



Pearson  
Edexcel

Mark Scheme (Results)

Summer 2023

Pearson Edexcel GCE A Level

In Economics A (9EC0)

Paper 01: Market and Business Behaviour

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Summer 2023

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.



Question Number	Answer	Mark
<b>1(a)</b>	<p style="text-align: center;"><b>Knowledge 2, Application 1, Analysis1</b></p> <p><b>K + An up to 3 marks e.g.:</b></p> <ul style="list-style-type: none"> <li>• More choice (1) because of consumer sovereignty (1) and profit motive / greater incentive (1)</li> <li>• More efficient allocation of resources (1) because of allocative efficiency / productive efficiency / dynamic efficiency / lack of X-inefficiency (1) because of profit motive / greater incentive (1)</li> <li>• Lower prices (1) because of more competition (1) and greater incentive (1)</li> <li>• Better quality products (1) because of competition (1) and profit motive (1)</li> <li>• More innovation (1) because of competition (1) and profit motive (1)</li> </ul> <p><b>Application 1 mark for e.g.</b></p> <ul style="list-style-type: none"> <li>○ Cuban government allow small private businesses</li> <li>○ 'Jump-start the economy'</li> <li>○ Create jobs</li> <li>○ Role of small business</li> <li>○ Reform of command economy</li> </ul>	<b>(4)</b>

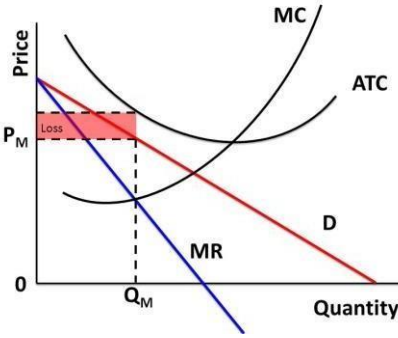
Question Number	Answer	Mark
<b>1(b)</b>	<p style="text-align: center;"><b>Knowledge 1</b></p> <p><b>The only correct answer is D</b></p> <p><i>A is not correct because Adam Smith supported the free market</i></p> <p><i>B is not correct because Friedrich Hayek supported the free market</i></p> <p><i>C is not correct because John Maynard Keynes did not advocate a command economy, rather higher borrowing to provide an injection of demand into the economy</i></p>	<b>(1)</b>

Question Number	Answer	Mark
<b>2(a)</b>	<b>Application 2</b>  <b>Application</b> 2 marks for e.g. <ul style="list-style-type: none"> <li>• The opportunity cost is 1 unit of oats (2)</li> <li>• 2 more units of wheat to be produced (1)</li> </ul>	<b>(2)</b>

Question Number	Answer	Mark
<b>2(b)</b>	<b>Knowledge 1, Analysis 1</b>  <b>Knowledge</b> 1 mark for understanding, e.g. <ul style="list-style-type: none"> <li>• Efficiency will decrease</li> <li>• Inefficient allocation of resources</li> <li>• Not productively efficient</li> </ul> <b>Analysis</b> 1 mark for e.g. <ul style="list-style-type: none"> <li>• Not producing at maximum potential output</li> <li>• Potentially produce more wheat and oats</li> <li>• Spare capacity</li> <li>• Unemployed resources</li> <li>• Lower output the next year</li> <li>• No opportunity cost from moving from W towards PPF</li> </ul>	<b>(2)</b>

Question Number	Answer	Mark
<b>2(c)</b>	<b>Knowledge 1</b>  <b>The only correct answer is B</b>  <i>A is not correct because the PPF shows the production of oats and wheat, not milk</i>  <i>C is not correct because a PPF does not show demand for a product</i>  <i>D is not correct because a PPF does not consider the price of the product once sold</i>	<b>(1)</b>

Question Number	Answer	Mark
<b>3(a)</b>	<p style="text-align: center;"><b>Application 1</b></p> <p><b>The only correct answer is D</b></p> <p><i>A is not correct because -3.4 suggests an inferior good</i></p> <p><i>B is not correct because -0.74 suggests and inferior good</i></p> <p><i>C is not correct because +0.74 suggests a normal good which is a necessity</i></p>	<b>(1)</b>

Question Number	Answer	Mark
<b>3(b)</b>	<p style="text-align: center;"><b>Knowledge 2, Application 2</b></p> <p style="text-align: center;"><b>Monopolistic competition: short-run loss.</b></p>  <p>Identification of profit maximising equilibrium where:</p> <ul style="list-style-type: none"> <li>○ Downward sloping AR and MR (1)</li> <li>○ AC above AR (1)</li> <li>○ MC=MR (1)</li> <li>○ Area of loss (1)</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
<b>4(a)</b>	<p style="text-align: center;"><b>Application 2</b></p> <p><b>Application</b> 2 marks for e.g.</p> <ul style="list-style-type: none"> <li>• <math>(5\ 664 - 5\ 044)/5\ 044 \times 100</math> (1)</li> <li>• 12.3% (1)</li> </ul> <p><b>NB Allow 2 marks for correct answer (12.29, 12.3 or 12)</b></p>	<b>(2)</b>

Question Number	Answer	Mark
<b>4(b)</b>	<p style="text-align: center;"><b>Knowledge 1, Analysis 1</b></p> <p><b>Knowledge</b> 1 mark for understanding e.g.</p> <ul style="list-style-type: none"> <li>• Understanding of consumer surplus (1) <b>OR</b></li> <li>• Recognition that consumer surplus will fall (1)</li> </ul> <p><b>Analysis</b> 1 mark for e.g.</p> <ul style="list-style-type: none"> <li>• Understanding of <i>why</i> consumer surplus will fall (1)</li> </ul> <p><b>NB Can be shown via written or diagrammatic explanation</b></p>	<b>(2)</b>

Question Number	Answer	Mark
<b>4(c)</b>	<p style="text-align: center;"><b>Application 1</b></p> <p><b>The only correct answer is C</b></p> <p><i>A is not correct because this is the change in consumer surplus</i></p> <p><i>B is not correct because this is the new area of consumer surplus</i></p> <p><i>D is not correct because this is the new area of producer surplus</i></p>	<b>(1)</b>



Question Number	Answer	Mark
<b>5(a)</b>	<p style="text-align: center;"><b>Application 1</b></p> <p><b>The only correct answer is B</b></p> <p><i>A is not correct because this is the ratio of private sector pay to public sector pay</i></p> <p><i>C is not correct because 4.0 is the difference in the pay index in 2022</i></p> <p><i>D is not correct because 14 is the % increase in public sector pay since 2018 (base year)</i></p>	<b>(1)</b>

Question Number	Answer	Mark
<b>5(b)</b>	<p style="text-align: center;"><b>Knowledge 2, Application 1, Analysis 1</b></p> <p><b>Knowledge</b> 2 marks for understanding e.g.</p> <ul style="list-style-type: none"> <li>• Understanding of monopsony (1)</li> <li>• Understanding of public sector <i>OR</i> understanding of wage determination <i>OR</i> other relevant knowledge (1)</li> <li>• Understanding of private sector (1)</li> </ul> <p><b>Application</b> 1 mark for e.g.</p> <ul style="list-style-type: none"> <li>• Public sector have experienced wage rises lower than those in the private sector over the past 10 years</li> <li>• Reference to the pay gap from the chart (1)</li> <li>• Over 90% of nurses work in the public sector (1)</li> </ul> <p><b>Analysis</b> 1 mark for a linked development e.g.</p> <ul style="list-style-type: none"> <li>• Lack of alternative employers (1)</li> <li>• Must accept a national pay scale (1)</li> <li>• Very few jobs available in private hospitals (1)</li> <li>• Government objective to balance the budget/cut spending (1)</li> <li>• Pay freezes (1)</li> <li>• Reasons for higher pay in private sector (1)</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark																																				
<b>6(a)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 2</b></p> <p><b>Knowledge</b> 1 mark for identification of market structure</p> <ul style="list-style-type: none"> <li>• oligopoly (1)</li> <li>• monopoly/legal monopoly (1)</li> </ul> <p><b>Application</b></p> <ul style="list-style-type: none"> <li>• up to 2 marks for calculation of the concentration ratio using any e.g.</li> </ul> <table border="1" data-bbox="609 631 1334 887" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th>Q2 2021</th> <th>Q3 2021</th> <th>Q4 2021</th> <th>Q1 2022</th> <th>Q2 2022</th> </tr> </thead> <tbody> <tr> <td>2-firm</td> <td>53.9</td> <td>58.8</td> <td>64.3</td> <td>41.2</td> <td>47.4</td> </tr> <tr> <td>3-firm</td> <td>68.9</td> <td>70</td> <td>71.6</td> <td>52.2</td> <td>58.5</td> </tr> <tr> <td>4-firm</td> <td>80.2</td> <td>80.5</td> <td>77.3</td> <td>61.6</td> <td>68.4</td> </tr> <tr> <td>5-firm</td> <td>84.2</td> <td>86</td> <td>82.9</td> <td>70.8</td> <td>74.3</td> </tr> <tr> <td>6-firm</td> <td>88.2</td> <td>89</td> <td>87.9</td> <td>76.8</td> <td>78.8</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>• Prime Video (1) in Q2 2022 was 25.9% (1)</li> </ul> <p><b>Analysis</b> 2 marks for a linked explanation (1+1) e.g.</p> <ul style="list-style-type: none"> <li>• Market dominated by a few large firms (1)</li> <li>• Interdependence (1)</li> <li>• High barriers to entry (1)</li> <li>• Non-price competition (1)</li> <li>• Large price setting power (1)</li> <li>• Market share in excess of 25% (1)</li> </ul>		Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	2-firm	53.9	58.8	64.3	41.2	47.4	3-firm	68.9	70	71.6	52.2	58.5	4-firm	80.2	80.5	77.3	61.6	68.4	5-firm	84.2	86	82.9	70.8	74.3	6-firm	88.2	89	87.9	76.8	78.8	<b>(5)</b>
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Question Number	Indicative content	Mark
<b>6(b)</b>	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 2</b></p> <ul style="list-style-type: none"> <li>• Understanding of rational behaviour e.g. utility maximisation</li> <li>• Consumers prioritising low prices (e.g. 'free trials') and better service</li> <li>• Consumers cancelling subscriptions due to decline in 'value for money and satisfaction with the quality of shows'</li> <li>• Consumers cancelling subscriptions due to cost of living concerns</li> <li>• Reported 200,000 cancelled subscriptions in the first quarter and another 2 million forecast to leave</li> <li>• Subscribers switching to Disney who has higher customer satisfaction rankings e.g. more original content and new release films.</li> <li>• Subscribers joining new streaming services during the global health crisis when less alternative forms of entertainment were available e.g. closed cinemas and restaurants</li> </ul> <p><b>NB: For Level 3 candidates must refer to Netflix subscribers</b></p> <p><b>NB: Netflix subscribers acting irrationally may be seen as KAA and then rational behaviour as EV</b></p>	<b>(6)</b>

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3-4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5-6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated.

	Economic ideas are applied appropriately to the broad elements of the question.
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	Indicative content	Mark
<b>6(b)</b> continued	<p style="text-align: center;"><b>Evaluation 4</b></p> <p>e.g.</p> <ul style="list-style-type: none"> <li>● Irrational behaviour by Netflix subscribers</li> <li>● Purchasing additional packages with similar services/little differentiation</li> <li>● Computational weakness - consumers failing to understand correct price plans and not understanding price changes</li> <li>● Habitual behaviour - regular direct debit that is paid regardless of usage, multiple subscriptions that aren't used, unaware of need to cancel after short term trial period</li> <li>● 'Forgetful subscribers'</li> <li>● Influencing by nudges e.g. 'next-up' and 'auto-play' features</li> <li>● Binge watching</li> <li>● Lack of information - may be on the wrong price plan</li> </ul>	<b>(4)</b>
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1-2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3-4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Answer	Mark
6(c)	<p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <p><b>Knowledge/implicit understanding:</b> (1+1) e.g.</p> <ul style="list-style-type: none"> <li>● Cross elasticity of demand shows the responsiveness of demand for one good to a change in the price of another / XED formula (1)</li> <li>● Value greater than 0 (1)</li> </ul> <p><b>Application:</b> (1+1) e.g.</p> <ul style="list-style-type: none"> <li>● Declining market share of Netflix in figure 1 (1)</li> <li>● Rising market share of Disney+ in figure 1 (1)</li> <li>● Planned cancellations at Disney+ are lower than Netflix (1+1)</li> <li>● Subscribers rethinking their commitment to multiple subscriptions (1)</li> <li>● Example calculation of price changes e.g. Netflix price rise £1 leads to a greater percentage change at Disney+ (1+1)</li> <li>● Figure 1 shows the range of online streaming services providing similar service/growth of competition in the market/use of 'other' market share (1+1)</li> <li>● Netflix cutting its prices in India to compete with Disney+ and Prime (1)</li> </ul> <p><b>Analysis:</b> 2 marks for linked explanation (1+1)</p> <ul style="list-style-type: none"> <li>● Explanation of substitutes, e.g. increase in the price of one streaming service will lead to an increase in the demand for other streaming services. (1+1)</li> <li>● Explanation of substitutes, e.g. declining satisfaction, cancellation and demand at one provider will lead to an increase in demand at an alternative (1+1)</li> <li>● Diagrammatic representation of positive correlation between substitutes (up to 2 marks)</li> </ul> <p><b>Evaluation:</b> 2 marks for two evaluative comments, OR 2 marks for identification and linked development of one evaluative comment e.g.</p> <ul style="list-style-type: none"> <li>● Strength of substitutes</li> <li>● Each provider offers subscribers different shows that could be original and unique to them e.g. Stranger Things, so XED may be low causing them to be weak substitutes (positive XED less than 1)</li> <li>● XED can vary over time (1) - they were not viewed as substitutes during lockdown, they were viewed as complements, so many consumers had multiple subscriptions (1)</li> <li>● XED can vary over time with changes in real income (1) - they are viewed as stronger substitutes due to</li> </ul>	

	consumers' cost of living rising. Consumers are now forced to make a choice due to a lack of affordability. (1)	<b>(8)</b>
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Question Number	Indicative content	Mark
<b>6(d)</b>	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 4</b></p> <ul style="list-style-type: none"> <li>• Understanding of private benefits and external benefits (may be implicit)</li> <li>• Explanation of <b>private benefits</b> gained from watching educational programmes: satisfaction from watching, improved progress at school, GCSE and SATs success, career development, higher earnings potential, less need to buy expensive revision guides, less requirement for private tutors, and increased consumer surplus</li> <li>• Two million weekly unique browsers</li> <li>• Peak use of 3.3million in GCSE exam period</li> <li>• £43 million to fund the Oak National Academy</li> <li>• Written by subject experts</li> <li>• Explanation of <b>external benefits</b>: skilled workforce, higher productivity, increased potential output, greater innovation, and wider third party effects</li> <li>• Diagram depicting private and external benefits e.g.</li> </ul> <div style="text-align: center;"> </div> <ul style="list-style-type: none"> <li>• Identification of market equilibrium (Q1) and social optimum (Q2)</li> <li>• Identification of triangle of welfare gain RXU</li> <li>• Identification of the external benefit (UT)</li> <li>• Equation showing <math>MPB + MEB = MSB</math></li> </ul> <p><b>NB: For KAA L3 candidates must refer to a private and an external benefit</b></p>	<b>(8)</b>

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
<b>6(d)</b> continued	<p style="text-align: center;"><b>Evaluation 4</b></p> <ul style="list-style-type: none"> <li>● Difficulty in measuring any monetary value to private benefit and external benefits</li> <li>● Time lag before both private and external benefits are seen</li> <li>● Cause and effect - many other factors influence the state of the UK workforce, competitiveness etc.</li> <li>● Government policy change/funding changes could offset any benefits</li> <li>● The production of television programmes could cause negative production externalities which offset the benefits,</li> </ul> <p>e.g. power consumption, manufacturing of devices</p> <ul style="list-style-type: none"> <li>● Wider social problems by encouraging children to spend more time on electronic devices e.g. obesity and addiction to online activity</li> <li>● Oak National Academy was created as an alternative to face to face education - so no additional education was necessarily consumed</li> <li>● Cost and opportunity cost issues e.g. £43 million expenditure</li> <li>● Greater significance during home schooling/ online provisions</li> <li>● Questioning effectiveness of online learning</li> </ul>	<b>(4)</b>

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1-2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3-4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.



Question Number	Indicative Content	Mark
6(e)	<p style="text-align: center;"><b>Knowledge 3, Application 3, Analysis 3</b></p> <ul style="list-style-type: none"> <li>• Understanding of price discrimination</li> <li>• Use of data - same online streaming service but at a different price</li> <li>• Student v Adult prices at Amazon</li> <li>• Different countries charged different prices at Netflix e.g. India (lower prices) v UK (higher prices)</li> <li>• Conditions necessary for price discrimination to operate</li> <li>• Explanation of increased revenue following identification of different PED given same cost structure leads to higher profit</li> <li>• Adults/UK - demand is more inelastic so willing to pay more and respond less to price rises</li> <li>• Students/India - demand is elastic and more responsive to change in prices/will pay a lower price</li> <li>• Netflix became a 100 billion dollar company in 20 years</li> <li>• Identification of higher profit areas on diagram</li> <li>• Comparison of firm's total SNP with and without price discrimination</li> </ul> <p>Diagram e.g. (NB a 2 sub-market elastic/inelastic diagram is acceptable)</p> <p style="text-align: center;">(A) <math>PED &lt; 1</math>                      (B) <math>PED &gt; 1</math>                      Whole market (A+B)</p> <p><b>NB For level 3 KAA answers must include a relevant diagram and reference to online streaming services</b></p> <p><b>NB Analysis must link to impact on firm's profits</b></p> <p><b>NB Other correct diagrams accepted e.g. with kink</b></p>	<b>(9)</b>

	<b>for combined market AR and MR</b>	
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Level	Mark	Descriptor
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	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content		Mark
<b>6(e)</b> continued	<p style="text-align: center;"><b>Evaluation 6</b></p> <ul style="list-style-type: none"> <li>● Cost to administer could remove the benefits gained from additional revenues.</li> <li>● Could be hard to ensure those watching are on the correct price plan. Further increases costs and may reduce revenues.</li> <li>● Loss of market share has provided consumers with more choice - demand is less inelastic now/willing to pay less</li> <li>● Invest in new content may be more beneficial as a way to raise declining market share and therefore profits</li> <li>● A large amount of price plan variation is not price discrimination as the product offered is different e.g. ultra HD</li> <li>● Even with these broad subgroups there can be very different markets with different sensitivities to price - so other forms of price discrimination could further increase profits</li> <li>● Questioning the ethics/fairness of price discrimination and the longer-term impact on brand image</li> <li>● Magnitude of the price variation £4.49 v £8.99</li> <li>● Many other factors could be more significant than price discrimination in determining profits e.g. - economic slowdown, rising levels of competition, market power of movie studios</li> <li>● Product differentiation may be more effective than price discrimination e.g. Netflix Premium/Ultra HD</li> <li>● Arbitrage e.g. sharing Netflix password between potential users</li> </ul>		<b>(6)</b>
Level	Mark	Descriptor	
	0	No evaluative comments.	
Level 1	1-2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.	
Level 2	3-4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.	
Level 3	5-6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.	

Question Number	Indicative content	Mark
7	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 8</b></p> <p>Explanation of methods of government intervention may include:</p> <ul style="list-style-type: none"> <li>• price regulation e.g. energy price cap</li> <li>• direct support from government to households</li> <li>• grants/subsidies</li> <li>• enhancing competition through promotion of small business/ breaking up large energy suppliers</li> <li>• state ownership arguments</li> <li>• threat of windfall tax which forces companies to pass on falls in wholesale costs to households</li> <li>• separate retail and wholesale divisions</li> <li>• education/information campaigns to help households reduce energy usage</li> <li>• CMA investigation into price fixing/collusive behaviour</li> <li>• Legislation to decouple gas and electric prices</li> <li>• Encouragement of smart meters to reduce information gap</li> </ul> <p><b>NB - for Level 4 KAA candidates must refer to the energy market</b></p> <p><b>NB – Must be at least TWO METHODS FOR KL4 as “methods”</b></p> <p style="text-align: center;"><b>Evaluation 9</b></p> <ul style="list-style-type: none"> <li>• Asymmetric information</li> <li>• Regulatory capture</li> <li>• Time lags</li> <li>• Prioritisation arguments</li> <li>• Short run v long run arguments</li> <li>• Combination of policies required</li> <li>• Government failure</li> <li>• Unintended consequence e.g. energy retailers leave market</li> <li>• Cost and opportunity cost arguments</li> <li>• Scale of support needed could change</li> <li>• Other sources of gas supply</li> <li>• Depends on type of tariff e.g. pre-payment meters are more expensive</li> <li>• Depends on type of household</li> </ul>	<b>(25)</b>

<b>Knowledge, application and analysis</b>		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	5–8	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	9–12	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	13–16	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

<b>Evaluation</b>		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially-developed chain of reasoning.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
8	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 8</b></p> <p>Methods of government intervention may include:</p> <ul style="list-style-type: none"> <li>• indirect taxation - e.g. tax on petrol &amp; diesel or new car sales</li> <li>• subsidies on public transport</li> <li>• subsidies on the development on electric vehicles</li> <li>• minimum prices e.g. on new petrol/diesel cars</li> <li>• maximum prices e.g. on public transport or electric vehicles</li> <li>• Emissions Trading Scheme on aviation but proposed extension to road transport</li> <li>• regulation e.g. ban on sale of petrol &amp; diesel vehicles, vehicle emission checks, ban cars in certain areas, new builds to have charging points</li> <li>• road pricing schemes - congestion charges, low emission zones</li> <li>• improved public transport infrastructure</li> <li>• education &amp; information schemes</li> <li>• further deregulation of public transport/creation of greater competition in markets</li> <li>• regulation by CMA of train operators to improve reliability of services/reduce prices</li> <li>• increase road tax/road tax incentives for low carbon emission vehicles</li> <li>• promotion of alternative forms of transport e.g. electric bikes, cycle lanes, car sharing, bus only lanes</li> <li>• incentives for working from home e.g. tax breaks</li> <li>• behavioural arguments</li> </ul> <p><b>NB: For Level 4 KAA candidates must refer to the transport market (cars, roads, public transport etc.)</b></p> <p><b>NB – AT LEAST TWO METHODS FOR KL4 as “methods”</b></p> <p style="text-align: center;"><b>Evaluation 9</b></p> <ul style="list-style-type: none"> <li>• Criticisms of the likely effectiveness of policies</li> <li>• Government failure</li> <li>• Inelastic PED arguments</li> <li>• Weak substitute/XED arguments</li> <li>• Asymmetric information</li> <li>• Regulatory capture</li> <li>• Time lags</li> <li>• Prioritisation arguments</li> <li>• Short run v long run arguments</li> <li>• Combination of policies required</li> <li>• Cost and opportunity cost arguments</li> <li>• Measurement issues</li> <li>• Administration &amp; enforcement issues</li> <li>• Arguments surrounding the manufacturing of electric vehicles/battery charging/poor infrastructure</li> <li>• Behavioural arguments</li> </ul>	<b>(25)</b>

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