GCE AS MARKING SCHEME

SUMMER 2018

AS (NEW)
ECONOMICS - UNIT 1
252OU10-1

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INTRODUCTION

This marking scheme was used by WJEC for the 2018 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

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

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

Positive Marking

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

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GCE Economics

SUMMER 2018 MARK SCHEME

SECTION A

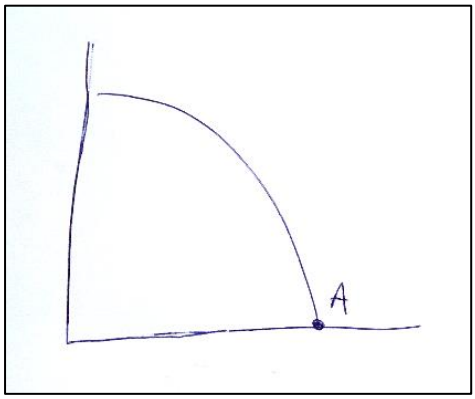
Question	Answer	Assessment Objective
1	C	AO1
2	C	AO1
3	D	AO1
4	A	AO2
5	E	AO1
6	B	AO2
7	A	AO2
8	B	AO2
9	E	AO2
10	D	AO2
11	A	AO1
12	D	AO1
13	C	AO1
14	B	AO2
15	E	AO2

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SECTION B

Q.16 (a)	**Adapt Diagram 1 to illustrate the impact on resource allocation of total specialisation in product X. Explain your answer.** **[3]**		
Band	**AO2**	**AO1**	**AO3**
	1 mark	**1 mark**	**1 mark**
	Has the diagram been adapted correctly?	*Is the term understood correctly?*	*Has the point been developed to explain the impact on the PPF?*
1	**1 mark** PPF diagram is adapted correctly	**1 mark** Understanding of specialisation is either explicit through definition or implicit in the quality of the answer.	**1 mark** Full explanation of the concept linking it to its effect on the PPF.
0	**0 marks** No annotations Incorrect annotations	**0 marks** No understanding.	**0 marks** No link to the effect on the PPF.

Indicative content:



Left: Specialisation. This is a situation in which all of the economy's resources are allocated into one industry only (1) (Candidates are not required to mention that the country may have comparative advantage in this industry). Output of X increases. The PPF does not shift (1)

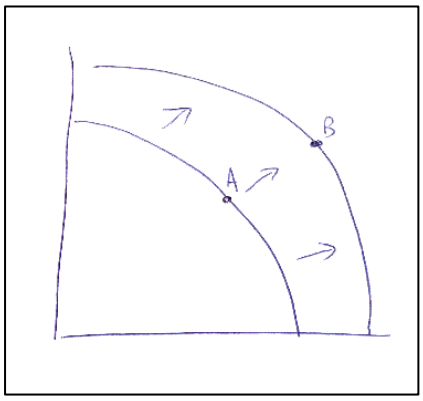
Specialisation. If a candidate makes the point that specialisation occurs when comparative advantage exists between two countries and the trade that ensues may allow the specialising country to consume outside of its PPF – that argument should gain full marks (AO2 and AO3).

Note: Skewed shift is acceptable ONLY if point A is moved to show total specialisation (as in above diagram).

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Q.16 (b)	**Adapt Diagram 2 to illustrate the impact of division of labour on productivity within the economy. Explain your answer.** **[3]**		
Band	**AO2**	**AO1**	**AO3**
	1 mark	**1 mark**	**1 mark**
	Has the diagram been adapted correctly?	*Is the term understood correctly?*	*Has the point been developed to explain the impact on the PPF?*
1	**1 mark** PPF diagram is adapted correctly	**1 mark** Understanding of division of labour is either explicit through definition or implicit in the quality of the answer.	**1 mark** Full explanation of the concept linking it to its effect on the PPF.
0	**0 marks** No annotations Incorrect annotations	**0 marks** No understanding.	**0 marks** No link to the effect on the PPF.

Indicative content

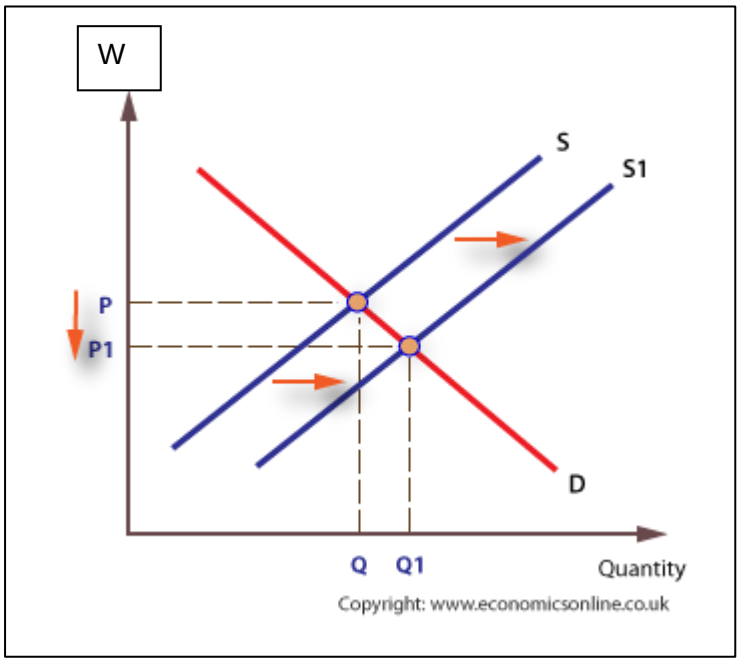


The assignment of different parts of an industrial process to different people in order to improve productivity (1) As a result, the PPF should shift outwards as the maximum level of output that can now be attained is greater (1).

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Q.17 (a)	**Using a diagram, outline why it might be argued that "immigration drives wages down in Wales".** **[4]**	
Band	**AO1**	**AO1**
	2 marks	**2 marks**
	Is the diagram correct?	*Has the diagram been explained correctly?*
2	**2 marks** Correct diagram. Supply curve shifting to the right AND the wage level falling	**2 marks** Good outline linking immigration levels to wages. Immigration causes supply to shift.
1	**1 mark** Only one of above is offered.	**1 mark** Limited outline.
0	**0 marks** Unsatisfactory diagram.	**0 marks** No explanation or unsatisfactory explanation.

Indicative content



High levels of immigration cause the supply curve (for labour) to shift to the right. At the equilibrium wage level, there would be an excess of supply. This creates downwards pressure on wages – driving wages down.

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Q.17 (b)	**Describe the trends in immigration and average weekly earnings shown by the data in Figures 1 and 2.** **[4]**
AO2	
4 marks	
Has the data been described accurately?	

Figure 1 - 2 marks

Good description of the trend [1] and uses figures well to punctuate the key points [1]

Example:
Immigration remained fairly constant at 600,000 per quarter from 2006 to 2011. At that point, it declined to 500,000 per quarter but then picked up again rapidly in the latter half of 2012 – well over 600,000 per quarter by then 2015.

Figure 2 – 2 marks

Good description of the trend [1] and uses figures well to punctuate the key points [1]

Example:
Average weekly wages steadily increased until a peak in 2007/08 (approx. £425) and then saw a rapid decline to 2011/12 where they have since stagnated at around £390.

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Q.17 (c)	**To what extent do you agree with the statement: low economic growth and consumer spending are the biggest factors affecting wages in the UK. [8]**	
Band	**AO3**	**AO4**
	4 marks	**4 marks**
	Has economic theory been well developed to explain economic growth and consumer spending are the biggest factors affecting wages in the UK?	*Has economic theory been used to evaluate the arguments made in AO3?*
2	**3-4 marks** A good analysis of the reasons why economic growth and consumer spending should be considered the biggest factors affecting wages in the UK Where candidates take the two factors together (they can be conflated), usually a diagram will be drawn in order to support the answer.	**3-4 marks** Clear well-reasoned and balanced evaluation that counters the claims made in AO3 successfully Clear reference to economic theory
1	**1-2 marks** A limited analysis which only considers one aspect of the economy OR All arguments are limited in their development Superficial development	**1-2 marks** Limited evaluation Throwaway remarks without development should not be credited
0	**0 marks** No or incorrect analysis	**0 marks** No valid evaluation.

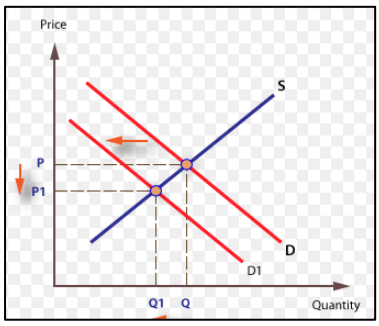
Indicative content:

AO3 (Analysis)

According to the data, UK wages really started to plummet in 2007/08. To that end, it is logical to suggest that the 'economic growth' had something to do with this decrease in wages. The great recession of 2007/08 led to a collapse in economic growth. Where there is less demand for products there is – therefore – less (derived) demand for labour, thus pushing wages downward.

In a similar vein, if consumer spending falls (for whatever reason) the demand for labour goes down as businesses can no longer afford to employ people. This creates downwards pressure on wages.

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It is possible to come at this from another angle and argue that … if people are being made unemployed that means that people are now prepared to work for less money – hence the supply curve for labour shifts to the right, causing downwards pressure on wages again.

This is particularly the case if the Government is cutting back on welfare spending at the same time; people's incentives to work would increase by a large extent (pushing wages downwards).

Also, bear in mind that the answer can be answered from the point of view of wages increasing e.g. In periods of an economic 'boom' it was likely that wages go up as consumption increases, demand for products rise and hence (derived) demand for labour increases too. Therefore wages are very dependent on the economy.

AO4 (Evaluation)

Immigration also seems to have a very powerful effect on wages – although it is arguable that this has been over-egged by people wishing to make political gains.

Direct controls by the Government have an enormous bearing on wages too. If the Government increases minimum wages, then this is an artificial floor on wages and has the impact of raising people's income at the bottom level.

Similarly, the strength of trade union power in a country may well have a very big impact on wage levels in a country. Powerful trade unions tend to keep wages artificially high – also countries which have high levels of public sector employment will also fall into this bracket.

Inflation can also have a large bearing on wages as people demand increases in their real wages – beyond that of the rate of inflation. Therefore, when inflation rates are high it is possible that wages will outstrip them – leading to wage-price spiral.

This is not meant as an exhaustive list and examiners should credit all reasonable responses.

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Q.18 (a)	**Calculate the % change in the value of the US dollar $ over the two year period and state whether it has appreciated or depreciated against the euro (€) [3]**
	AO1 – 1 mark It is stated that the US dollar has appreciated against the euro. **AO2 – 2 marks** Correct calculation of a % change. Actual value are 0.72 and 0.94 – giving a % appreciation of 30.5%. Give credit for values that are between 0.71 to 0.73 and 0.93 to 0.95. *1 mark* Correct calculation but one of the values has been read incorrectly.

Q.18 (b)	**Assume the price elasticity of demand (PED) of all Eurozone imports from the US is -0.8. Calculate the likely impact of this exchange rate change on the quantity demanded of Eurozone imports from the US. [2]**
Band	**AO2 – 2 marks** Usage of PED value (-0.8) to calculate that US imports should fall by 19.2%. Working: -24.444% If the answer to Q18 (a) is incorrect but the calculation for this question is correct, give the full 2 marks. Own figure rule. *1 mark* Calculation is correct or formula is stated but there is a minor mistake in the working out e.g. incorrect outcome despite correct formula. Failure to put in %.

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Q.18 (c)	**If the European Central Bank increases the base interest rate, explain the likely consequences on the trade of goods and services between the US and the Eurozone [4]**	
Band	**AO1**	**AO3**
	2 marks	**2 marks**
	Identification of the likely outcomes on US and Eurozone goods and services.	*Has economic theory been used to explain why the impact on trade has occurred?*
2	**2 marks** That the Euro will appreciate against the dollar. [Identification of the effect on Savings/Consumption] AND Identification that US imports will fall or Eurozone exports will rise	**2 marks** Good analysis of why the Euro should appreciate against the dollar. [Explanation why/how this affects the trade balance] AND Good analysis of why US imports should fall
1	**1 mark** Identification that US imports will fall and Eurozone exports will rise. [Identification of the effect on Savings/Consumption] OR That the Euro will appreciate against the dollar.	**1 mark** Limited or brief analysis Explanation why/how this affects the trade balance]
0	**0 marks** None of the above.	**0 marks** No valid analysis

Indicative content

If the ECB increases the Bank Rate, more non-Europeans (inc. some Americans) will wish to save in European banks (1) As a result, the demand for Euros should increase and the Euro should appreciate (1). This makes the goods/services priced in Euros more expensive to US consumers and European exports should fall (1). Conversely, the demand for dollars has decreased – as people prefer to buy Euros – and the goods/services priced in dollars will now be cheaper to foreigner. US exports to the Eurozone should increase.

NOTE

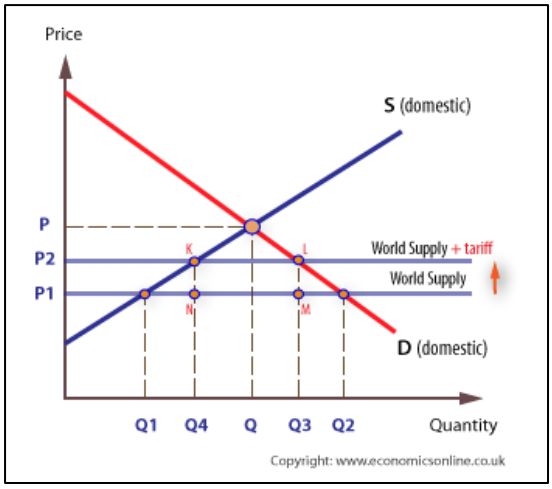
It is perfectly reasonable for a candidate to make the argument that if interest rates increase in the Eurozone, consumption will fall and therefore the consumption of US imports will fall as a direct result as well. In this case, candidates can get full credit if explained why consumption falls and make clear that personal consumption includes imports.

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Q.19	**With aid of a tariff diagram, discuss whether the imposition of a tariff on Chinese steel could save UK-based jobs** **[9]**		
Band	**AO1**	**AO3**	**AO4**
	2 marks	**3 marks**	**4 marks**
	Is the tariff diagram drawn correctly?	*Has economic theory been well developed to support the arguments and, in particular, with regards to employment levels?*	*Has economic theory been used to evaluate the arguments made?*
2	**2 marks** Excellent diagram with all areas clearly identified and labelled It is completely accurate.	**3 marks** Answer makes a coherent argument, links back to the idea of UK-based jobs	**3-4 marks** Clear well-reasoned and balanced evaluation Clear reference to economic theory to justify the judgement
1	**1 mark** Two or more errors on the diagram Any labelling error which could cause confusion in understanding (not price/quantity axis)	**1-2 marks** Limited analysis	**1-2 marks** Limited evaluation The evaluation may be unbalanced and superficial
0	**0 marks** Wrong/incorrect diagram No diagram	**0 marks** No coherent development from the diagram	**0 marks** No evaluation offered or incorrect evaluation

Indicative content

AO1 (diagram)



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AO3 (Analysis)

If Chinese steel is made more expensive, then the number of imports units should fall. If the number of imports falls, it stands to reason that the number of domestically made units should increase to fill the gap in demand. UK-based jobs should be saved as UK based firms are now more competitive. This is shown on the diagram.

The number of imports has fallen from Q1Q2 to Q4Q3. As a result, domestic producers are now selling Q1Q4 more goods in the economy. Their new revenue is P2KQ40 and, as a result, they should be able to retain more staff or even hire new ones and so a significant number of UK-based jobs should be saved.

AO4 (Evaluation)

In all likelihood there are many other countries in the world which are also subsidising the production of their steel industry. Just because the UK imposes a tariff on Chinese steel does not mean that consumers won't simply buy steel from other countries (other than China) and the UK steelworkers may still lose their jobs.

Another way of expressing the same idea might be to say that UK steel-making is still likely to be uncompetitive with the rest of the world – despite the artificial price increases on China. It is likely, therefore, that UK steel-making will still lose jobs as – over time – other countries take China's place and threaten our industries again.

The tariff may not be high enough. This needs to expanded to say something like, even with a tariff Chinese steel is still likely to be cheaper than UK steel because there are many factors like strong £, high energy prices, high wages etc … that keep the price high. Therefore, jobs may still be lost despite the tariff.

The tariff may work at saving UK steel-making jobs, but a trade war may ensue as China looks to retaliate. Jobs may be lost in a number of other industries that export to China even if steel-making jobs are saved.

The tariff may work in the sense that it increase Chinese steel prices but if say the exchange rate appreciates in such a way that the Chinese imports become cheaper (and therefore counteract the effect of the tariff) then the number of imported units stays much the same and many UK jobs are still lost.

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