GCE AS MARKING SCHEME

SUMMER 2024

AS
ECONOMICS - UNIT 1
2520U10-1

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About this marking scheme

The purpose of this marking scheme is to provide teachers, learners, and other interested parties, with an understanding of the assessment criteria used to assess this specific assessment.

This marking scheme reflects the criteria by which this assessment was marked in a live series and was finalised following detailed discussion at an examiners' conference. A team of qualified examiners were trained specifically in the application of this marking scheme. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners. It may not be possible, or appropriate, to capture every variation that a candidate may present in their responses within this marking scheme. However, during the training conference, examiners were guided in using their professional judgement to credit alternative valid responses as instructed by the document, and through reviewing exemplar responses.

Without the benefit of participation in the examiners' conference, teachers, learners and other users, may have different views on certain matters of detail or interpretation. Therefore, it is strongly recommended that this marking scheme is used alongside other guidance, such as published exemplar materials or Guidance for Teaching. This marking scheme is final and will not be changed, unless in the event that a clear error is identified, as it reflects the criteria used to assess candidate responses during the live series.

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GENERAL MARKING GUIDANCE

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 2024 MARK SCHEME

SECTION A

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

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SECTION B

Q16 (a)	**Describe what happened to the <u>average price level</u> in the UK economy from December 2017 to September 2020. [2]**
	AO2: 2 marks The average price level rose throughout the period [1] but at a decreasing rate [1] Any appropriate use of the data should be credited, e.g. it had risen by approximately 3.0% in the year to December 2017, but only by approximately 0.2% in the year to September 2020 [1]
Q16 (b)	**Assess the performance of the Bank of England in meeting its inflation target from September 2020 to September 2022. [4]**
	AO1: 1 mark For knowledge explicit or implicit of the Bank of England's inflation target, e.g. • 2% CPI inflation rate [1] • symmetrical nature of the inflation target [1] **AO2: 1 mark** Any appropriate use of the data should be credited, but a combination of dates and percentages should be used [1] **AO3: 1 mark** Explanation that the Bank of England appears to have been successful over the first year of the period as: • the inflation rate rose towards the target, particularly over the first half of 2021 [1] • the inflation rate was within of 2% ± 1 percentage point range for four consecutive months from April to July 2021 [1] **AO4: 1 mark** Evaluation of the Bank of England's performance, e.g. • the inflation rate has risen well above target towards the end of the period [1] • the inflation rate was outside of the permitted range from August 2021 to the end of the period shown [1] **NB This answer is reversible, i.e. AO3 mark may be awarded for an explanation that the Bank of England has not been successful.** **NB Award plausible alternative approaches for AO3 and AO4**

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Q16 (c)	**Explain why achieving low inflation may conflict with <u>one</u> other government macroeconomic policy objective. [3]**	
Band	**AO1**	**AO3**
	1 mark	**2 marks**
	Does the candidate demonstrate good understanding of macroeconomic policy objectives?	*Does the candidate use economic theory to explain a conflict?*
2		**2 marks** Good analysis. Candidate explains fully why there might be a conflict with the identified objective.
1	**1 mark** Candidate shows an understanding of a policy objective which may conflict with achieving low inflation.	**1 mark** Limited analysis. Candidate offers an incomplete or partially incorrect explanation of a potential conflict.
0	**0 marks** No understanding.	**0 marks** No or incorrect analysis.

Indicative content

AO1
Government macroeconomic policy objectives are goals designed to improve welfare for a country's citizens. In addition to low inflation, other examples include: low levels of unemployment; sustainable economic growth; and equilibrium in the current account of the balance of payments.

Low inflation may conflict with:
- low levels of unemployment; or
- sustainable economic growth.

AO3
To reduce the economy's rate of inflation, the central bank may use contractionary monetary policy, to reduce aggregate demand. This will also tend to reduce the rate of economic growth in the economy, possibly causing a conflict.

To reduce the economy's rate of inflation, the central bank may use contractionary monetary policy, to reduce aggregate demand. As consumption and investment fall, so will firms' demand for workers, so unemployment in the economy is likely to rise.

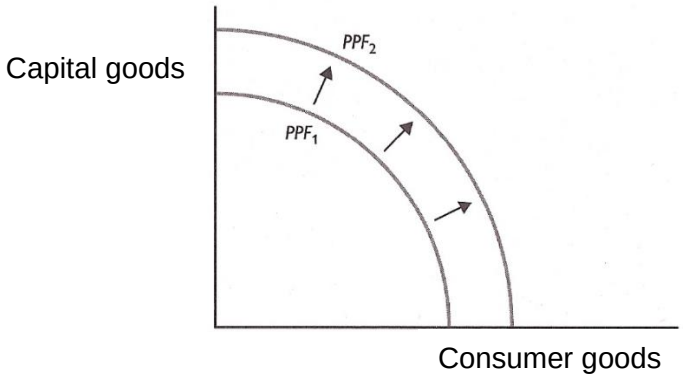
Note: candidates may consider conflicts with other macroeconomic objectives as an alternative to those outlined above.

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Q17(a)	**With reference to the data, outline the likely effect of this infrastructure spending on Wales's production possibility frontier. Illustrate your answer with an appropriate diagram.** **[4]**	
Band	**AO1**	**AO2**
	2 marks	**2 marks**
	Does the candidate show good understanding of a production possibility frontier diagram?	*Is the answer well applied to the context?*
2	**2 marks** Good knowledge. Diagram shows an outwards shift of the PPF, with correct labelling. 1 minor error allowed.	**2 marks** Good application. Use of data is integral to the explanation.
1	**1 mark** Limited knowledge. 1 major error or 2 minor errors in the diagram but the understanding is still clear.	**1 mark** Limited application. It is likely that quotes have been identified but that they are not tied in (integrated) to the explanation.
0	**0 marks** No diagram or incorrect diagram.	**0 marks** No application.

Indicative content

AO1



- **Also accept linear PPFs/ pivotal outward shift of the PPF**
- **Also accept other appropriate axis labels, but not 'P' and 'Q'**

AO2

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

- £585m investment in rail / £185m investment in bus travel / £100m on flood defences
- Infrastructure investment will increase the quantity and quality of the capital in the Welsh economy.

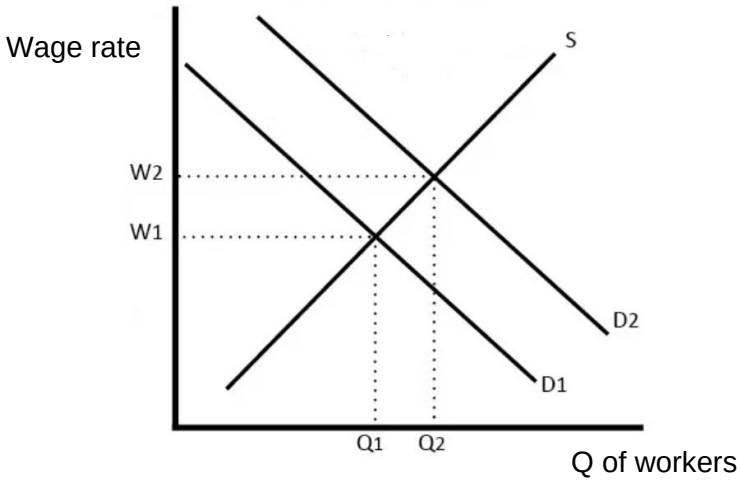
Note: candidates should reference an increase in the quality or quantity of a specific factor of production to achieve full AO2 marks.

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Q17(b)	**Explain the likely effect of this infrastructure spending on the wage rate for construction workers in Wales. Illustrate your answer with a labour market diagram.** **[4]**	
Band	**AO1**	**AO3**
	2 marks	**2 marks**
	Does the candidate show good understanding of a labour supply and demand diagram?	*Does the candidate use economic theory to explain why the average wage rate will rise?*
2	**2 marks** Good knowledge. Diagram shows an increase in demand for labour causing an increase in the average wage rate. 1 minor error allowed.	**2 marks** Good analysis. Candidate uses economic theory effectively to explain why the wage rate will rise.
1	**1 mark** Limited knowledge. 1 major error or 2 minor errors in the diagram but the understanding is still clear.	**1 mark** Limited analysis. Candidate uses economic theory to a limited extent to explain why the wage rate will rise.
0	**0 marks** No knowledge.	**0 marks** No analysis.

Indicative content

AO1



AO3

Demand for construction workers will rise, as labour is a derived demand. An increase in demand will lead to an increase in the average wage rate for construction workers.

Note: candidates suggesting that better infrastructure would lead to increased mobility of workers, which would increase the supply of labour, should receive 0 marks. As the question specifically refers to “wage rate for construction workers”, this would not be an appropriate response.

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Q18(a)	**Using an example from the chart, describe what is meant by a direct tax. [2]**
	AO1: 2 marks Understanding of direct tax, e.g. tax that cannot be passed onto others [1] Description must show a technical understanding of a direct tax, not just describing the example provided from the chart. Appropriate example of a direct tax from the chart [1], e.g. • Income tax • National Insurance Contributions • Corporation tax
Q18(b)	**Calculate the revenue from VAT receipts as a percentage of the UK Government's total revenue in 2021-2022. [2]**
	AO2: 2 marks Calculation that total current revenue = £914.6bn [1] (£165bn / £914.6bn) x 100 = 18.04% (2 d.p.) [1] OFR Award correct answers up to 4 decimal places.

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Q18(c)	Assess the advantages and disadvantages of using indirect taxes. [8]	
Band	**AO3**	**AO4**
	4 marks	**4 marks**
	Has economic theory been used to explain the advantages of using indirect taxes?	*Has economic theory been used to explain the disadvantages of using indirect taxes?*
3	**4 marks** Excellent analysis. Candidate effectively uses economic theory to explain at least two advantages of using indirect taxes.	**4 marks** Excellent evaluation. Candidate effectively uses economic theory to explain at least two disadvantages of using indirect taxes.
2	**2-3 marks** Good analysis. Candidate uses economic theory to explain just one advantage of using indirect taxes or covers multiple factors in insufficient depth.	**2-3 marks** Good evaluation. Candidate uses economic theory to explain just one disadvantage of using indirect taxes or covers multiple factors in insufficient depth.
1	**1 mark** Limited analysis. Perhaps one or two advantages identified only.	**1 mark** Limited evaluation. Perhaps one evaluative point identified only.
0	**0 marks** No or incorrect analysis.	**0 marks** No evaluation offered.

Indicative content:

AO3

Award any appropriate factors, e.g.:

- Indirect taxes are less likely to distort choices between work and leisure and have less of a negative effect on work incentives.
- Indirect taxes can be changed more easily than direct taxes; this gives policy-makers more flexibility.
- Indirect taxes are less easy to avoid/evade than direct taxes.
- Indirect taxes can be used as a means of correcting market failure, such as by 'internalising the external costs' of production and consumption or reducing the consumption of demerit goods.
- Taxpayers do not feel the burden much partly because an indirect tax is paid in small amounts and partly because it is paid only when making purchases.
- There may be a broader tax base than for direct taxes, as consumers of all income levels pay indirect taxes.

AO4

Possible lines of argument include:

- The regressive nature of indirect taxes: indirect taxes tend to take a higher percentage of income from those on low incomes, worsening income inequality in an economy.
- Indirect taxes can encourage a black market/smuggling, possibly even leading to government failure.
- Indirect taxes are inflationary.
- There is a loss of welfare from indirect taxes, e.g. a loss of producer and consumer surplus.
- The cost of collection can be quite heavy: every source of production has to be included which may entail a high administrative burden.

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<table>
<tr><td>Q19(a)</td><td colspan="4">Calculate the expected percentage change in the quantity of electricity demanded between 2021 and 2022. [3]</td></tr>
<tr><td></td><td colspan="4">AO1: 1 mark

Knowledge of PED equation

AO2: 2 marks

%ΔP = ((116.38−78.04) / 78.04) x 100
= 49.1% (1 d.p.) [1]

%ΔQD = %ΔP x PED
= 49.1% x -0.2
= -9.8% (1 d.p.) [1] OFR

Award correct answers up to 4 decimal places.

If negative not stated or indicated, a maximum of 2 marks.</td></tr>
<tr><td>Q19 (b)</td><td colspan="4">Discuss the impacts of the Energy Price Guarantee. [8]</td></tr>
<tr><td rowspan="2">Band</td><td>AO1</td><td>AO2</td><td>AO3</td><td>AO4</td></tr>
<tr><td>1 mark</td><td>2 marks</td><td>2 marks</td><td>3 marks</td></tr>
<tr><td></td><td>Does the candidate demonstrate good understanding of a maximum price?</td><td>Is the answer applied well to the context of the energy and the EPG?</td><td>Has economic theory been used to analyse the question effectively?</td><td>Has economic theory been used to evaluate the question effectively?</td></tr>
<tr><td>2</td><td></td><td>2 marks
Good application.

The context of energy and the EPG is integral to the explanation.</td><td>2 marks
Good analysis.

Candidate uses economic theory to explain in detail the impact(s) of the EPG.</td><td>2-3 marks
Good evaluation.

Candidate provides a detailed evaluation of the impact(s) of the EPG.</td></tr>
<tr><td>1</td><td>1 mark

Candidate shows an understanding of a maximum price.</td><td>1 mark
Limited application.

Some reference is made to the context.</td><td>1 mark
Limited analysis.

The impact(s) of the EPG are explained in limited detail.</td><td>1 mark
Limited evaluation.

An evaluative point is identified only or is generic and not linked with the EPG.</td></tr>
<tr><td>0</td><td>0 marks
No understanding.</td><td>0 marks
No application.</td><td>0 marks
No analysis.</td><td>0 marks
No evaluation.</td></tr>
</table>

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Indicative content:

AO1
A maximum price is a legally imposed price ceiling, below which the market price cannot rise; may be shown diagrammatically or be implicit in the subsequent analysis.

Note: simply stating that “prices will be lower”, should not be credited as an AO1 mark.

AO2
- Demand for energy is price inelastic
- Energy is relatively essential for UK households
- Energy comprises gas and electricity – some households may use more of one than another
- Energy bills rose by 49.1% between 2021 and 2022 (from Q19a – use OFR) ie from £78.04 per kWh to £116.38 per kWh
- Use of data to develop regional differences in prices and effects
- Understanding that the Government is compensating energy firms for the scheme

AO3
Possible lines of argument could include impacts on a range of stakeholders e.g. households, energy suppliers, the government etc:
- The Energy Price Guarantee should lower the price of energy to UK households meaning that consumers spend a lower proportion of their disposable income on energy than they otherwise would. This should protect their living standards.
- The highly price inelastic nature of demand for energy implies that it is a necessity so it is difficult for households to reduce their consumption in response to price rises.
- As energy suppliers are being fully compensated for any losses in revenue, there should not be a shortage of energy created (as would usually be expected with a maximum price) and so households should be able to use energy as normal
- Due to the compensation, firms should still have sufficient profits to invest in improving their service, paying dividends to shareholders, maintaining the energy network etc.
- Every household buys energy, and so the government is effectively subsidising every household – this is very expensive for the government, and is likely to worsen the budget deficit and/or create significant opportunity costs
- May prevent households from switching to greener energy alternatives such as heat pumps or renewables, and so the negative externalities associated with energy production may continue to exist

AO4
Possible lines of argument include:
- May not be well targeted, as all households benefit from the Guarantee, irrespective of their income level – perhaps more means-tested benefits would be more effective?
- Regional differences in maximum prices mean that households in, for example, Northern England are supported more than households in Northern and Southern Wales, and this could impact on inequality
- Energy prices are often quite volatile – they may fall back to the prices shown for 2019 / 2020 / 2021 – in which case the government support may not be needed for very long and the impact on the budget deficit may be minimal
- May be a time lag between households benefiting from the lower prices and the energy suppliers receiving the financial compensation from the government, which could impact on e.g. quality of service provided, investment in the network etc.

Note: candidates should only be credited AO4 marks when it is clear that impacts outlined for AO3 have been evaluated.

NB This is a reversible answer.

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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)	-	2	-	-	**2**	2
(b)	1	1	1	1	**4**	2
(c)	1	-	2	-	**3**	-
17. (a)	2	2	-	-	**4**	-
(b)	2	-	2	-	**4**	-
18. (a)	-	2	-	-	**2**	2
(b)	2	-	-	-	**2**	-
(c)	-	-	4	4	**8**	-
19. (a)	1	2	-	-	**3**	2
(b)	1	2	2	3	**8**	-
Total	**18**	**18**	**11**	**8**	**55**	**15**

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