i>or</i> output per input (1) 2010 productivity = 50 (1) 2012 productivity = 40 (1) Productivity falls by 10 (2) Full calculation marks (2) if the candidate correctly calculates productivity in each year without working out the difference. Some credit for candidates who show understanding of productivity and that it has fallen (lower output, more workers) without a correct definition or correct calculation.	3	AO1 1 AO2 2

Question	Answer	Mark allocation	Assessment objective
3 (a)	Calculate the consumer surplus after the imposition of the tax. Consumer surplus clearly defined (Difference between the price a consumer is willing to pay and the actual market price). (1) Or correctly identified on the diagram. (1) Correct calculation £100. (2) Correct calculation of consumer surplus before tax (£225). (1) £ not needed for (2)	2	AO1 1 AO2 1
(b)	Calculate the government's total tax revenue after the imposition of the tax. Tax revenue = £180 to £200 accepted. (2) Tax area clearly identified. (1) OR £18-20 tax/unit identified. (1)	2	AO1 1 AO2 1
4	How might uncontrolled market power of such monopolies result in market failure? Understanding of market failure (1) Increase in inequality (1) Restriction of competition (1) Restriction of choice/producer sovereignty (1) Welfare loss (1) Higher prices/lower output (1) Loss of consumer surplus (1) Diagram (2) Demand and supply diagram showing a rise in price above the competitive price (1) with a reduced consumer surplus and/or welfare loss (1)	3	AO1 1 AO2 1 AO3 1

Question	Answer	Mark allocation	Assessment objective
5 (a)	Using a diagram explain why a reduction in the number of pollution permits would raise their price. Diagram showing a supply curve shifting to the left with a new higher price and lower quantity. (2) Explanation: Good development of how fewer permits will reduce their supply shifting the supply curve to the left raising their price. (2) If no diagram: Clear explanation of how market forces will push up the price of permits: Up to (2)	4	AO1 1 AO2 1 AO3 2
(b)	Discuss whether an increase in the price of permits would be likely to cut carbon emissions. Yes it will cut emissions: (1) Efficient/low polluting firms have an incentive to reduce pollution further so that they can make profits from selling the permits. (1-2) (2) Inefficient/high polluting firms have an incentive to reduce pollution further by becoming more efficient/investing in new technology to avoid buying the more expensive permits. (1-3) <u>3= very well analysed argument.</u> (3) Pollution may fall because the increased cost of permits will increase prices, reducing output – therefore total production will fall, making pollution fall/higher costs drive firms out of business meaning that they are no longer polluting, (1-2) BUT: • Price may still not be high enough to incentivise firms to reduce pollution. (1-2) • Firms may relocate to countries where there are no emissions limits. Hence total pollution will not fall. (1-2) • The level of emissions is determined by the number of permits issued. (1) • The scheme might not be administered properly/corruption/failures in measurement of CO₂. (1) • If demand for final product is price inelastic, the impact may be smaller (because permit costs can be passed on). (2) • Large profitable firms may be less affected (up to 2 but only if well explained). Max 4 without evaluation. Reversible answer.	6	AO1 1 AO2 2 AO3 1 AO4 2

Question	Answer	Mark allocation	Assessment objective
6	Using the data explain the meaning of the term government failure. Definition/Understanding of GF: Government attempts to correct market failure resulting in a greater welfare loss. (2)/Government intervention in a market which results in a misallocation of resources (2)/Other appropriate definition/understanding shown. Evidence: the tax has led to a rise in emissions, when the purpose of the tax was to reduce emissions. Good developed data use required for 2 marks (ideally focus on increase in emissions due to use of connecting flights or very well developed argument on tax revenue), more general reference 1 mark.	4	AO1 1 AO2 1 AO3 2
7	Discuss the view that a cut in interest rates is the best economic policy for this economy. Cuts in interest rates will increase AD: increase consumption (Greater incentive to borrow, reduced mortgage repayments, reduced incentive to save) and investment, reduce savings. Depreciates the exchange rate, reducing export prices, causing a rise in exports. Rising import prices might reduce the value of imports. Again AD rises. Resultant rise in national income and employment. Well-developed point up to 3 (+potentially 1 for diagram). BUT: Possibly negative expectations prevent rises in C and I. Exports may not rise despite the fall in export prices. Depends how much interest rates are cut by. Strength of the multiplier effect. Another policy may be better- explanation. Might cause inflation. Both demand pull (2) and cost push (2). Low consumer or business confidence will negatively affect a cut in interest rates. Good use of diagram on either side, up to 1 mark. Depends on: The rate of potential growth in the economy. Whether the trade balance improves or deteriorates. Max 4 without evaluation.	8	AO1 2 AO2 2 AO4 4

Question	Answer	Mark allocation	Assessment objective
8	How effective might supply side policies be in solving the economic problems identified in the data? Definition/understanding of supply side policies. (1) Explanation of how labour market policies might lead to reduced unemployment up to 3 marks per well-developed point: Education/training. Better information systems/IT/internet, etc. about vacancies. Welfare reform-effect on incentives to work. Tax reform- effect on incentives to work. Increase in the national minimum wage. Better infrastructure will enable workers to get jobs elsewhere/encourage firms to come to take advantage of high unemployment. Lower corporation tax encourages business start-ups/higher profits for training BUT: Up to 2 marks per well-developed point: Time – very long time before benefits are seen. Potential for government failure – policy is ineffective (e.g. training is inappropriate for the needs of the labour market). Policies offer poor value for money (ineffective in terms of cost/job). Easier for firms to recruit trained labour from abroad. Some unemployment may be demand deficient. Reduced benefits may negatively affect those at risk in society. Max 4 without evaluation. Max 6 without clear data reference.	8	AO1 2 AO2 2 AO4 4

Question	Answer	Mark allocation	Assessment objective
9 (a)	By how much will imports fall as a result of the tariff? 90m. (1) From 210m to 120m (1) Accept answers without millions.	1	AO1 1
(b)	What will be the government's revenue as a result of the tariff? £600M. (1) Accept answer without millions.	1	AO1 1
(c)	With reference to the diagram, explain how domestic producers might benefit from the imposition of tariffs? Increase in producer surplus: Use of diagram(1), more profits etc. (2) Increase in domestic output: Use of diagram (1) –means more sales/revenue/profit. (2) Higher price of imports (use of diagram – specified(1)). allows greater profits for domestic firms (2). Reduced imports (shown/enumerated – use of diagram(1)) mean higher domestic market share (2).	3	AO2 1 AO3 2

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1131/01

ECONOMICS – EC1

P.M. WEDNESDAY, 15 January 2014

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	5	
2.	5	
3.	4	
4.	8	
5.	8	
6.	8	
7.	6	
8.	6	
Total	50	

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DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this paper, you will require a calculator and a ruler.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

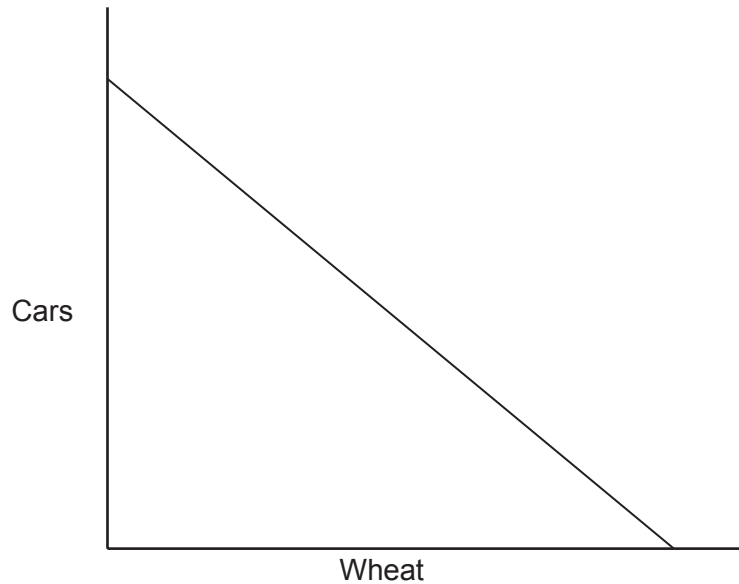
Answer **all** the questions in the spaces provided. You may use continuation paper on page 12 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

Answer all the questions in the spaces provided.

1. Study the production possibility frontier below which shows an economy that only produces cars and wheat.



- (a) Explain what is shown by a production possibility frontier.

[2]

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- (b) Using the diagram explain why a production possibility frontier is normally drawn as a curve concave to the origin rather than as a straight line.

[3]

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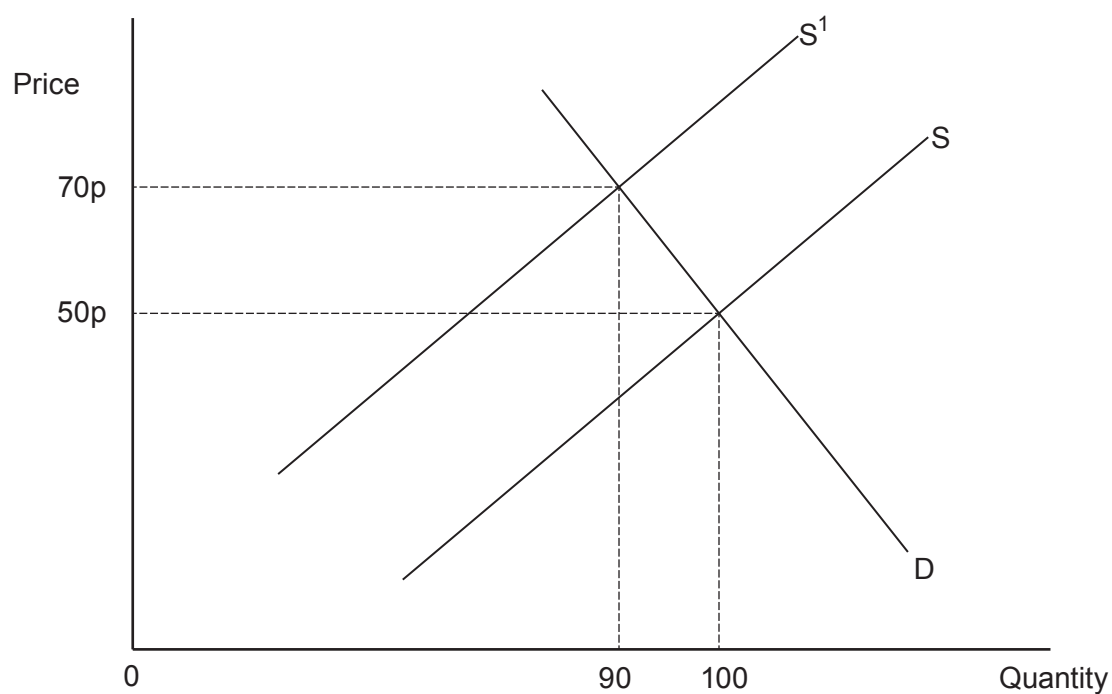
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2. The diagram below shows the market for a commodity in which supply has shifted to the left.



- (a) Identify one factor which could have caused the supply curve to shift to the left. [1]

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- (b) Calculate the price elasticity of demand following the resultant price rise and comment on its value. [4]

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3. WATER COMPANIES 'PUSHING POINTLESS INSURANCE COVER FOR BURST PIPES'*Source: Daily Mail 18 April 2012.*

Water companies are pushing customers into buying insurance against burst pipes that could be completely unnecessary. The policies cost £35 per year, but many of these same water companies already offer free repairs for pipes running outside the house, and pipes inside the house will already be covered by ordinary home insurance.

Use the above data to explain the concept of asymmetry of information.

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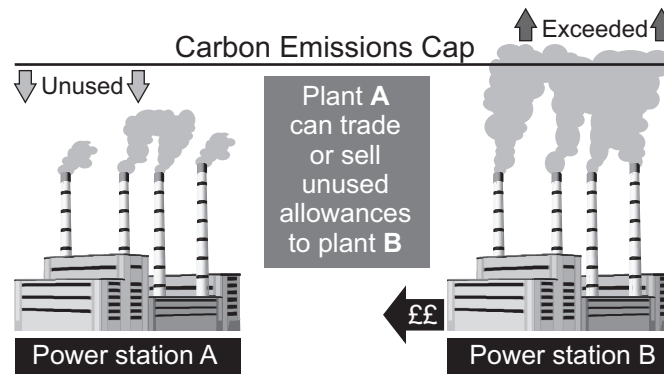
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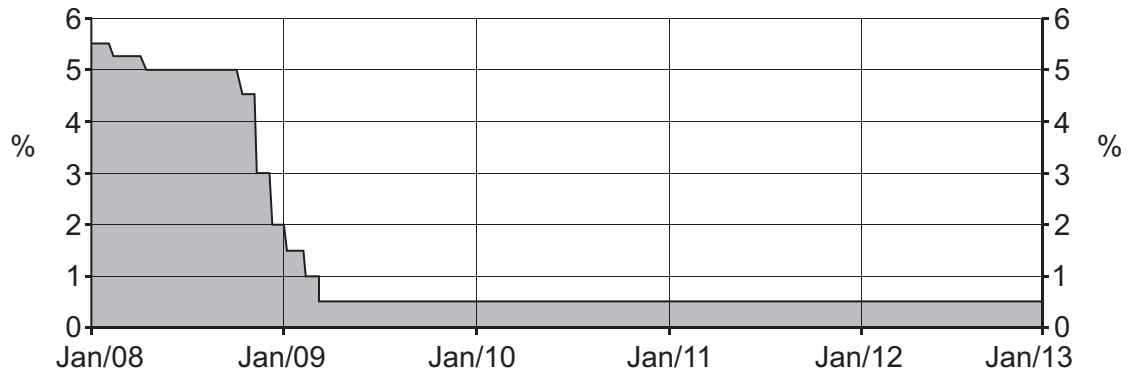
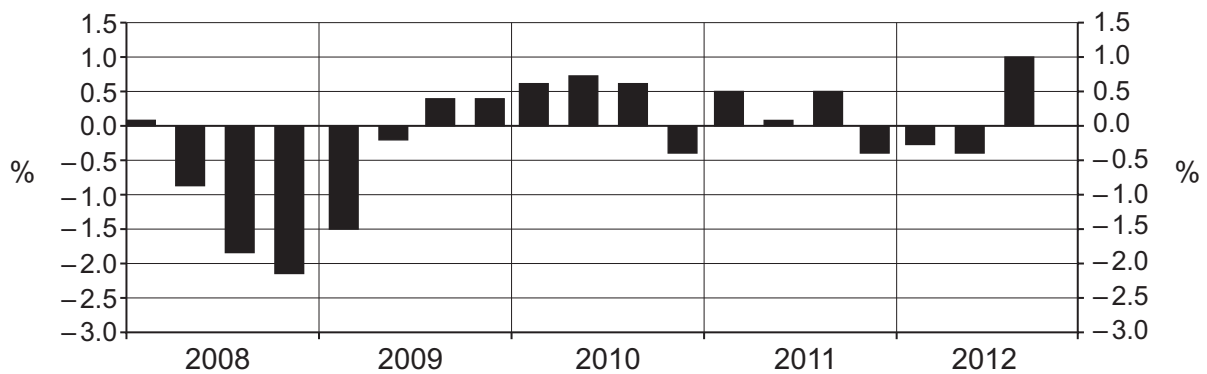
4. EMISSIONS BUSINESS

A new organisation wants to help industrial companies to trade carbon credits that allow them to pollute.



Evaluate the likely effectiveness of a carbon trading scheme in reducing carbon emissions. [8]

5.

Bank of England Base Interest Rate**UK GDP growth, quarter on previous quarter**

The Bank of England's Monetary Policy Committee (MPC) announced in August 2012 that it would maintain its base interest rate at 0.5%. The base rate was cut to this level early in 2009. There was no increase in the total size of the bank's quantitative easing programme, although several members of the committee did want to increase it from the current level of £375bn.

Using the data, evaluate the extent to which a low interest rate can be relied upon to raise aggregate demand and increase GDP. [8]

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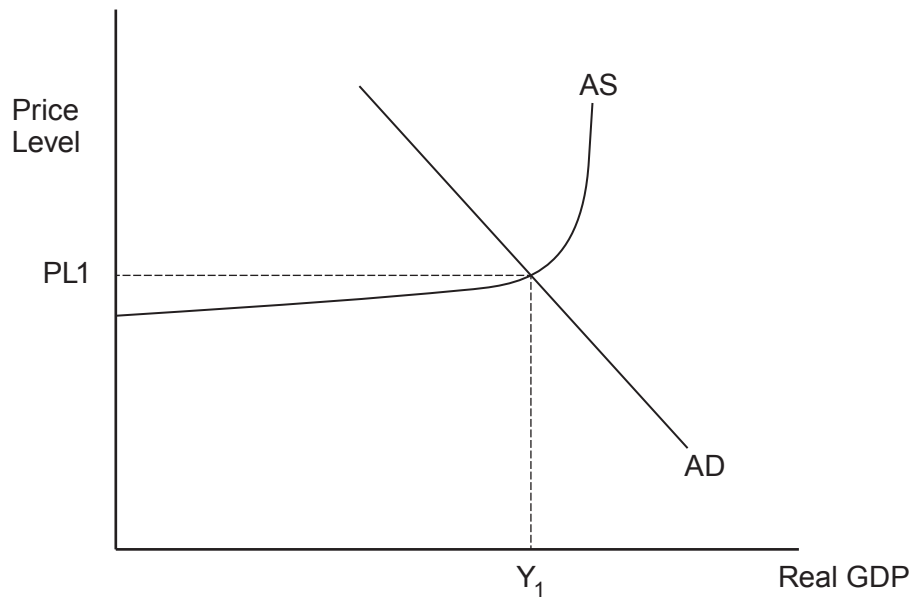
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6. By adapting the aggregate demand and supply diagrams below and opposite, explain using examples how inflation can arise from:

(a) an increase in aggregate demand;

[4]



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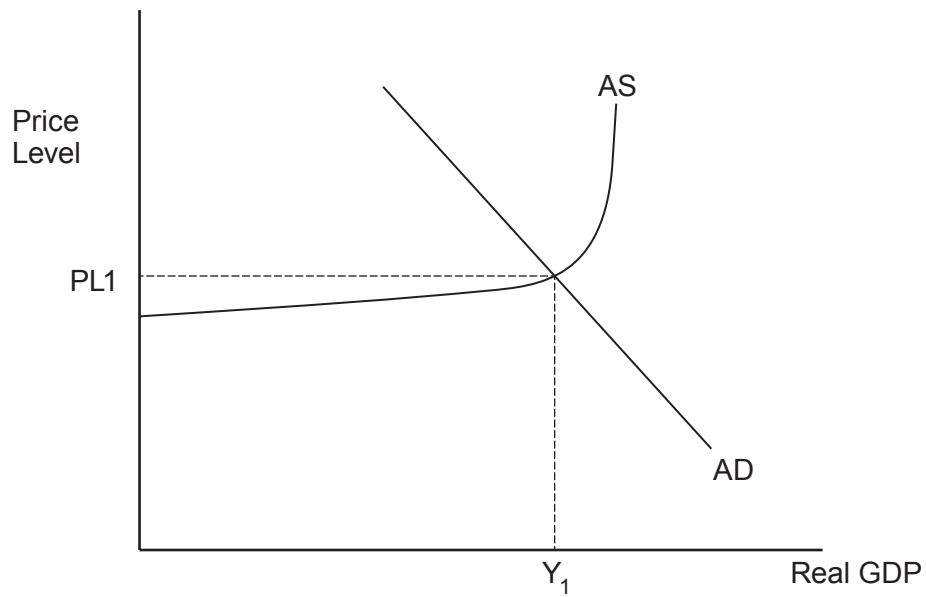
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(b) a significant increase in costs in the economy.

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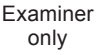
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Adapt the above diagram to explain how EU producers and governments would benefit from this proposed tariff but consumers would lose. [6]

6

[illegible]



GCE MARKING SCHEME

**ECONOMICS
AS/Advanced**

JANUARY 2014

INTRODUCTION

The marking schemes which follow were those used by WJEC for the January 2014 examination in GCE ECONOMICS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were 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 conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

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	Page
EC1	1
EC2	9

GCE ECONOMICS – EC1

Mark Scheme – January 2014

Question	Answer	Mark	AO1	AO2	AO3	AO4
1 (a)	Explain at what is shown by a production possibility frontier. <i>The maximum potential output of an economy (1) because existing factors of production are fixed/limited or some implication that resources are scarce(1)using resources to maximum efficiency (1). Constant opportunity cost (1)</i>	2	1		1	
1 (b)	Using the diagram explain why a production possibility frontier is normally drawn as a curve concave to the origin rather than as a straight line. <i>Factors of production are not perfectly substitutable between different activities/employment (1) opportunity cost increases/some factors are more efficient in one sector than another. Diminishing returns/decreasing returns (1). Use of diagram (1)</i>	3	1	1	1	
	Total for Question 1	5	2	1	2	0

Question	Answer	Mark	AO1	AO2	AO3	AO4
2 (a)	Identify one factor which could have caused the supply curve to shift to the left. <i>Rise in costs. Imposition of a sales tax. Exit of firms. Natural disaster etc.</i>	1	1			
2 (b)	Calculate the price elasticity of demand following the resultant price rise and comment on its value. <i>Formula (1) (-)0.25 (2) Price inelastic(1) because it is less than – 1.0 (1) Maximum 2 for incorrect answer with correct explanation.</i>	4	2		2	
	Total for Question 2	5	3	0	2	0

Question	Answer	Mark	AO1	AO2	AO3	AO4
3	Use the above data to explain the concept of asymmetry of information. <i>Understanding/definition of asymmetry of information. An example of market failure. One party has more information than another Thus imperfect decisions/misallocation of resources (2).</i> <i>Application to the data. Consumers waste money on an unnecessary product because they are already covered (2). Water companies know that the policy is unnecessary therefore resources are misallocated (2).</i>	4	2	2		
	Total for Question 3	4	2	2	0	0

Question	Answer	Mark	AO1	AO2	AO3	AO4
4	Evaluate the likely effectiveness of a carbon trading scheme in reducing carbon emissions. <i>Explanation that power station A can sell unused permits to B and has an incentive to reduce pollution further below the cap (2).</i> <i>Permits issued to meet an emissions target (2).</i> <i>Market based solution to pollution using the price mechanism (2).</i> <i>Firms incentivised to reduce pollution by the price of permits (2).</i> <i>Pollution is reduced in the most efficient way (2).</i> <i>Max 4.</i> <i>Evaluation.</i> <i>Depends on how many permits are issued/auctioned/problem of over-issue of permits.</i> <i>Corruption.</i> <i>Raises costs for firms and reduces competitiveness.</i> <i>Firms exit and relocate in countries where there are no permits.</i> <i>Administrative costs of the scheme.</i> <i>Depends which industries are included in the scheme.</i> <i>Real world examples (ETS).</i> <i>Max 4.</i> <i>Max 4 with no evaluation.</i>	8	2	2	0	4
	Total for Question 4	8	2	2	0	4

Question	Answer	Mark	AO1	AO2	AO3	AO4
5	Using the data, evaluate the extent to which a low interest rate be relied upon to raise aggregate demand and increase GDP? <i>Low interest rates increase C and I boost AD and via the multiplier raise GDP (4). Also the exchange rate falls which lowers export prices, and raises export demand. Higher import prices reduce import demand. Rise in AD (2). Fall in savings-less in incentive to save thus spending increase. Rise in AD (2).</i> <i>Link to AD/GDP must be clearly understood.</i> <i>Max 4.</i> <i>Expectations may be pessimistic despite low interest rates thus C and I stay low (2). Data suggests that low interest rates have not helped to raise GDP since 2009 (2). Depends how low interest rates are and how long they stay low (2). Other offsetting factors may be more important in affecting GDP such as fiscal policy/supply side/competitiveness/global economy (2). Low interest rates reduce income from savings and cut spending (2).</i> <i>Max 4.</i> <i>Max 6 with no data reference.</i>	8	1	2	1	4
	Total for Question 5	8	1	2	1	4

Question	Answer	Mark	AO1	AO2	AO3	AO4
6	By adapting the aggregate demand and supply diagrams below and opposite, explain using examples how inflation can arise from: (a) an increase in aggregate demand <i>Adapts/labels diagram (2). Use of examples to explain why inflation rises (with examples) (2). Demand-pull inflation (1).</i> (b) a significant increase in costs in the economy. <i>Adapts/labels diagram . Cost increases shift the lower part of the AS curve vertically (2). Leftward shift of whole AS curve (1). Explain how rises in wages, oil prices, commodities raises prices (2). Cost push inflation (1).</i> <i>Candidates need to show understanding of the processes involved in the rise in inflation.</i>	8		4	4	
	Total for Question 6	8	0	4	4	0

Question	Answer	Mark	AO1	AO2	AO3	AO4
7	Discuss whether this diagram implies that governments should aim to reduce income tax rates <i>High marginal rates of tax for top earners discourage initiative/enterprise/seeking promotion. Also encourages avoidance and evasion. Hence tax revenue falls if high tax rates rise to T3. Use of diagram.</i> <i>Max 4.</i> <i>Depends where the top marginal tax rate is on the Laffer Curve. If the tax rate is below T2 then a rise in rates will raise tax revenue. Laffer Curve may not be a correct analysis of the real world. Cuts in income tax rates increase spending and increase VAT revenue (2).</i> <i>Max 4 without evaluation.</i>	6	2	1	1	2
	Total for Question 7	6	2	1	1	2

Question	Answer	Mark	AO1	AO2	AO3	AO4
8	Adapt the above diagram to explain how EU producers and governments benefit from the proposed tariff but consumers would lose. <i>EU producers gain extra output.</i> <i>Extra profits – gain in producer surplus (shaded on diagram).</i> <i>Tax/tariff revenue increases. (shaded on diagram). More employment/higher GDP.</i> <i>Consumers have higher prices (fall in consumer surplus).</i> <i>Max 3 without use of the diagram.</i>	6	3	3		
	Total for Question 8	6	3	3	0	0

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1131/01

ECONOMICS – EC1

A.M. MONDAY, 13 May 2013

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	3	
2	10	
3	4	
4	4	
5	3	
6	10	
7	8	
8	8	
Total	50	

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DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this paper you may require a calculator and a ruler.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. You may use continuation paper on page 13 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

*Answer **all** the questions in the spaces provided.*

1. The data below shows the trends in output and employment of UK manufacturing since 1980.



Source: Daily Mail 11 December 2011

With reference to the data, explain one factor that could explain the change in manufacturing productivity over the period shown. [3]

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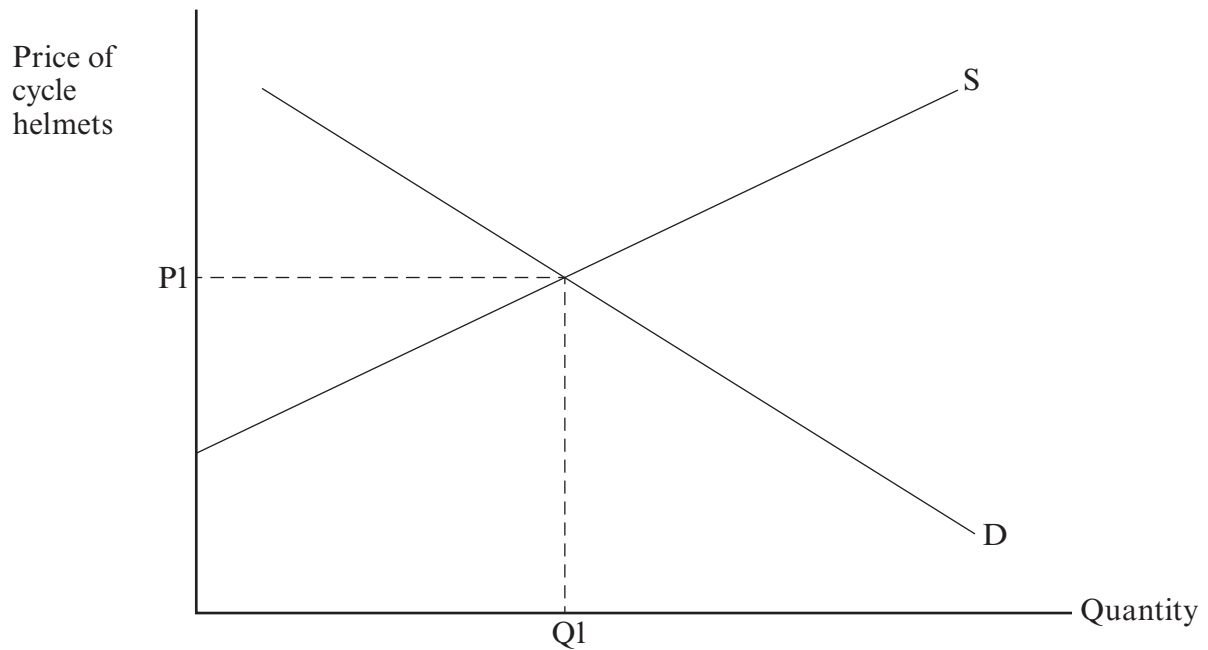
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2. The diagram below shows the market for cycle helmets.



Suppose, as a result of an increasing number of serious accidents involving cyclists, firstly the government made the wearing of cycle helmets compulsory and secondly, at the same time, reduced the rate of VAT on cycle helmets.

- (a) Adapt the above diagram to discuss whether the policy changes are likely to increase or reduce the price of cycle helmets. [6]

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(b) Explain how the policies outlined above may help to correct market failure.

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3. A football club charges a £15 admission fee to their home games and its average attendance is 5,000 per game. It then reduces its admission fee to £12 and as a result average attendances rise to 7,000 per game.

Calculate the price elasticity of demand for this football club and explain why the club's revenue has been affected by the price change. [4]

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4. An antiques expert has bought a valuable religious painting dating back 1,000 years at a car boot sale for £13. The painting has since been valued at several thousand pounds.

Using the above passage explain the concept of asymmetry of information. [4]

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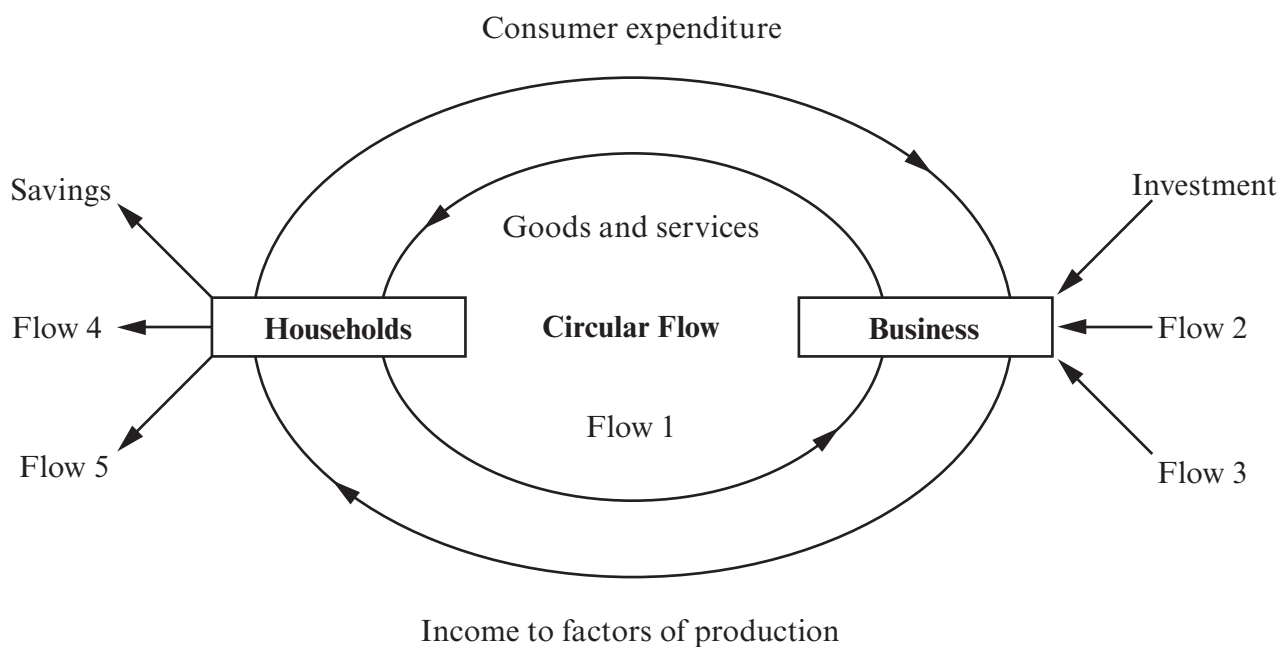
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4

5. Complete the circular flow diagram below by identifying flows 1 to 5.



Flow 1

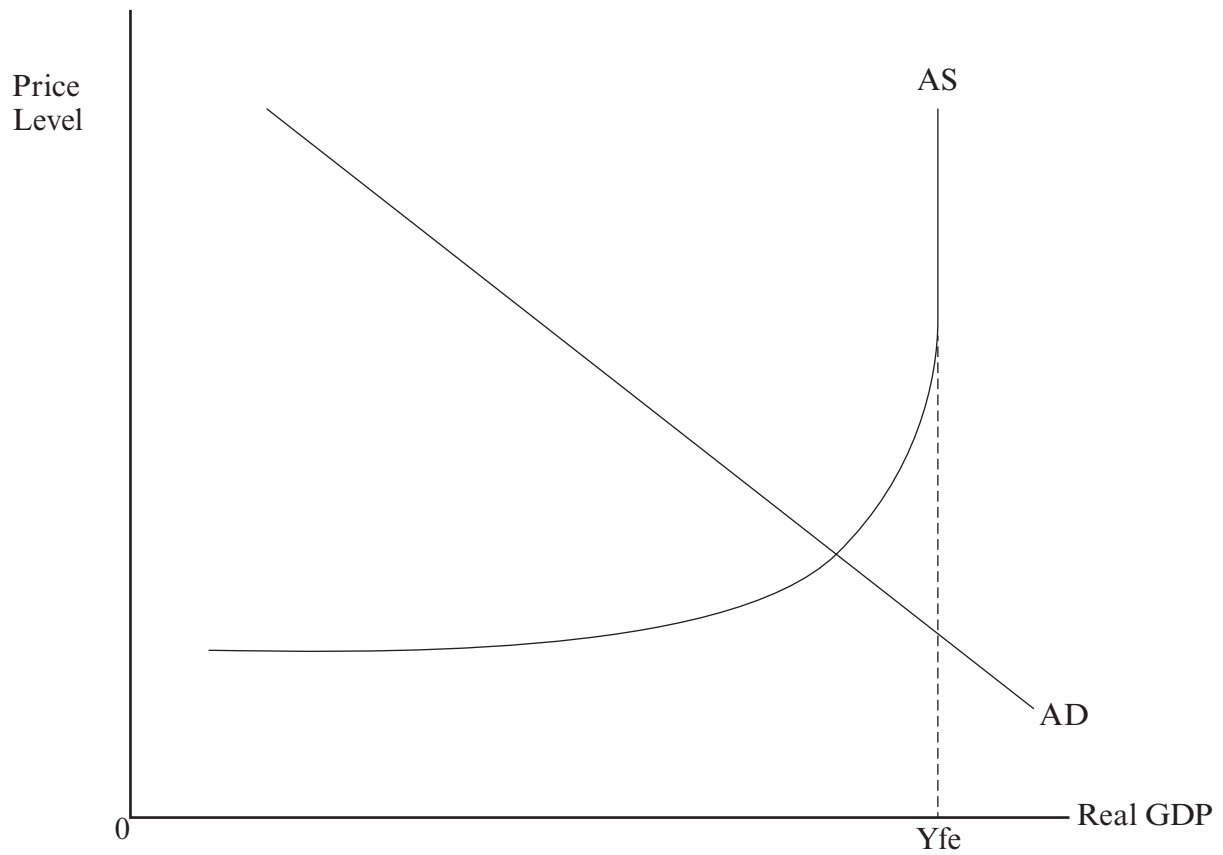
Flow 2

Flow 3

Flow 4

Flow 5

6.



- (a) In the above diagram explain the shape of both the aggregate demand and aggregate supply curves. [4]

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- (b) Explain how fiscal policy can shift both the aggregate demand and aggregate supply curves to the right. [6]

Examiner
only

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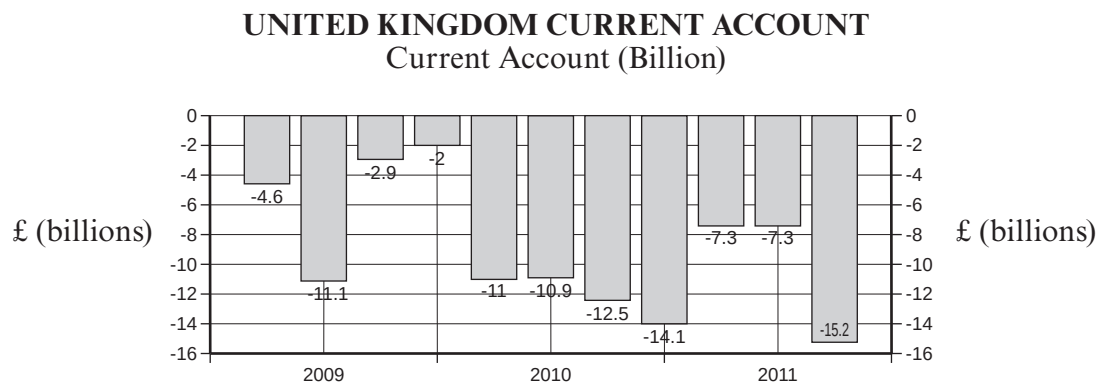
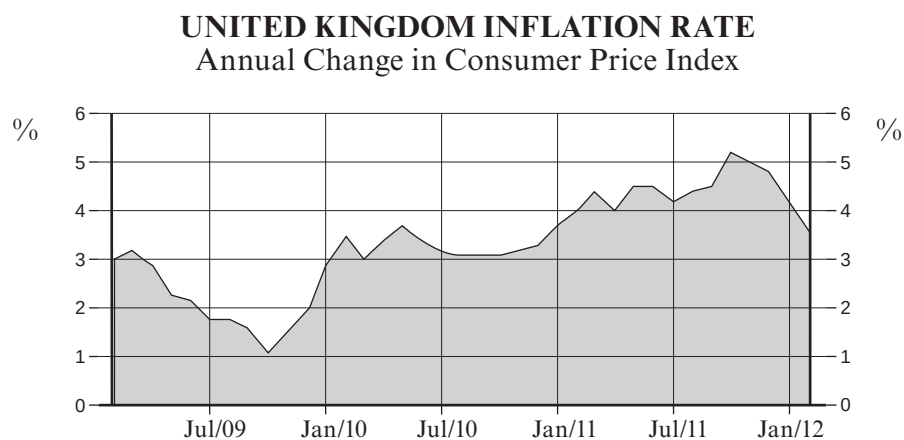
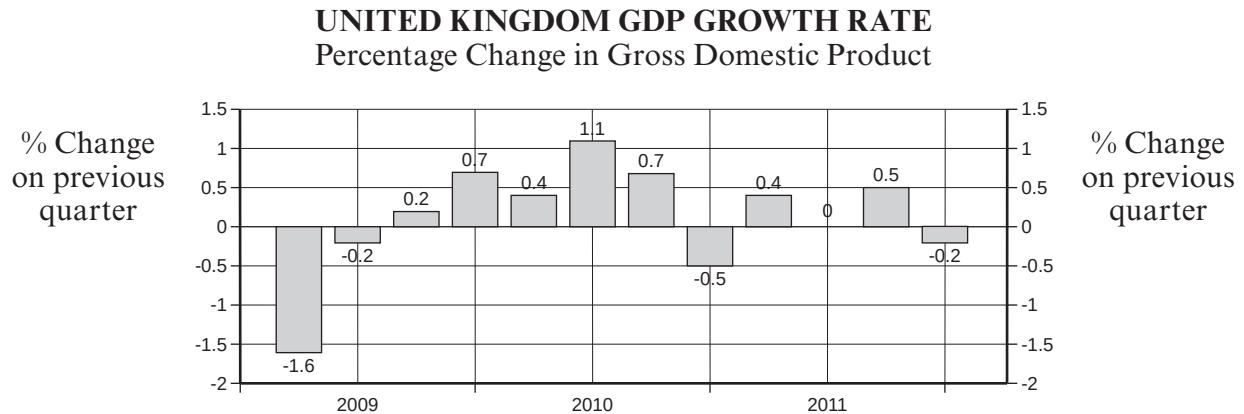
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10

7. In the 2010 Budget the UK government announced a five year plan to rebuild the economy.



[8]

The WTO is an international organisation which promotes free trade amongst its members.

To what extent might Russia expect to benefit as a result of freer international trade? [8]

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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GCE MARKING SCHEME

**ECONOMICS
AS/Advanced**

SUMMER 2013

INTRODUCTION

The marking schemes which follow were those used by WJEC for the Summer 2013 examination in GCE ECONOMICS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were 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 conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

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WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

	Page
EC1	1
EC2	4
EC3	15
EC4	23

EC1

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that candidates are writing under examination conditions and credit should be given for what the candidate writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate 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.

GCE ECONOMICS – EC1

Summer 2013

Question	Answer	Mark allocation	Assessment objective
Q.1	With reference to the data, explain one factor that could explain the change in manufacturing productivity over the period shown. Definition of productivity (1). Productivity has increased (1). Plausible reason explained: mechanisation, technology, working practices (3).	3	AO1 1 AO2 2
Q.2 (a)	Adapt the above diagram to discuss whether the policy changes are likely to increase or reduce the price of cycle helmets. Demand shifts right (2) Supply shifts divergently right (2) New price and quantity not shown (-1). Parallel supply shift (1). Evaluation: Candidate explains how the price could rise or fall relating to degree of each shift (2). Extent of the VAT cut (2). Price elasticity of demand and supply of cycle helmets (2). Firms don't pass on the VAT cut (2).	6	AO1 2 AO2 2 AO4 2
Q.2 (b)	Explain how the policies outlined above may help to correct market failure. Definition of market failure (2). Reduction in external costs: Fewer NHS accidents (2). Fewer employees off work due to injuries (2). Less effect on productivity (2).	4	AO1 1 AO2 1 AO3 2
Q.3	Calculate the price elasticity of demand for this football club and explain why the club's revenue has been affected by the price change. Understanding of the formula/concept (1). Calculation (1) Explanation of why revenue rises (2).	4	AO1 1 AO2 1 AO3 2
Q.4	Using the above passage explain the concept of asymmetry of information. Definition of asymmetry of information (2). Application to the passage (2).	4	AO1 2 AO2 2
Q.5	Complete the circular flow diagram by identifying flows 1 to 5. Flow 1= Factors of production/factor services/labour/employment/capital (1). Flows 2-5 2/3 correctly identified (1) 4 correctly identified (2). Flows 2 and 3 exports/government spending/subsidies. Flows 4 and 5 imports/taxation.	3	AO1 2 AO2 1

Question	Answer	Mark allocation	Assessment objective
Q.6 (a)	In the above diagram explain the shape of both the aggregate demand and aggregate supply curves. AD: Real balance effect/ interest rate effect/ exchange rate effect (2). A fall in the price level increases the purchasing power of incomes thus AD rises (2). AS: Explanation of the relationship between the price level and GDP in the elastic and inelastic sections.	4	AO2 2 AO3 2
Q.6 (b)	Explain how fiscal policy can shift both the aggregate demand and aggregate supply curves to the right. Rise in government spending/cuts in taxation will increase injections and via the multiplier raise GDP (3). Increase in capital spending (infrastructure) or training etc will increase potential output shifting AS to the right (3).	6	AO1 2 AO2 2 AO3 2
Q.7	With reference to the data, discuss how successful this plan seems to have been. Inflation above target, current account deficit, rising unemployment and low economic growth explained. Maximum 4. (two objectives well explained) Evaluation: Some of the problems are outside government control; inflation returning to target, other data might be needed to pass judgement, there is still two years to go. Maximum 4. (two marks for each point made)	8	AO1 2 AO2 1 AO3 1 AO4 4
Q.8	To what extent might Russia expect to benefit as a result of freer international trade? Greater choice/lower prices/competition/better quality goods and services/increased productivity and efficiency/LRAS shifts right/pressure to innovate. 2 x 2. BUT. Lower priced imports cause job losses/possible trade deficit/lower economic growth/depends on the competitiveness of the Russian economy/reduction in tariff revenue/time lags/no change in the trading relationships with countries not in the WTO. 2 x 2. Max 4 without evaluation.	8	AO1 2 AO2 1 AO3 1 AO4 4

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1131/01

ECONOMICS – EC1

P.M. TUESDAY, 15 January 2013

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	3	
2	4	
3	4	
4	4	
5	6	
6	8	
7	11	
8	2	
9	8	
TOTAL	50	

1131
010001

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

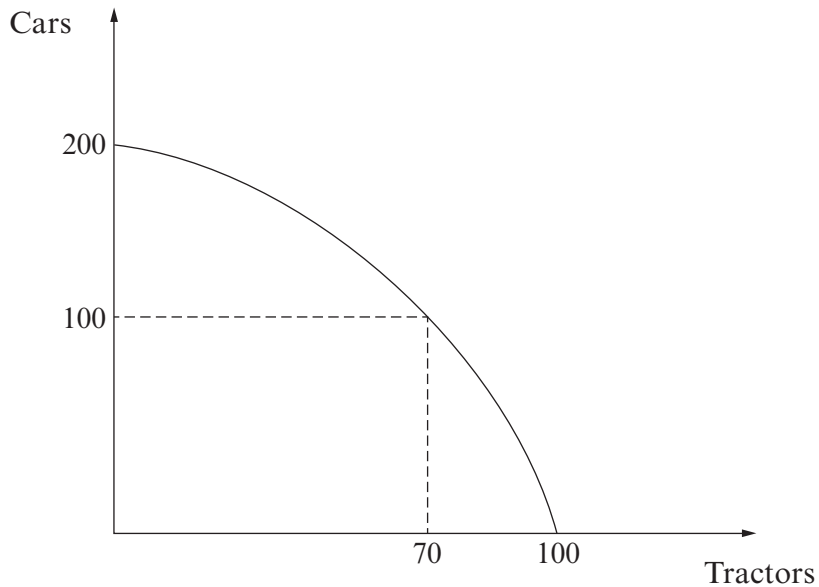
Answer **all** the questions in the spaces provided. You may use continuation paper on page 14 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

*Answer **all** the questions in the spaces provided.*

1. The diagram below shows a production possibility frontier for an economy that only produces cars and tractors.



Using the figures from the above diagram explain how a production possibility frontier can be used to illustrate the concept of opportunity cost. [3]

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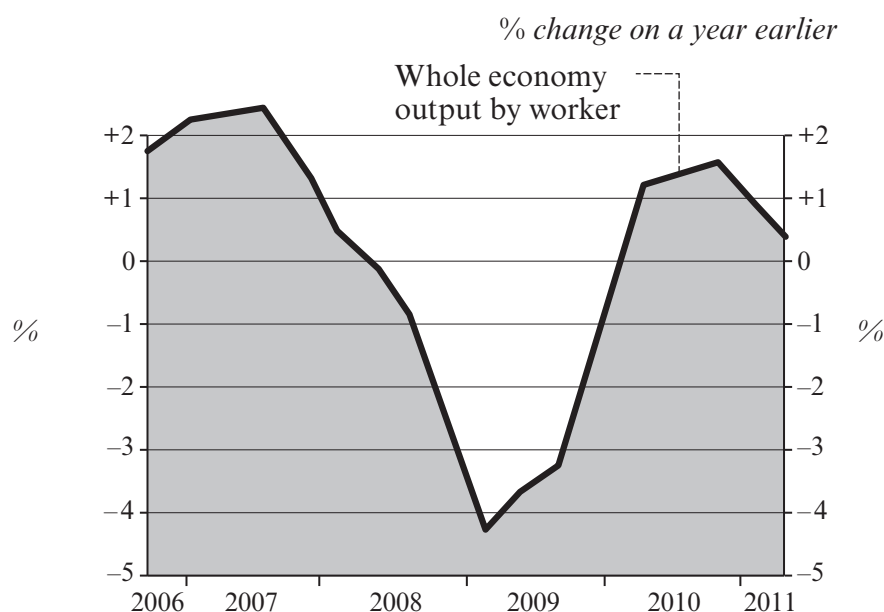
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2.

Productivity in the UK economy



Source: ONS

- (a) Using the data explain what happened to productivity between 2008 and 2009. [2]

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- (b) Explain **one** factor which may affect productivity in the UK economy. [2]

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3. In the summer of 2011 Hurricane Irene severely damaged the pumpkin crop in the US. Pumpkins are used extensively in the US to make pumpkin pie and to hollow out for lanterns at Halloween.

Given this information, using a demand and supply diagram explain why the price of a crate of pumpkins rose from \$150 to \$200 in the autumn of 2011. [4]

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4. The price of internet music downloads falls from 80p to 60p per track. As a result the demand for CDs at a chain of music stores falls by 10%. Calculate the value of the cross price elasticity of demand for CDs with respect to the price of music downloads. Explain the significance of your answer. [4]

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5. In many British schools Year 8 girls are offered a series of injections to reduce the chances of them contracting cervical cancer in later life. These injections are free to the girls, fully funded by the NHS, but if these injections were provided at their full price they would cost over £400.

Using the above information explain what is meant by

- (a) private costs [2]

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- (b) private benefits [2]

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[2]

6

- With the aid of a diagram and the above information, evaluate the view that a minimum wage is always bad for jobs. [8]

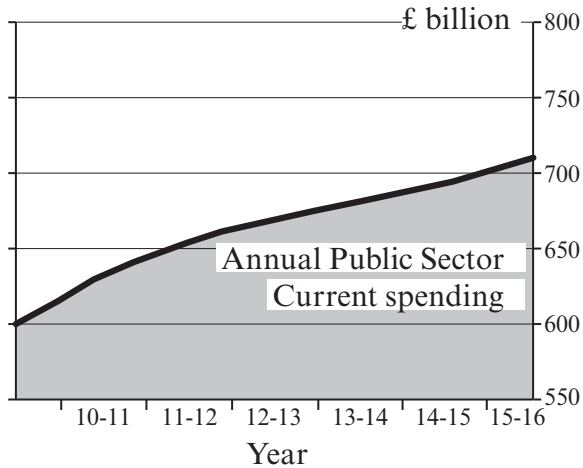
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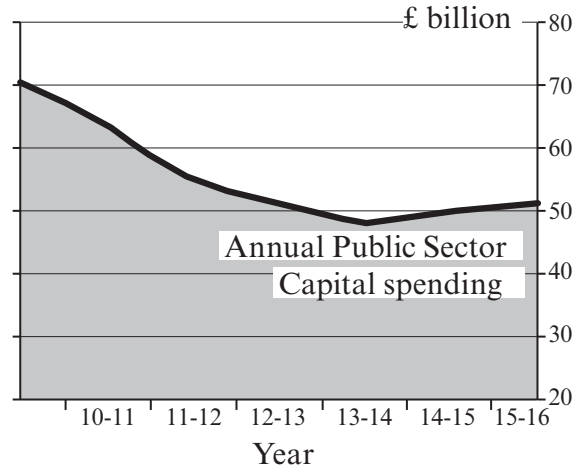
8

7. The UK coalition government has committed itself to reducing the budget (fiscal) deficit significantly by 2015. The data below shows the changes in the government's current and capital spending up to 2015.

The government's current spending will keep on rising...



...while capital spending is being slashed



Source: *Office for Budget Responsibility*

- (a) Distinguish with examples between current and capital expenditure by the government. [4]

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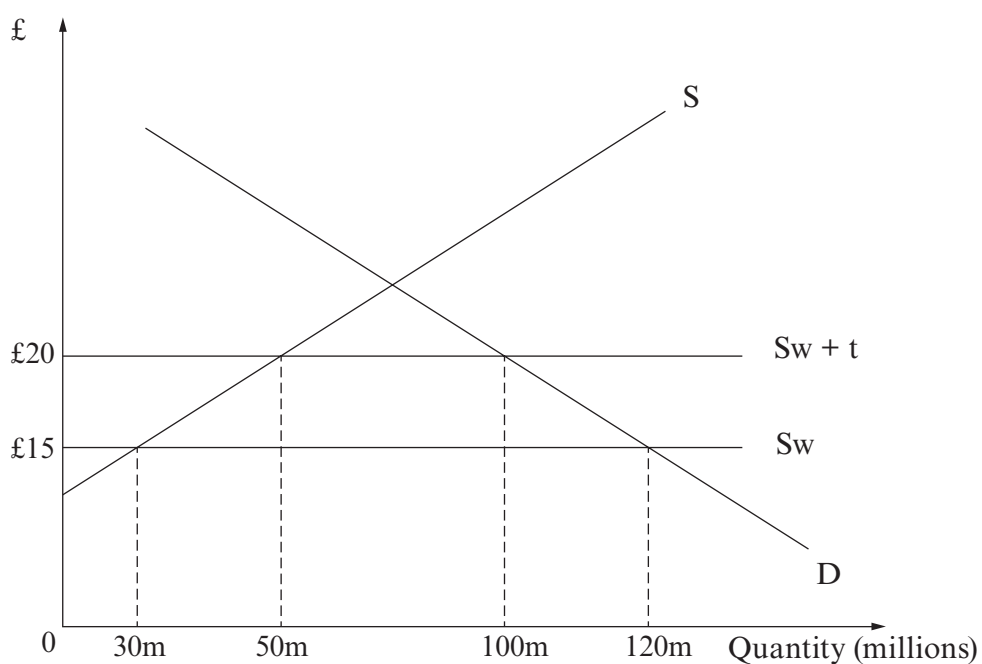
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[7]

8. The diagram below shows a £5 tariff being imposed on an imported product with a world price of £15.



- (a) By how much will imports fall as a result of the tariff? [1]

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- (b) What will be the government's revenue as a result of the tariff? [1]

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**TURN OVER FOR
QUESTION 9**

9. SWISS NATIONAL BANK ACTS TO WEAKEN STRONG FRANC.

After three years of steadily rising demand for the Swiss Franc (SF) the exchange rate hit a high point of 1 SF = 0.93 euros having been only 1 SF = 0.6 euros three years earlier. This has meant that a good costing 1000 SF has risen from 600 euros to 930 euros over this period (a price increase of 55 % for Swiss exports to the eurozone). The Swiss Government has now announced that it will intervene to reduce the value of the Swiss Franc. It has set an upper limit of 1 SF = 0.83 euros.

Using the data, evaluate the view that a high exchange rate is always bad for an economy. [8]

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END OF PAPER



GCE MARKING SCHEME

**ECONOMICS
AS/Advanced**

JANUARY 2013

INTRODUCTION

The marking schemes which follow were those used by WJEC for the January 2013 examination in GCE ECONOMICS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were 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 conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

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	Page
EC1	1
EC2	5

ECONOMICS EC1 and EC2

GENERAL MARKING GUIDANCE

Positive Marking

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EC1

Question	Answer	Mark allocation	Assessment objective
1.	Using the figures from the above diagram explain how a production possibility frontier can be used to illustrate the concept of opportunity cost. Definition – the next best alternative foregone(1) Explanation(1) Max 2 with no use of the figures	3	AO1 1 AO2 1 AO3 1
2. (a)	Using the data explain what happened to productivity between 2008 and 2009. It fell over the period(1) but in 2009 the rate of decline slowed down (1).	2	AO2 1 AO3 1
2. (b)	Explain one factor which may affect productivity in the UK economy. Identify a factor (1) and explain (1)	2	AO1 1 AO2 1
3.	Given this information, using a demand and supply diagram explain why the price of a crate of pumpkins rose from \$150 to \$200 in the Autumn of 2011. Candidate draws a demand and supply diagram showing the supply curve shifting to the left (2) If demand is also shown shifting to the right do not penalise unless the diagram shows more pumpkins. Candidate explains the diagram. (2)	4	AO1 2 AO2 1 AO3 1
4.	The price of internet music downloads falls from 80p to 60p per track. As a result the demand for CDs at a chain of music stores falls by 10%. Calculate the value of cross price elasticity of demand for CDs with respect to the price of music downloads. Explain the significance of your answer. Answer is +0.4.(2) The correct equation (1) The cross elasticity is positive(1) thus they are substitutes. (1) But only weak substitutes. Less than proportional/inelastic(1)	4	AO1 2 AO2 1 AO3 1

Question	Answer	Mark allocation	Assessment objective
5.	In many British schools Year 8 girls are offered a series of injections to reduce the chances of them contracting cervical cancer. These injections are free to the girls, fully funded by the NHS, but if these injections were provided at their full price they would cost over £400. Using the above information explain what is meant by (a) Private costs Costs paid by the individual (1) £400 for the injection (1) £0 for NHS consumers (1) (b) Private benefits Benefits received by the individual (1) less likely to get cervical cancer.(1) (c) External benefits Benefits to the wider society/third parties (1) lower NHS costs/sick pay as a result of the injection.(1)	6 2 2 2	AO1 3 AO2 3
6.	With the aid of a diagram and the above information evaluate the view that a minimum wage is always bad for jobs. Diagram showing NMW causing unemployment (2) Explanation (2) Data supports this view (2) BUT Depends on the level the NMW is set at (2) It only affects lower paid workers (2) Depends on the state of the economy (2) Increased AD (2) Elasticity of D/S of labour(2) Max 4 without evaluation. Max 6 with no use of data.	8	AO1 1 AO2 1 AO3 2 AO4 4
7. (a)	Distinguish with examples current and capital expenditure by the government. Definition of current expenditure – day to day recurring expenditure (1) example (1) Definition of capital expenditure – spending on social capital/investment(1) example (1)	4	AO1 2 AO2 2
7. (b)	Using the data discuss whether the proposed changes in government spending were likely to benefit the UK economy Higher current spending will be an injection into the circular flow, help employment/output etc, but negative effects from AD such as inflation. Maybe need for higher taxes. Cuts in capital spending negative effect on AD and AS/potential growth. Deficit reduction. Effects depend on the state of the economy over the period/are figures inflation adjusted. Relative strengths of changes in current and capital spending. Max 3 if only one category of public spending is dealt with. Max 5 without evaluation.	7	AO1 2 AO2 1 AO3 2 AO4 2

Question	Answer	Mark allocation	Assessment objective
8. (a)	By how much will imports fall as a result of the tariff? 40m (1)	1	AO2 1
(b)	What will be the government's revenue as a result of the tariff? £250m (1)	1	AO2 1
9.	Using the data evaluate the view that a high exchange rate is always bad for an economy. Bad for the economy- High export prices loss of export markets. Cheap imports loss of employment. Worsening trade balance. Fewer foreign tourists. Negative effect on AD and GDP. Less FDI Max 4 BUT Cheap imports help to reduce inflation. Loss of price competitiveness pressurises firms to reduce costs and increase non-price factors. Terms of trade improves. Impact depends on how high the exchange rate is and on the Ped of exports and imports. Max 4. Max 4 without evaluation. Max 7 with no explicit use of the data	8	AO1 1 AO2 1 AO3 2 AO4 4

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1131/01

ECONOMICS – EC1

P.M. FRIDAY, 18 May 2012

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1.	2	
2.	2	
3.	6	
4.	4	
5.	6	
6.	8	
7.	8	
8.	6	
9.	8	
Total	50	

1131
010001

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. You may use continuation paper on page 12 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

*Answer **all** the questions in the spaces provided.*

1. NHS could have employed 10,000 nurses with the £314m it spent on management advisors.

Use the above information to explain the concept of opportunity cost.

[2]

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Total mark

/2

2. The price of crisps in a school canteen rose from 40p per bag to 50p and as a result sales fell from 200 bags to 180 bags per day. Calculate the price elasticity of demand for crisps at the school.

[2]

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Total mark

/2

The price of petrol per litre

The chart displays two data series from 2001 to 2011. The Y-axis represents Pence, ranging from 0 to 140. The X-axis represents Years, from 01 to 2011. The line series, labeled 'Price per litre of unleaded petrol', shows a fluctuating upward trend, starting around 75 Pence in 2001 and reaching approximately 135 Pence by 2011. The area series, labeled 'Tax per litre', shows a steady increase from about 50 Pence in 2001 to nearly 100 Pence in 2011.

Year	Price per litre of unleaded petrol (Pence)	Tax per litre (Pence)
2001	75	50
2002	70	45
2003	75	40
2004	78	45
2005	85	50
2006	90	55
2007	95	60
2008	105	65
2009	95	70
2010	115	85
2011	135	100

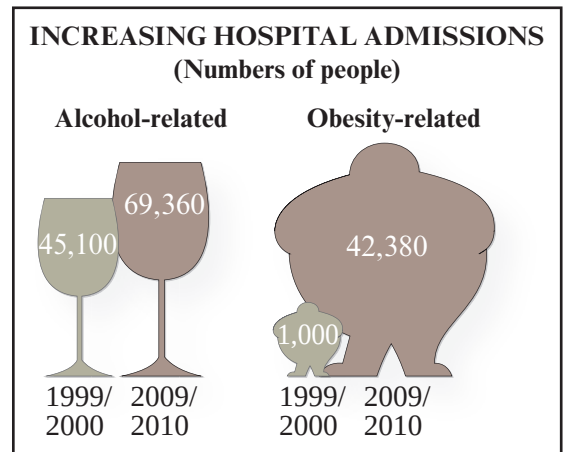
16

(1131-01)

4. Between 2000 and 2010 hospital admissions for obesity and alcohol related conditions rose sharply. The combined cost of treating alcohol and obesity is around £6.5bn per year.

Define external costs and using the data explain why there are external costs resulting from excessive alcohol and food consumption.

[4]



Total mark

/4

- /8



[8]

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Ups and downs

Why

- Rising oil prices
- Falling pound/higher import prices
- Return of 17.5% VAT

Oil prices

The graph shows the price of oil in dollars per barrel from 2005 to 2010. The y-axis is labeled '\$ per barrel' and ranges from 0 to 160 in increments of 40. The x-axis shows the years 2005 and 2010. The price starts at approximately \$60 in early 2005, rises steadily to a peak of about \$140 in mid-2008, then drops sharply to around \$40 in early 2009, and finally recovers to about \$80 by 2010.

Import prices	
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Year	Index
2005	100
2006	103
2007	102
2008	103
2009	112
2010	120
2011	118

Inflation
Percentage increase
on a year earlier

The Bank's central forecast

Target rate: 2%

**... but the Bank predicts
it will come back down**

Why

- Higher taxes and lower public spending will damp down the economy
- Shortage of credit
- Spare capacity in economy

£6bn

immediate cuts in public spending

£164bn

**government
borrowing last year**

£820bn

**total national
debt**

Sources: Bloomberg;
Bank of England: ONS

The Times, 13 May 2010

- (a) Using an aggregate demand and aggregate supply diagram explain why, according to the data, inflation has been above target in recent years. [4]

- (b) Using an aggregate demand and aggregate supply diagram explain why, according to the data, inflation is predicted to come down in 2012. [4]

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Total mark

/8

8. 50% top income tax rate could be scrapped by the next election

George Osborne, the Chancellor of the Exchequer, has announced an official review of the higher earners' tax rate which could be scrapped in 2012.

Discuss the view that the abolition of the 50% tax rate would be beneficial to the UK economy.
[6]

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Total mark

/6

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- UK - Trade deficit in goods 2001-2010 (monthly)
- £bn
- Years
- | Year | Trade deficit (£bn) |
|------|---------------------|
| 2001 | -3.5 |
| 2002 | -4.0 |
| 2003 | -4.5 |
| 2004 | -5.0 |
| 2005 | -5.5 |
| 2006 | -6.0 |
| 2007 | -7.5 |
| 2008 | -7.5 |
| 2009 | -7.0 |
| 2010 | -9.5 |

/8

(1131-01)

STEMUP.CO.UK



GCE MARKING SCHEME

**ECONOMICS
AS/Advanced**

SUMMER 2012

INTRODUCTION

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	Page
EC1	1
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EC3	15
EC4	21

EC1

GENERAL MARKING GUIDANCE

Positive Marking

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GCE ECONOMICS – EC1

Summer 2012

- Q.1 Use the above information to explain the concept of opportunity cost. [2]**

Definition of opportunity cost (1) application to the data (1)

- Q.2 The price of crisps in a school canteen rose from 40p per bag to 50p and, as a result, sales fell from 200 bags to 180 bags per day. Calculate the price elasticity of demand for crisps at the school. [2]**

Equation/definition (1) -0.4 (2)

- Q.3 With reference to the data and using a diagram, explain why petrol retailers are able to shift a large proportion of the tax on petrol onto consumers. [6]**

Candidate correctly draws and labels a diagram shifting the supply curve to the left (parallel or divergent) showing price inelastic demand (3)

Candidate explains the diagram using the data (3)
No use of data maximum 5.

- Q.4 Define external costs and, using the data, explain why there are external costs resulting from excessive alcohol and food consumption. [4]**

Definition of external costs (2)

Linkage of alcohol/obesity to higher NHS spending (2)
No explicit use of the data maximum 3.

- Q.5 To what extent are these government grants an example of government failure? [6]**

Candidate explains the meaning of government failure (2) and uses the data to show why potentially this is an example of government failure (2)

Evaluation: it may have been even worse without the grants to farmers, report may be inaccurate, data shows rate of bird decline is slowing, data only goes up to 2005 (2)

Max 4 without evaluation

Q.6 The diagram shows the average wage of bricklayers in the UK economy.

Using the diagram, evaluate the likely effects of a rise in mortgage interest rates and the arrival of bricklayers from Eastern Europe seeking employment in the UK. [8]

Correct adaptation of the diagram (shift to the left of demand and to the right of supply, causing wage rates to fall). (3)

Explanation (3)

Evaluation: depends on extent of the rise in interest rates, other factors affect the demand for houses (incomes/expectations), depends on number of migrants, other factors affect the wages of bricklayers (trade union action), elasticity of demand and supply of labour, minimum wage will prevent wages falling too much. (2)

Q.7 (a) Using an aggregate demand and aggregate supply diagram, explain why, according to the data, inflation has been above target in recent years. [4]

Demand showing leftward shift of the AS curve (2) or shift of SRAS curve. (2)
Reward plausible AD shift to the right resulting from the fall in the value of the pound boosting exports. (3)

Explanation with use of the data (2)

(b) Using an aggregate demand and aggregate supply diagram, explain why, according to the data, inflation is predicted to come down in 2012. [4]

Diagram showing leftward shift of the AD curve (2)

Explanation with use of the data (2)

Q.8 Discuss the view that the abolition of the 50% tax rate would be beneficial to the UK economy. [6]

Beneficial: increased incentives, will promote entrepreneurship, prevent exit of top executives, tax revenue might increase (use of the Laffer Curve), creation of employment, cutting tax will increase AD. (4)

BUT

Possible loss of tax revenue, increased post-tax inequality, etc.
AD might not rise significantly.

Max 4 without evaluation.
Reversible answer.

Q.9 In recent years, the UK's trade deficit in goods has continued to worsen despite a fall in the value of the pound since 2007.

To what extent can a fall in the value of a currency such as the pound be expected to improve the trade balance?

[8]

Falling pound will make exports cheaper and imports more expensive (2) thus demand for exports rises and demand for imports falls(1), improving the trade balance (1)

BUT

Time lags.

Non-price factors affect demand for goods.

Loss of comparative advantage.

Price inelastic demand for exports/imports.

Depends how big the fall in the currency.

Depends which currencies the pound falls against.

Depends on the state of demand in overseas markets.

Explicit use of the data. (2)

2x2 marks for evaluation

Maximum 4 without evaluation.

Surname	Centre Number	Candidate Number
Other Names		2



GCE AS/A level

1131/01

ECONOMICS – EC1

A.M. THURSDAY, 12 January 2012

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	3	
2	3	
3	3	
4	3	
5	6	
6	4	
7	4	
8	12	
9	12	
TOTAL	50	

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. You may use continuation paper on page 12 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

*Answer **all** the questions in the spaces provided.*

1. According to a study by the accountants PricewaterhouseCoopers, the increase in lifetime earnings for a medical graduate relative to not going to university is £340,000. According to the Universities and College Union, under new government proposals, the lifetime cost to a doctor of paying for a degree in medicine will be £105,000.

With the aid of the data, define **and** calculate the opportunity cost for a potential medical student of deciding not to go to university. [3]

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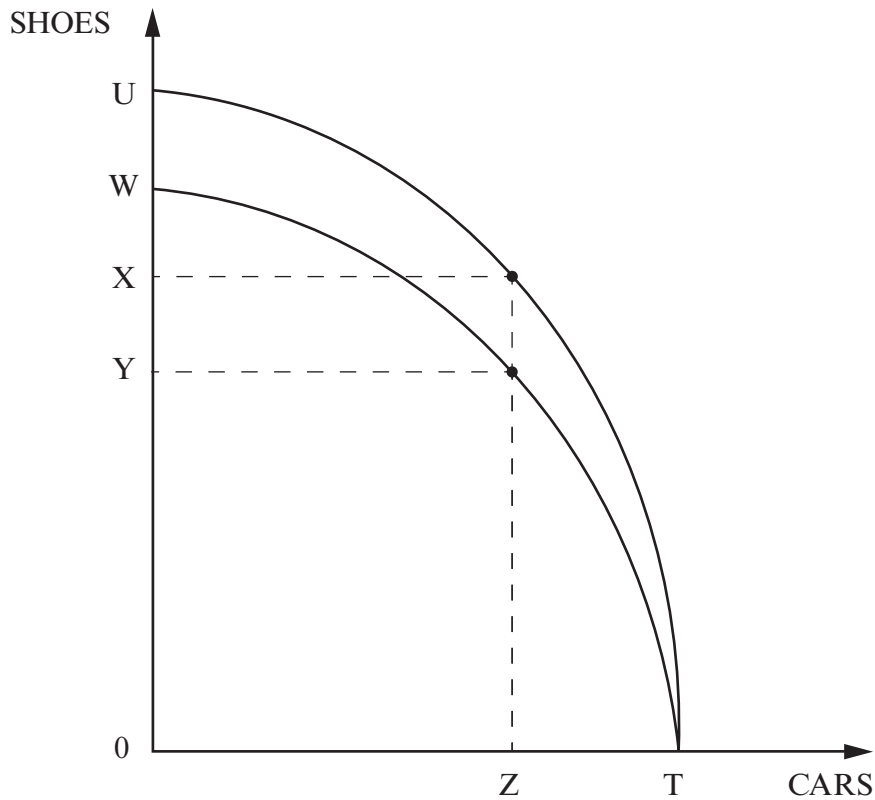
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Total Mark

/ 3

2. The production possibility frontier below, which shows a country producing only shoes and cars, has shifted from TW to TU.

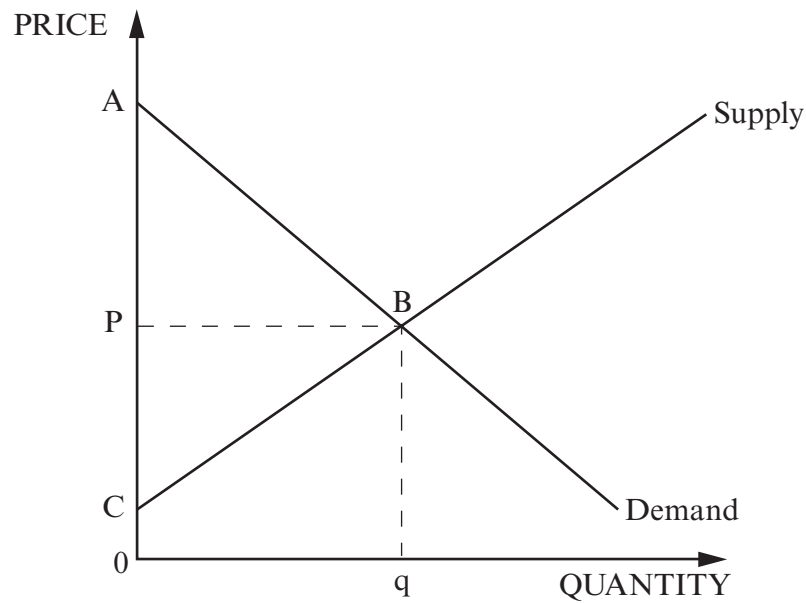


- (a) Identify the opportunity cost of producing 0Z cars when the production possibility frontier is TW. [1]

- (b) Explain **one** factor which could have shifted the production possibility frontier to TU. [2]

Total Mark / 3

3.



Define consumer surplus **and** identify it on the demand and supply diagram above.

[3]

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Total Mark

/ 3

4. The price of a firm's product rises from 50p to 60p and as a result its weekly production rises from 2000 to 2500 units. Calculate the price elasticity of supply for the product and comment on its value.

[3]

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Total Mark

/ 3

1131
010005

Adapted from The Daily Telegraph, 11 August 2010

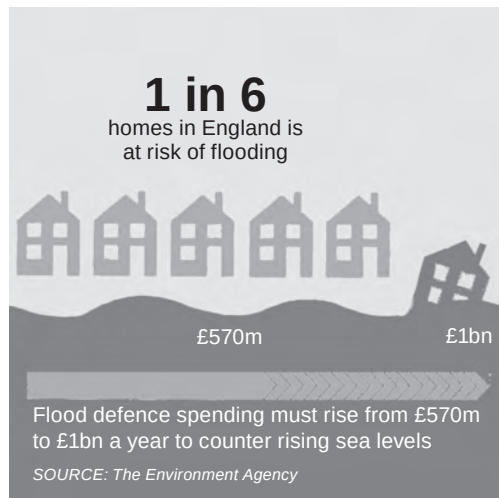
[6]

/ 6

(1131-01)

6.

One in six homes in the UK is under threat of flooding. The Environment Agency says that £20 billion is needed to protect properties from rising seas, which are expected to be up to 65cm higher by 2070.



Using the data concerning flood defences, explain what is meant by a public good.

[4]

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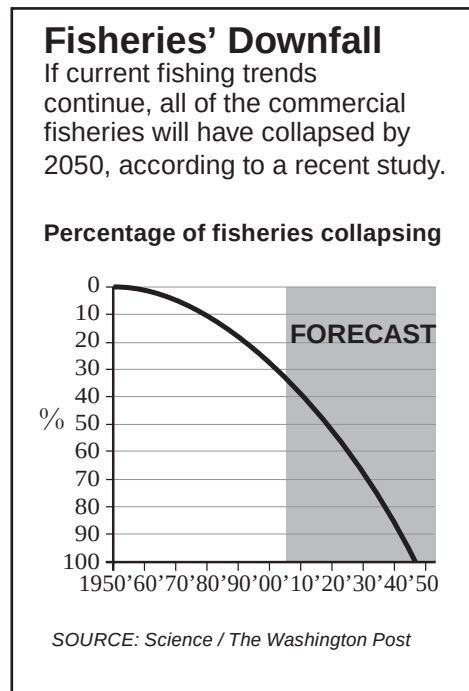
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Total Mark

/ 4

7.



A major international study found that about a third of all fish stocks worldwide have collapsed and that if current trends continue, all fish stocks will have collapsed by 2050. With reference to the data, explain why over-fishing might be seen as an example of market failure. [4]

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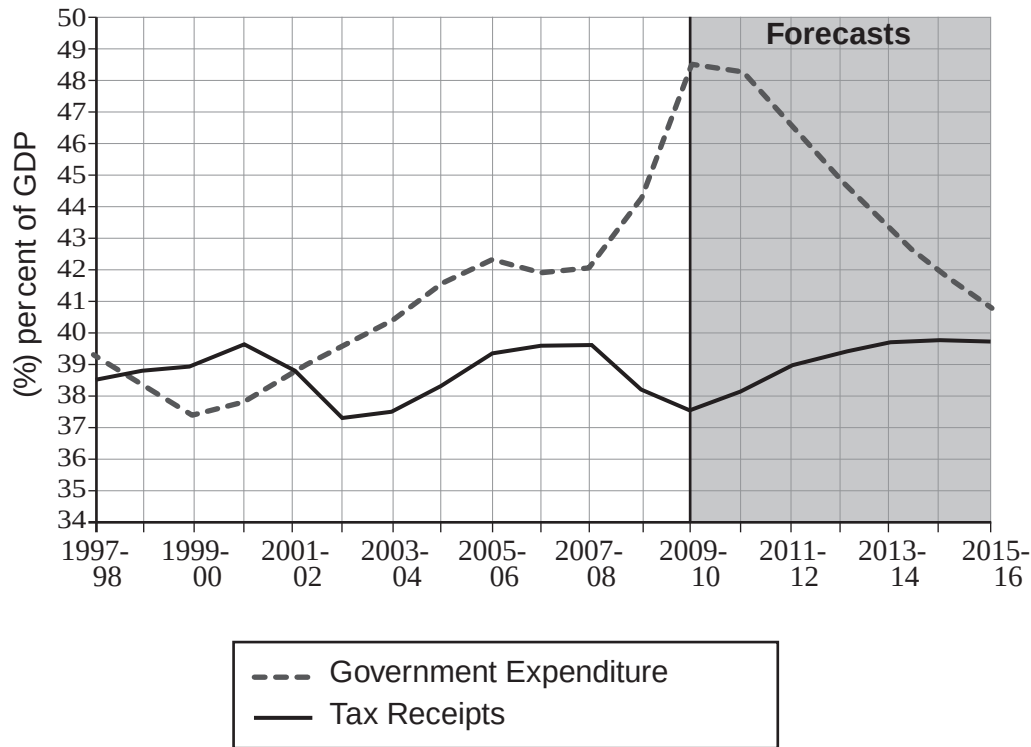
Total Mark

/ 4

8. COMPREHENSIVE SPENDING REVIEW OCTOBER 2010

In 2010 the Government announced its plans for Government spending and borrowing until 2015. Cuts in Government spending totalling £81 billion and various tax rises such as increasing VAT to 20% are designed to reduce the budget deficit as a percentage of Gross Domestic Product (GDP).

Tax Receipts and Government Expenditure



However, the Government intends to:

- protect high value transport maintenance and investment, including over £10 billion on road, regional and local transport schemes;
- ensure the UK remains a world leader in science and research by maintaining the science budget of £4.6 billion;
- increase adult apprenticeship funding by £250 million a year by 2014-15.

Source: HM Treasury

(a) Distinguish GDP from GNP (Gross National Product).

[2]

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Turn over.

9. CURRENCY WARS LOOM LARGE IN THE GLOBAL ECONOMY

Many leading economies are trying to boost their exports to aid recovery from the global downturn. The United States has long believed that the Chinese government has an exchange rate policy to manipulate its currency (the yuan) so as to keep it artificially low. This partly explains the large Chinese trade surplus with the United States. China is the biggest exporter in the world and now other countries are tempted to do the same with their currencies because of what is seen as China's unfair advantage.

- (a) Explain, with the aid of a diagram, how a country may be able to keep its country's exchange rate below the level it would be in a free market. [4]

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/ 12



GCE MARKING SCHEME

**ECONOMICS
AS/Advanced**

JANUARY 2012

INTRODUCTION

The marking schemes which follow were those used by WJEC for the January 2012 examination in GCE ECONOMICS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were 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 conferences was to ensure that the marking schemes were 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' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

Unit	Page
EC1	1
EC2	3

EC1

- Q.1 With the aid of the data, define and calculate the opportunity cost for a potential medical student of deciding not to go to university. [3]**

Definition of opportunity cost (1) Application (1) Correct calculation £235,000 (1)

- Q.2 The production possibility frontier, which shows a country producing shoes and cars, has shifted from TW to TU.**

- (a) Identify the opportunity of cost producing OZ cars when the production possibility frontier is TW. [1]**

WY (1)

- (b) Explain one factor which could have shifted the production possibility frontier to TU. [2]**

Increased productivity, investment, more efficient work practices, increased skill levels in the shoe industry which raise potential output of shoes. (2)

- Q.3 Define consumer surplus and identify it on the demand and supply diagram. [3]**

Definition of consumer surplus: the benefit received by consumers as a result of paying a price for a product which is above the maximum they are prepared to pay. (2) Identified on the diagram (1).

- Q.4 (a) The price of a firm's product rises from 50p to 60p and as a result its weekly production rises from 2000 to 2500 units.**

Calculate the price elasticity of supply for the product and comment on its value. [3]

$25\%/20\% = 1.25$ (2) price elastic supply (1) Definition of Pes (1) Supply rises by more than rise in price (1) Max 2 with no calculation.

- Q.5 Beer prices to surge**

Pub drinkers have been warned to prepare for higher beer prices next year because of poorly barley harvests in Eastern Europe, a ban on barley exports by Russia and rises in duty (tax) on beer. Barley is a key ingredient in the production of beer.

Using a demand and supply diagram, discuss the view that the price of beer will rise substantially in the UK. [6]

Candidate draws of a demand and supply diagram showing the supply curve shifting to the left (1) labels new price and quantity (1). Explains the shift (2). Explains impact on price and quantity.

Evaluation rise in price depends on P_{ed}/P_{es} of beer (2) how much of the cost increase is passed on by brewers or retailers. (2) Brewers may have stocks of barley (2) or alternative suppliers of barley may be available (2). Price rise depends on the magnitude of tax increase (2).

Max 4 without evaluation.

- Q.6 Using the data concerning flood defences, explain what is meant by a public good.** [4]
 Candidate explains the characteristics of a public good (non rivalry, non excludability). (2) Candidate uses the data to support his/her answer. (2)
- Q.7 With reference to the data, explain why over-fishing might be seen as an example of market failure?** [4]
 Explanation of absence of private property rights. (2)
 Application to the data. (2)
 Definition of market failure (1)
 Information failure (2)
- Q.8 (a) Distinguish GDP from GNP** [2]
 GDP - Income/output from UK based factors of production (1)
 GNP - Income/output from UK owned factors of production (1)
 Accept alternative accurate definitions.
- (b) Using an aggregate demand and aggregate supply diagram evaluate the likely effects on the UK economy until 2015 of the measures taken by the Government in 2010.** [10]
 Candidate draws AD/AS diagram showing AD shifting left and AS shifting right. (3)
 Candidate explains diagram using the data (3)
 Candidate evaluates: relative strengths of each shift (2); time scale (2), changes in the wider economy may affect government figures (2), government policy may change (2). Effects of a rise in VAT on the AS curve (2) Budget deficit may not fall (2).
 Max 6 without evaluation. Evaluation 2 x 2 marks.
- Q.9 (a) Explain with the aid of a diagram how a country may be able to keep its country's exchange rate below the level it would be in a free market.** [4]
 Use of low interest rates (1) explained (1)
 Buying foreign currency and building up reserves (1) explained (1) Diagram (2)
 Max 2 without diagram
- (b) Discuss the advantages and disadvantages of a low exchange rate policy for both China and the global economy.** [8]
 Advantages: China's artificially low exchange rate boosts its exports as they are cheap.
 China's trade surplus enables the country to invest abroad and buy more imports.
 Chinese imports are cheap for other countries.
 Benefits to the Chinese economy (employment/GDP).
 Disadvantages: Other countries have trade deficits with China.
 Other countries retaliate and hold their currencies to lower levels thus there is no gain for anyone.
 Chinese imports are more expensive causing inflation.
 Max 4 without evaluation.
 Max 4 if only China or the world economy is referred to.

Candidate Name	Centre Number	Candidate Number
		2



GCE AS/A level

1131/01

ECONOMICS – EC1

A.M. FRIDAY, 20 May 2011

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	2	
2	8	
3	6	
4	8	
5	8	
6	10	
7	8	
TOTAL	50	

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INSTRUCTIONS TO CANDIDATES

Use black ink or black ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

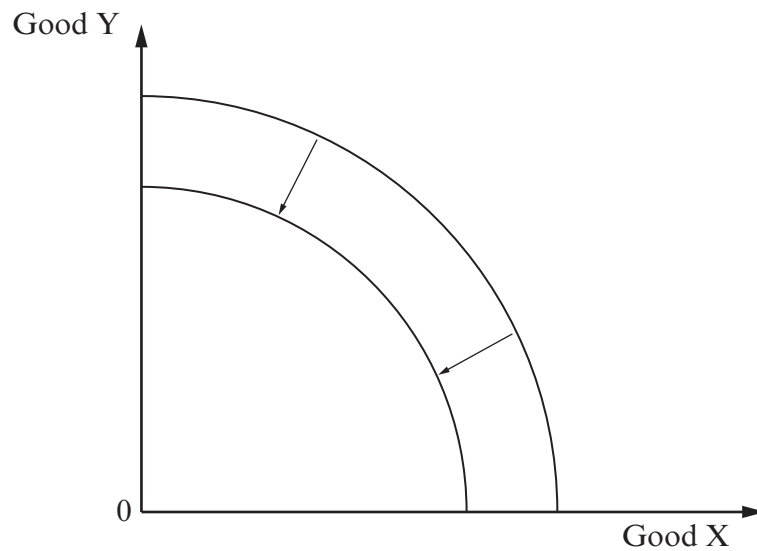
Answer **all** the questions in the spaces provided. You may use continuation paper on page 13 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

Answer **all** the questions in the spaces provided.

1. The diagram below shows the production possibility frontier of an economy which has shifted inwards.



Explain **one** reason for an inward shift of the production possibility frontier.

[2]

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Total Mark

/2

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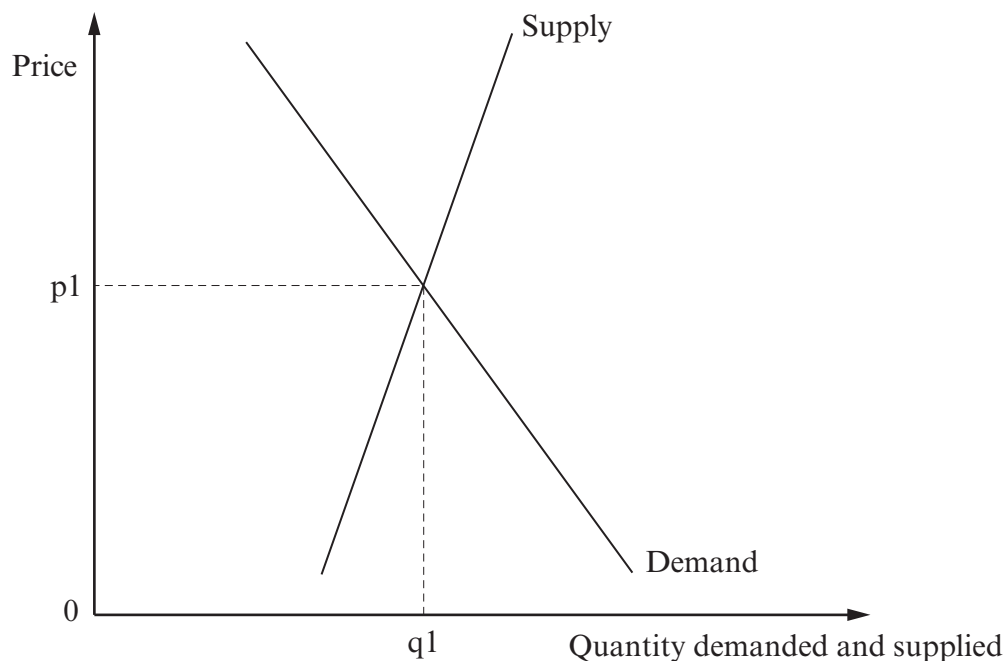
2. Kenya Businesses Unhappy with Price Control Law

In the face of rising food prices, the Kenyan Parliament passed a law this week that would allow the Government to control the price of essential commodities. The law has been opposed by many Kenyan economists, who say the effects could be disastrous.

The Kenyan Government will now be able to set maximum prices for essential goods, making it illegal for producers and retailers to sell above the price, controlling the profit margins for goods such as sugar, rice and flour.

25 June 2010

- (a) Adapt the diagram below to show the effects on price and output of a maximum price imposed below the free market equilibrium on products such as rice or sugar. [2]



- (b) Discuss whether the imposition of a maximum price on products such as rice or sugar will be beneficial to producers and consumers in Kenya. [6]

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010005**Total Mark** /8

3.

GRITTING CUT BACK AS THE SALT RUNS OUT**Councils face long wait for expensive foreign supplies**

Britain has had to order salt from America and Spain to supplement exhausted stocks, but it will take up to four weeks for shipments to arrive, ministers said yesterday.

With Arctic conditions set to continue for at least another seven days, salt mines said they had reached production capacity and that stocks across Britain would run out by early next week.



Adapted from The Times, Saturday 9 January 2010

(a) Define price elasticity of supply.

[2]

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(b) Using the data, explain why the price elasticity of supply of salt changes over time.

[4]

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Total Mark**/6**

- Previous attempts, however, to reduce alcohol consumption in the 1980s ran into difficulties. Strict control on the production and public consumption of alcohol led to a surge in the illegal production of low-quality home-made drink.

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010007

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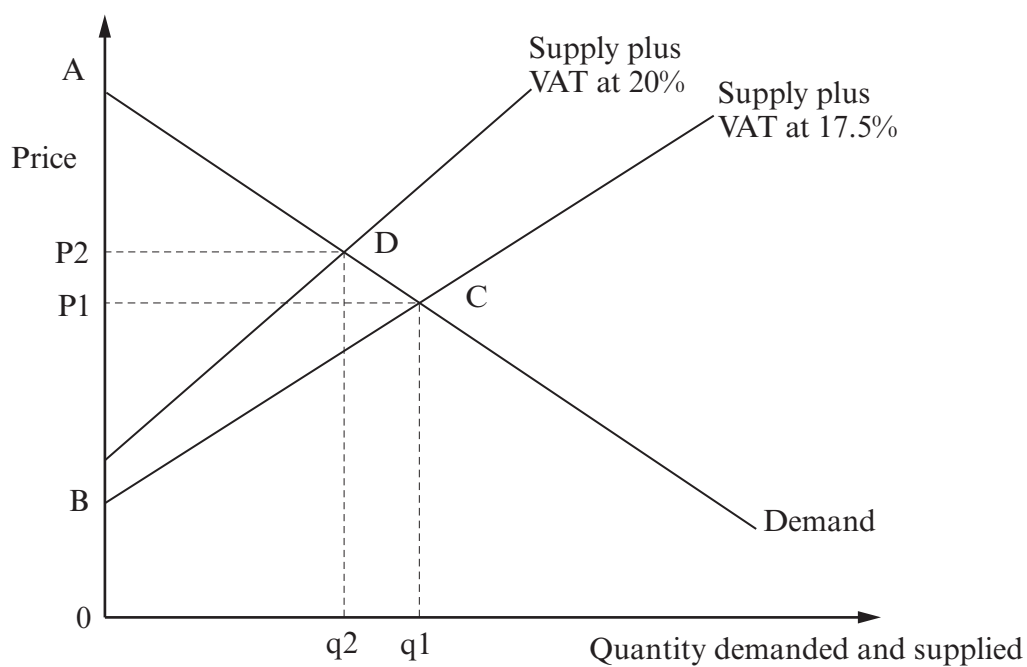
/8

(1131-01)

5. NEW TAX BOMBSHELL: 20% VAT

In the emergency budget of June 2010 the Government raised VAT from 17.5% to 20%.

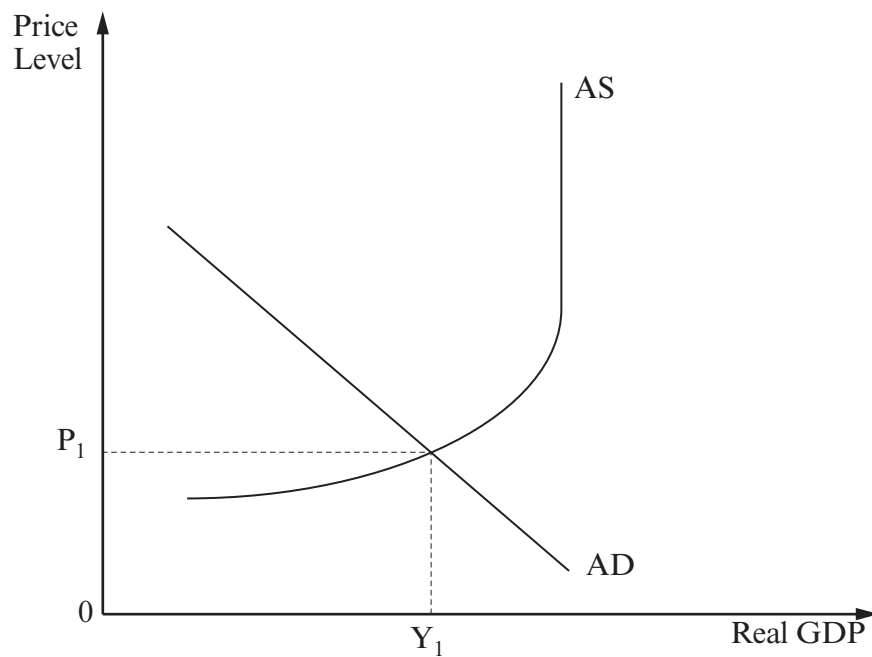
- (a) The diagram below shows the demand and supply for furniture following the increase in VAT from 17.5% to 20%.



Identify the following:

- (i) consumer surplus **after** the increase in VAT; [1]
- (ii) producer surplus **before** the increase in VAT. [1]

- [6]

[illegible]

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Total mark /10

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Candidate Name	Centre Number	Candidate Number
		2



GCE AS/A level

1131/01

ECONOMICS – EC1

P.M. WEDNESDAY, 12 January 2011

1 hour

For Examiner's use only		
Question	Maximum Mark	Mark Awarded
1	2	
2	2	
3	4	
4	4	
5	3	
6	9	
7	6	
8	12	
9	8	
TOTAL	50	

1131
010001

DO NOT OPEN THIS BOOKLET UNTIL YOU ARE TOLD TO DO SO.

ADDITIONAL MATERIALS

In addition to this examination paper, you will need a calculator.

INSTRUCTIONS TO CANDIDATES

Use black ink or ball-point pen.

Write your name, centre number and candidate number in the spaces at the top of this page.

Answer **all** the questions in the spaces provided. You may use continuation paper on page 14 if necessary, taking care to number the continuation correctly.

INFORMATION FOR CANDIDATES

Mark allocations are shown in brackets. This paper has a total of 50 marks.

*Answer **all** the questions in the spaces provided.*

1. Using the information, in the box, below explain the meaning of the term opportunity cost.[2]

WHAT £200 MILLION OF TAXPAYERS MONEY COULD BUY

11,764 newly qualified nurses for a year.	200,000 prescriptions of the Alzheimer's drug Aricept for a year.
4 desperately needed Apache attack helicopters for the Army.	125,000 sets of Osprey body armour and helmets to protect our troops in war zones.
9,523 newly qualified teachers' salaries.	121,580 ornamental duck houses of the kind that Tory MP Sir Peter Viggers ordered for his pond.
33,333 hip replacements on the NHS.	

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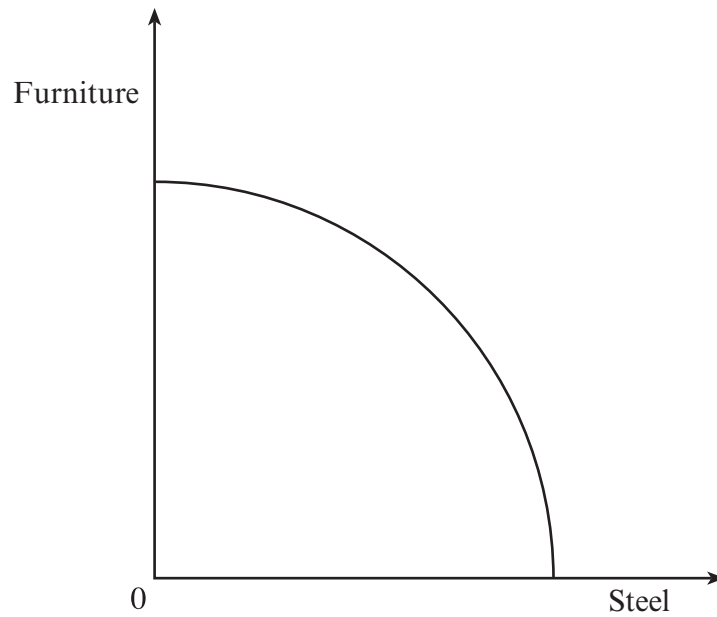
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Total Mark

2. The diagram below shows the production possibility frontier for a country that produces only steel and furniture.



Adapting the diagram above, explain the impact on the economy of an increase in the productivity of the steel industry. [2]

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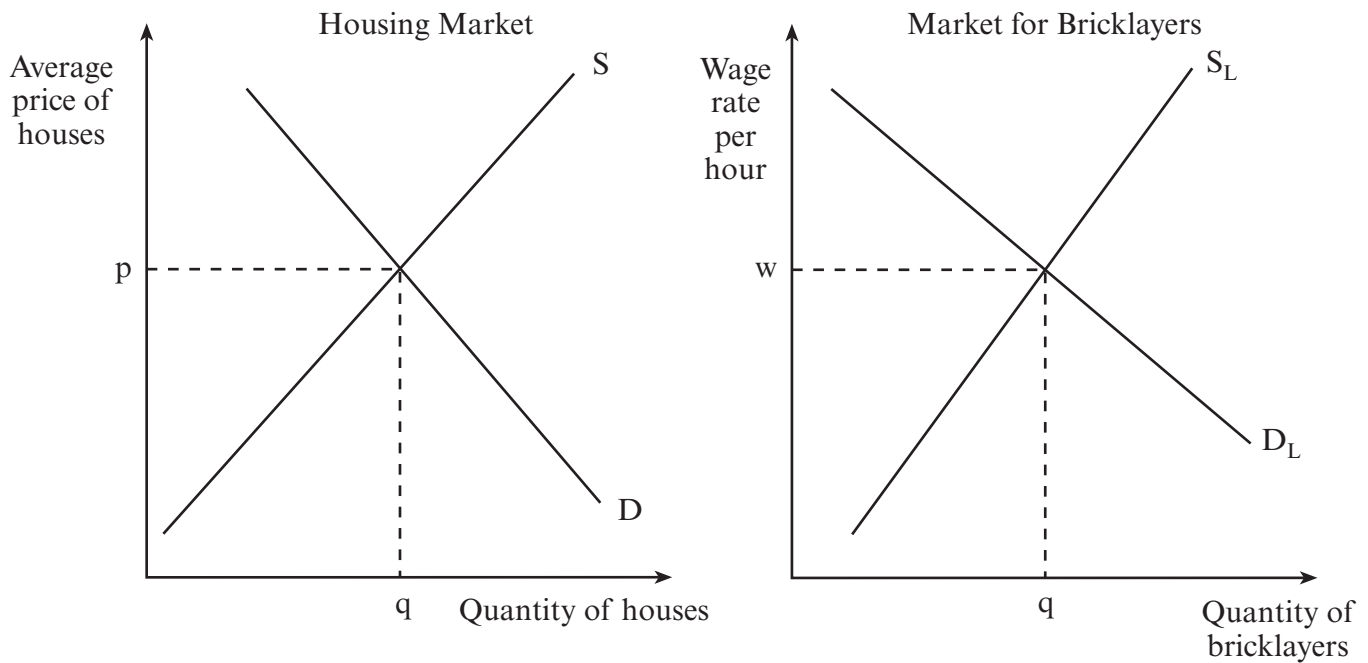
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Total Mark

3. The diagrams below show the average price of houses and the average wage of bricklayers in an economy.



Adapt **both** diagrams to explain the likely effects of a cut in mortgage interest rates accompanied by an increase in the availability of mortgages on the price of houses and the wages of bricklayers. [4]

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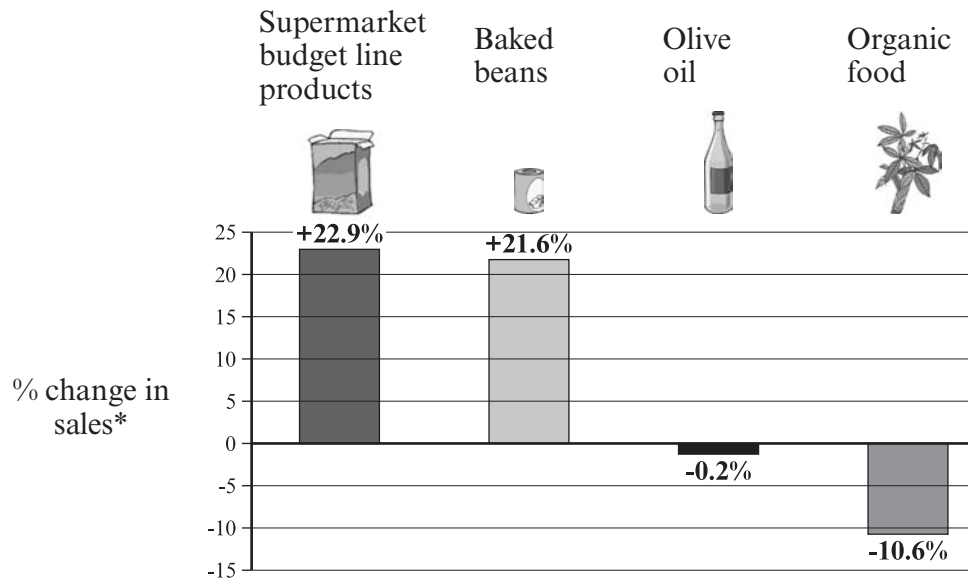
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Total Mark

4. The recession's impact on consumers as GDP falls



*Figures for April 2009 compared with April 2008

Source: Nielean Scantrack

Using the data above, distinguish between the concepts of normal goods and inferior goods.

[4]

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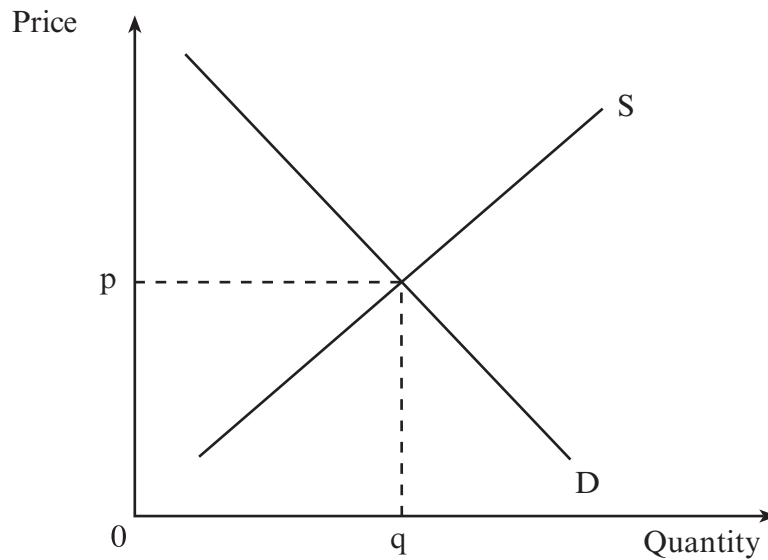
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Total Mark

5. In the diagram below the market for a **demerit good** is in equilibrium at pq but there is **asymmetry of information**, in that consumers do not have full knowledge of the harmful consequences of buying the product.



Adapting the diagram above, explain how the market equilibrium would be changed if consumers gained full market knowledge. [3]

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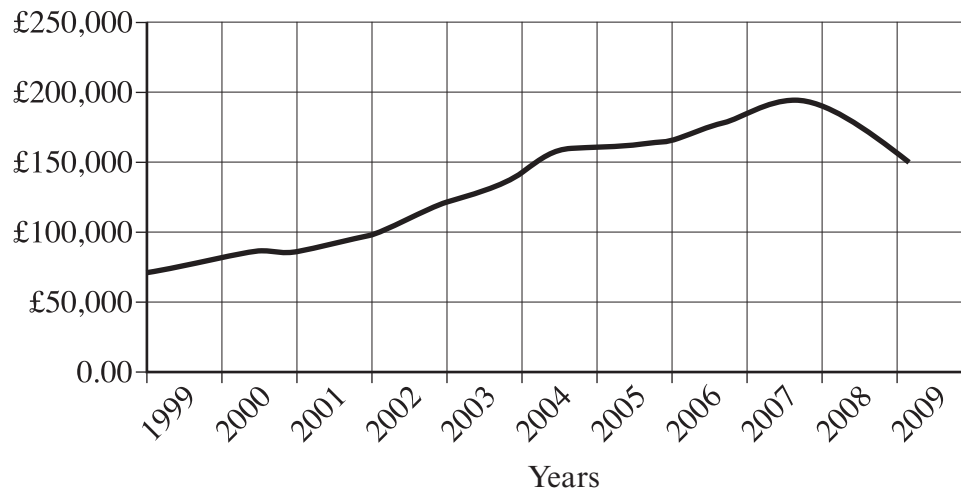
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Total Mark

7. Study the information below.

UK AVERAGE HOUSE PRICES 1999-2008



Source: Halifax/Nationwide

Evaluate the probable effect on UK consumer spending of the change in average house prices between 1999 and 2008. [6]

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.**Total Mark**

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TURN OVER FOR QUESTION 8

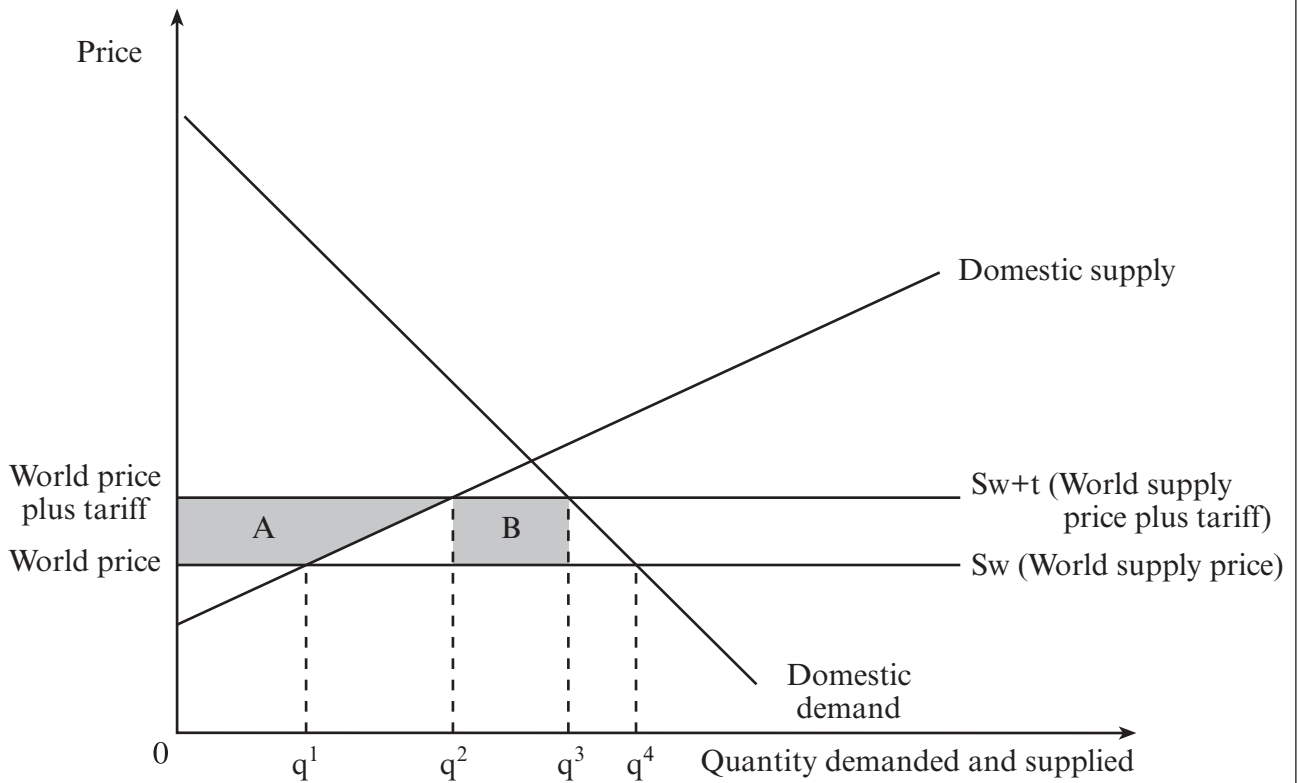
UK's longest recession since 1955



- [illegible]

- [illegible]

9. The diagram below shows the effect of a government imposing a tariff on an imported product.



- (a) Identify the two shaded areas on the diagram.

[2]

- (i) Area A
- (ii) Area B

(b) Using the diagram, assess the benefits to a country of imposing a tariff on a product.[6]

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