GCE AS MARKING SCHEME

SUMMER 2023

AS
ECONOMICS - UNIT 1
2520U10-1

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INTRODUCTION

This marking scheme was used by WJEC for the 2023 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

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

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

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Positive Marking

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

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WJEC GCE AS ECONOMICS – UNIT 1

SUMMER 2023 MARK SCHEME

SECTION A

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

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SECTION B

16. (a)	**With reference to the data, explain what is meant by the term 'diminishing marginal utility'. [2]**
	AO1: 1 mark Award **1** mark for an understanding of decreasing additional satisfaction as additional units are consumed eg as consumption increases, the private benefit derived from each additional unit declines, or the willingness to pay for each additional unit falls etc [1] **AO2: 1 mark** Award **1** mark for any appropriate use of the data should be credited, e.g. the student gains £20 worth of utility from her first visit to the go-karting centre, but only £18 worth of utility from her second visit [1]
(b)	**Calculate the student's total consumer surplus from her visits to the centre over the summer holiday. [2]**
	AO2: 2 marks (£20-£10) + (£18-£10) + (£14-10) = £22 [2] Award **1** mark for identifying that the student will make three visits to the centre.
(c)	**Explain how the price of a visit to the go-karting centre should change to allocate resources more efficiently. [3]**
	AO1: 1 mark Award **1** mark for identification that the price should rise [1] **AO3: 2 marks** Award **1** mark for each valid explanation (max 2) **Indicative content** • As this will eliminate the shortage of places at the go-karting centre [1] • QD will fall and the places will go to consumers who value them more / rationing function of the price mechanism [1] • QS will rise as the go-karting centre has a profit motive to do so [1] • Fully labelled supply and demand diagram showing the market equilibrium price above £10 [2]

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17. (a)	**With reference to the data, explain why the prices of agricultural goods, such as olive oil, tend to be volatile. [4]**	
Band	AO1	AO2
	2 marks	2 marks
	Does the candidate show good understanding of the reason for price volatility?	*Is the answer well applied to agricultural goods/olive oil?*
2	**2 marks** Good knowledge Candidate identifies price inelastic demand and supply, or price inelastic demand and variable supply.	**2 marks** Good application May include an accurate diagram in context.
1	**1 mark** Limited knowledge Candidate identifies price inelastic demand, or price inelastic supply, or variable supply.	**1 mark** Limited application May include an attempted diagram.
0	**0 marks** No knowledge	**0 marks** No application

Indicative content

AO1
Demand for, and supply of, many agricultural products is highly price inelastic, meaning that any changes in demand and/or supply produce proportionally large changes in price.
The supply of agricultural goods is often vulnerable to external shocks, such as weather events (e.g. climate change, drought, wet weather etc.) or other natural phenomenon (e.g. crop diseases etc.).

AO2
Award any appropriate reference to the data or to context, e.g.:

- 'The price of olive oil fell by 44% from autumn 2018 to autumn 2019 after a record harvest.'
- Olives take time to grow on the vine, so have a relatively long production period.
- Olive oil is a staple/essential ingredient for consumers in many developed countries.

A diagram showing price inelastic demand and supply with a shift outwards of supply due to the "record harvest" and a significant fall in price of 44%

NOTE – diagrams are not essential for this question but may be rewarded as AO2 if included

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17. (b)	**Explain <u>one</u> likely benefit to the USA of imposing a tariff on Spanish olive oil. [3]**
	AO1: 1 mark Award **1** mark for identification of one likely benefit to the USA of imposing a tariff. **Indicative content** • The tariff could help to improve the US' trade balance [1] • The tariff could help to protect any domestic olive oil producers in the USA / the jobs of any workers employed in producing olive oil in the USA [1] • The tariff will raise revenue for the US Government [1] • The tariff could help to protect the environment / health standards [1] • The tariff could help to prevent dumping or unfair competition [1] • The tariff could help to maintain self-sufficiency in olive oil / agricultural production in the USA [1] **AO2: 1 mark** Award **1** mark for any appropriate reference to context / use of the data should be credited. **Indicative content** • At this time, only 5% of the olive oil consumed in the USA was produced there [1] • Import tariffs of 25% were imposed on olive oil [1] • Spain is the world's largest olive oil producer [1] **AO3: 1 mark** Award **1** mark for relevant development/explanation of the identified benefit [1]

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18. (a)	**<u>Apart from conducting monetary policy</u>, explain <u>one</u> role of the Bank of England. [2]**
	AO1: 1 mark Award **1** mark for identification of any role (<u>apart from conducting monetary policy</u>) **Indicative content** • Lender of Last Resort to the banking system • Financial stability and regulation • Banker to the government • Regulation of the banking industry **AO3: 1 mark** Award **1** mark for development/explanation of the identified role **Indicative content** • As the Lender of Last Resort, the Bank of England offers loans to banks or other eligible institutions that are experiencing financial difficulty or are considered highly risky or near collapse.

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18. (b)	**Explain <u>two</u> factors the MPC is likely to take into account when setting the base interest rate and evaluate how useful each factor may be to the MPC. [8]**	
Band	AO3	AO4
	4 marks	4 marks
	Has economic theory been used to explain two factors the MPC takes into account?	*Has economic theory been used to evaluate how useful each factor may be?*
3	**3-4 marks** Excellent analysis Candidate effectively uses economic theory to explain two factors considered by the MPC.	**3-4 marks** Excellent evaluation An excellent range and depth of evaluation which considers two factors considered by the MPC
2	**2 marks** Good analysis Candidate uses economic theory to explain just one factor considered by the MPC, or covers two factors in insufficient depth.	**2 marks** Good evaluation Only one factor is evaluated, or multiple evaluative points are identified without development.
1	**1 mark** Limited analysis One or two factors identified only.	**1 mark** Limited evaluation One evaluative point identified only.
0	**0 marks** No or incorrect analysis	**0 marks** No evaluation offered.

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Indicative content:

AO3

Award any appropriate factors, e.g.:

- GDP growth and the level of spare capacity/underemployment in the economy – this helps to determine how much impact a change in the level of aggregate demand might have on the average price level/inflation rate in the economy.
- Bank lending and consumer credit figures – this helps to determine how households would be affected by a change in borrowing costs, and hence what might happen to consumption and loan repayment.
- Equity markets (share prices) and house prices – both are considered important in determining household wealth, which then affects through to borrowing and consumer spending.
- Consumer confidence and business confidence – confidence surveys can show future consumption and investment plans, helping the Bank to predict aggregate demand and aggregate supply levels.
- Growth of wages/average earnings – this would raise firms' costs of production leading to cost-push inflation, and may increase consumer spending, putting upward pressure on aggregate demand and causing demand-pull inflationary pressures also.
- Unemployment figures – these give an indication of the level of spare capacity in the economy and can also help to determine household spending plans.
- Government fiscal policy – planned fiscal policy will help to determine what may happen to aggregate demand via effects on consumption, investment and government spending.
- Oil and other commodity prices – these impact firms' costs of production, and firms may then pass these on to consumers in their final prices, affecting the rate of inflation.
- Trends in global foreign exchange markets – a weaker exchange rate could be seen as a threat to inflation because it raises the prices of imported goods and services. A strong exchange rate might bring down inflation but risk causing a deeper economic slowdown via a fall in exports.
- International data – including recent developments in the eurozone, emerging market countries and the United States and Japan – these might help to forecast what will happen to the UK's export sales in the future.

AO4

Possible lines of argument include:

- Prioritisation of different factors.
- The monetary policy time lag means that the MPC are aiming to reach the inflation target 18-24 months in the future, so any variation/volatility in the data will make it less useful.
- Regional variation in data (e.g. unemployment rate) may mean that it does not give a clear indication of the best policy.
- Possible inaccuracy/limitations of the data reduce its usefulness to the MPC, e.g. survey data may be quickly out-of-date, biased etc.
- Consumers and firms do not always behave rationally, making it more difficult to predict their behaviour in light of changes to any economic variables.

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19. (a)	**With reference to the data, outline why there was a difference between the median value of household disposable income and the mean value of household disposable income. [3]**
	AO1: 2 marks Award **1** mark for understanding/definition of mean value [1] **Indicative content:** the value when all incomes are added together and divided by the number of income earners. Award **1** mark understanding/definition of median value [1] **Indicative content:** the 'middle' value when all incomes are written in ascending order. **AO2: 1 mark** Award **1** mark for appropriate reference to the data/context **Indicative content:** The mean value of income before tax was higher because outliers / relatively few individuals with very high incomes pulled it up [1]

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19. (b)	**With reference to the data, describe what is meant by 'progressive taxation'. [3]**

AO1: 1 mark

Award 1 mark for understanding/definition of progressive taxation [1]

Indicative content:

higher income earners pay a higher proportion of their income in tax.

AO2: 2 marks

Award **1** mark for each appropriate reference to Table 1 / calculation to illustrate the progressive nature of income tax (max 2 marks)

Indicative content:

The average household in the bottom quintile (bottom 20%) pay 8.2% of their income in tax [1] while the average household in the top quintile (top 20%) pay 29.1% of their income in tax [1]

Quintile	Average household income before direct taxation (£)	Average household income after direct taxation (£)	Tax paid (£)	**Tax paid as a percentage of total income before tax (%)**
Bottom	15 463	14 196	1267	**8.2**
2nd	27 201	23 378	3823	**14.1**
3rd	38 148	31 503	6645	**17.4**
4th	52 673	41 901	10 772	**20.5**
Top	110 132	78 131	32 001	**29.1**

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19. (c)	**<u>Apart from progressive taxation</u>, discuss policies the UK Government could use to reduce income inequality within the economy. [10]**		
Band	AO1	AO3	AO4
	3 marks	3 marks	4 marks
	Does the candidate demonstrate good understanding of income inequality and policies to reduce it?	*Has economic theory been used to analyse the question effectively?*	*Has economic theory been used to evaluate the question effectively?*
3			**4 marks** Excellent evaluation An excellent range and depth of evaluation which considers the significance of at least two policies
2	**2-3 marks** Good understanding Candidate shows an understanding of income inequality and identifies one or two policies the UK Government could use to reduce income inequality	**2-3 marks** Good analysis Candidate explains at least two possible policies, one may be explained in less detail at the bottom of this band	**2-3 marks** Good evaluation Candidate evaluates in depth only one of the two policies identified, or evaluates both policies in less detail
1	**1 mark** Candidate shows an understanding of income inequality or identifies one appropriate policy	**1 mark** Limited analysis One policy only is explained in limited detail	**1 mark** Limited evaluation An evaluative point is identified only for one policy
0	**0 marks** No understanding	**0 marks** No analysis	**0 marks** No evaluation

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Indicative content

AO1/AO3
Income inequality is the degree to which income is distributed unequally in an economy or population.

Possible policies include (do not award progressive taxation):

- Increases in the National Minimum Wage / introduction of a regional minimum wage: although this has increased in real terms over recent years, it is still a fraction of median earnings in the UK, and the introduction of a higher regional minimum wage in London and the south east would recognise the higher cost of living in these areas.
- Increases in benefits: ending the benefits freeze imposed in 2015 / continuing the move from universal to means-tested benefits / making certain benefits more generous and/or easier to claim / solving the issues with the implementation of Universal Credit etc.
- Further expansion of child care schemes, e.g. the Sure Start programme for low income mothers living in the most disadvantaged areas who want to work, or increased access to subsidised child care.
- Reduction/abolition of university tuition fees / re-introduction of student maintenance grant to encourage those from low-income households to go to university.
- Abolition of private schools.
- Increased investment in education and training to boost the earning potential and employability of those in unemployment or of children living in areas with low average incomes.
- Increased investment in healthcare to boost the earning potential and employability of those living in areas with low average incomes.
- Maximum wage, e.g. for executive pay.
- Job protection reforms, e.g. government intervention in the gig economy / zero-hour contracts.
- Policies which foster the integration of immigrants and fight all forms of discrimination.
- Regional policies to boost growth/infrastructure/investment in the areas with the lowest average incomes.

AO4
Possible lines of argument include:

- Cost / opportunity cost of such policies.
- Time lag for supply-side policies.
- Increases in the National Minimum Wage / job protection reforms may cause increases in unemployment, harming those the policy is trying to help (government failure)
- Making benefits more generous may reduce people's incentive to work.
- Reduction/abolition of university tuition fees may lower the quality of university education, reducing its benefit to students from lower income areas.
- Prioritisation between policies.

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Question	ASSESSMENT OBJECTIVES					Quantitative skills marks
	AO1 marks	AO2 marks	AO3 marks	AO4 marks	**Total marks**	
AS UNIT 1: Introduction to Economic Principles						
Multiple choice questions	8	7	-	-	**15**	7
16. (a)	1	1	-	-	**2**	-
(b)	-	2	-	-	**2**	2
(c)	1	-	2	-	**3**	-
17. (a)	2	2	-	-	**4**	-
(b)	1	1	1	-	**3**	-
18. (a)	1	-	1	-	**2**	-
(b)	-	-	4	4	**8**	-
19. (a)	2	1	-	-	**3**	3
(b)	1	2	-	-	**3**	2
(c)	3	0	3	4	**10**	-
Total	**20**	**16**	**11**	**8**	**55**	**14**

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