



GCE A LEVEL MARKING SCHEME

SUMMER 2024

**A LEVEL
ECONOMICS - COMPONENT 1
A520U10-1**

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.

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 response 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.

For each question there is a list of indicative content which suggest the range of economic concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level-based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

GCE A LEVEL ECONOMICS – COMPONENT 1

SUMMER 2024 MARK SCHEME

SECTION A

Q	Answer	AO
1	E	AO1
2	E	AO2
3	B	AO2
4	D	AO1
5	C	AO1
6	A	AO2
7	C	AO1
8	D	AO2
9	B	AO2
10	C	AO1
11	B	AO2
12	E	AO2
13	E	AO2
14	B	AO1
15	A	AO2
16	A	AO2
17	A	AO1
18	C	AO2
19	D	AO1
20	E	AO2

AO1: 8
AO2: 12

SECTION B

21	Using the data, explain the link between the two charts [4]		
Band	AO1	AO2	AO3
2			2 marks Good analysis A clear chain of reasoning exists linking QE to bond yields.
1	1 mark Limited knowledge Understanding is shown of the QE process.	1 mark Limited application The data is used directly in the answer.	1 mark Limited analysis A chain of reasoning exists between QE and bond yields but is not fully developed.
0	0 marks No valid knowledge shown.	0 marks No valid application.	0 marks No chains of reasoning are present.

Indicative content

AO1

QE is the process by which the Bank of England buys government bonds on financial markets using new digital money and credits the accounts of the holders of these bonds.

AO2

The data shows the growth of QE from 2009 to 2020 (£200bn to £895bn which will lead to a fall in yields from around 5% to essentially zero

AO3

A chain of reasoning exists linking purchases of bonds with their yields
 The increase in demand for these bonds caused by QE will raise their price and lead to a fall in their yields (rate of return). They are inversely related because the annual money payment on a bond (its coupon) is fixed at the point of issue, but the market price of the bond will vary over time, meaning that an increase in market price will reduce the % return that the bond gives.

Allow other relevant points.

22	Using the diagram, discuss whether societies should provide health services free at the point of use (like the National Health Service in the UK) [7]		
Band	AO2	AO3	AO4
3			3 marks Excellent evaluation Clear judgements are made about the risks of providing healthcare free at the point of use and about assumptions made by the diagram.
2	2 marks Good application The diagram is used effectively to support the argument in the analysis or evaluation.	2 marks Good analysis. Well-developed chain of reasoning about the need for merit goods to be provided free at the point of use, making good use of relevant theory.	2 marks. Good evaluation. Clear counterarguments using relevant theory showing the dangers of free provision or the assumptions made by the diagram.
1	1 mark. Limited application. The diagram is used but its use is superficial, failing to form strong supporting evidence.	1 mark Limited analysis. There is a chain of reasoning, but it is less convincing in its attempt to show the benefits of a free at point of consumption health service/risks of market provision.	1 mark Limited evaluation. Counterarguments are present but chains of reasoning and economics analysis are under-developed.
0	0 marks No valid application.	0 marks No valid analysis.	0 marks No valid evaluation.

Indicative content.

AO2

Market provision will lead to underconsumption and a welfare loss shown by the left-hand triangle. Diagram used to show that social benefits exceed private benefits ($MSB > MPB$).

State provision might lead to overconsumption and a welfare loss reflecting government failure (welfare loss from right-hand diagram). Diagram shows net welfare loss if health is free at point of consumption.

AO3

Health is a merit good (positive consumption externalities) and thus in a free market would be under consumed and overpriced because consumers will ignore either external benefits or will fail to fully appreciate the private benefits. Therefore, in a free market the good will be under-consumed.

State provision, free at the point of use, such as with the NHS will therefore increase use and reduce the risk of market failure.

Benefits of free at point of consumption health service include higher productivity fewer days lost through sickness as a result of a healthier workforce. Higher tax revenues.

AO4

Lack of market incentives for producers may lead to less innovation.

Risk that the service will be overused because consumers will continue to use the service until marginal benefit is zero resulting in the risk of government failure. As a result, quality of provision may fall with longer waiting times in A&E or for routine operations, greater risks of misdiagnosis, medical errors, malpractice etc.

Allow other relevant points

23	Use the data to explain where the Nash equilibrium is in this matrix			[4]
Band	AO1 (1 mark)	AO2 (2 marks)	AO3 (1 mark)	
2		2 marks Good application Grid is used to show how each firm will lose if they deviate from the Nash equilibrium/how the Nash equilibrium will be reached.		
1	1 mark Limited knowledge Answer shows a clear understanding of the concept of the Nash equilibrium.	1 mark Limited application The data in the matrix is used to show an understanding of a Nash equilibrium.	1 mark Limited analysis A clear chain of reasoning is given as to how the Nash equilibrium is reached by the firms in the matrix or why, once reached, firms will not deviate from it.	
0	0 marks No valid knowledge shown.	0 marks No valid application.	0 marks No chains of reasoning are present.	

Indicative content.

AO1

A Nash equilibrium occurs at a combination of strategies where no player can gain by unilaterally deviating from their existing strategy.

The Nash equilibrium is associated with game theory - where all the participants/firms are pursuing their best possible strategy given the strategies of all of the other participants/firms.

AO2/AO3

In this case the NE is at £3,£3. If both firms were charging £3, neither could gain by raising price. If firm A were to do so, their profits would fall from £25m to £20m. If firms A increased price, then their profits would fall from £25m to £15m.

If firms were not both charging £3, one of the firms would have an incentive to do so because the products are close substitutes, meaning that only £3,£3 is an equilibrium.

Lack of certainty and trust mean that the firms will analyse the other firm's possible strategies to work out the best outcome for themselves.

Allow other relevant points

24	Using the data, discuss whether a rise in interest rates by the Monetary Policy Committee of the Bank of England will bring down inflation to its target level			[8]
Band	AO2	AO3	AO4	
		3 marks Excellent analysis The link between interest rates and inflation is covered with detailed chains of reasoning covering all the key elements of the top chart.	3 marks Excellent evaluation Clear judgements are made about the likely effectiveness of an increase in interest rates in terms of their ability to return inflation to the target level.	
2	2 marks Good application The diagram and data are used effectively to support the argument in the analysis or evaluation.	2 marks Good analysis. Developed chains of reasoning are present linking a rise in interest rates to a reduction in the rate of inflation.	2 marks. Good evaluation. Clear counterargument showing that raising the interest rate can fail to lead to a lower rate of inflation or possibly even increase it.	
1	1 mark Limited application The diagram or data are used effectively to support the argument in the analysis or evaluation.	1 mark Limited analysis. There is a chain of reasoning, but it is less convincing in its attempt to show how a rise in interest rates can reduce the rate of inflation.	1 mark Limited evaluation. Counterarguments are present but evaluation is superficial, undeveloped or unconvincing.	
0	0 marks No valid application.	0 marks No valid analysis.	0 marks No valid evaluation.	

Indicative content:

AO2

Top diagram outlines clearly how interest rates can have an impact on both demand pull and cost push inflation via the effects in internal and external demand and import prices.

The second chart shows that inflation is a long way above target, meaning that interest rates will have to rise quite significantly to bring it back to target, plus cost push influences as well from the events of 2022.

AO3

Candidate explains how a rise in the interest rate will reduce C, I and X. Candidate uses a diagram to help explain how AD falls reducing demand pull pressures.

A rise in the exchange rate will reduce import prices and cost push factors. Overall, there is downward pressure on inflation.

AO4

There is a danger of not getting the timing/magnitude of the interest rate rise correct.

Effects of time lags/exogenous and endogenous shocks. Other factors affect the components of AD.

Higher interest rates increase the costs of firms and can increase cost push pressures.

Allow other relevant points

25	Discuss whether it is reasonable to say that Gabon has a higher level of human development than Tajikistan [8]		
Band	AO2	AO3	AO4
		3 marks Excellent analysis There is a well-developed chain of reasoning explaining why one country has higher human development than the other showing clearly why development is greater.	3 marks Excellent evaluation Clear judgements are made about which country is likely to have the higher level of human development/why it isn't possible to judge on the basis of the information given.
2	2 marks Good application Data is used effectively to support the argument in the analysis or evaluation.	2 marks Good analysis. Developed chains of reasoning are present explaining why one country has higher human development.	2 marks. Good evaluation. Developed chains of reasoning are present explaining that human development is higher in the other country.
1	1 mark Limited application Data is referenced but use is superficial.	1 mark Limited analysis. There is some explanation as to why one country is more developed, but arguments are not developed.	1 mark Limited evaluation. Counterarguments are present but evaluation is superficial, undeveloped or unconvincing.
0	0 marks No valid application.	0 marks No valid analysis.	0 marks No valid evaluation.

Indicative content

AO2

Gabon better:

Tajikistan landlocked, suggesting fewer opportunities for citizens and linking to lower GNI/capita

Higher HDI overall and 'high' (0.7-0.799) rather than medium (0.5-0.699), although these are arbitrary distinctions and the two levels are relatively close

Higher expected years of schooling suggesting that there have been recent changes to the education system, but this might not affect living standards of everyone because the mean level remains low suggesting that education levels of older citizens are weaker

GNI/capita@PPP much higher allowing for more G per citizen and higher levels of household expenditure on housing, diet, leisure and so on, all of which impact on living standards and choices.

Tajikistan better

Higher life expectancy at birth which might suggest that although income is lower, it has been used more effectively/better lifestyle/community is closer.

Higher mean years of schooling (which is still rising) suggests a more educated population overall with all of the benefits this brings.

AO3

Answers will link to what development really means which is dependent on improvements in well-being and quality of life. Chains of reasoning will therefore be looking at how the variables in the table will contribute to these outcomes rather than simply being development in their own right.

AO4

Evidence conflicts – Tajikistan better on some variables but Gabon better on others

Not all variables are equal – health more important than income? But income the gateway to improvements.

Only the HDI is shown. Other data may be more helpful in forming a view about quality of life and development, such as deprivation, inequality statistics, gender-based statistics, information on inclusivity and so on.

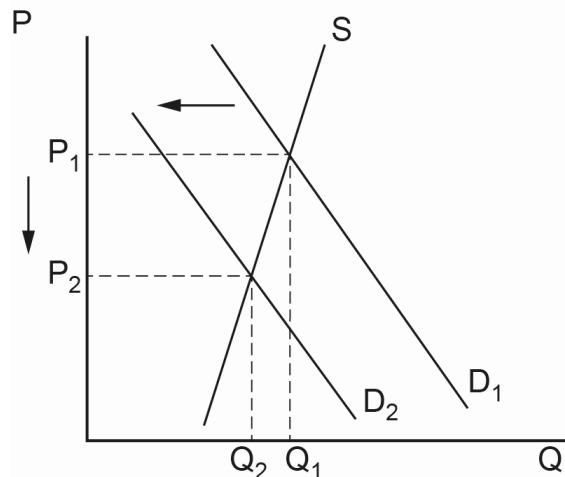
Allow other relevant points.

26	Using supply and demand diagram(s), discuss whether the data suggests that copper prices are more likely to rise or fall in the future. [9]			
Band	AO1	AO2	AO3	AO4
				3 marks Excellent evaluation Well-reasoned judgement as to the most likely direction of copper prices, or explaining clearly why it is impossible to tell.
2	2 marks Good understanding Accurate supply and demand diagrams are used to illustrate both sides of the argument.	2 marks Good application Effective use is made of the data on both sides of the argument.	2 marks Good analysis. Developed analysis of one side of the argument (copper prices rising or falling).	2 marks Good evaluation. A developed line of counterargument, making the case that copper prices will fall rather than rise (or vice versa).
1	1 mark Limited understanding. Diagrams are used on both sides but have significant inaccuracies or are used only on one side of the debate.	1 mark Limited application Effective use is made of the data on one side of the argument.	1 mark Limited analysis A link is made between factors from the case and copper prices, but the chain of reasoning is under-developed.	1 mark Limited evaluation. Counterarguments are present but are not well developed.
0	0 marks No understanding. Diagram is totally incorrect or not present.	0 marks No valid application.	0 marks No valid analysis.	0 marks No valid evaluation.

AO1

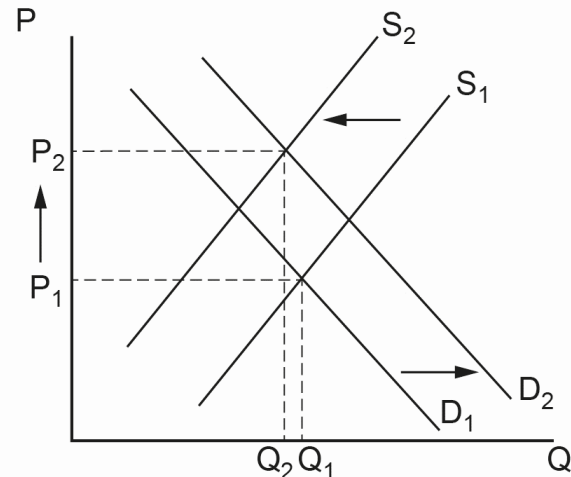
Copper prices falling

- Global recession due to rising inflation and interest rates



Copper prices rising

- More demand from electric vehicles and solar panels
- Rising costs of production for copper producers



AO2

Falling prices

Copper prices may fall as a result of a possible global recession triggered by rising inflation and rising interest rates to control it.

Rising prices

Rising demand for electric vehicles and solar panels increases the derived demand for copper in the wiring. Higher oil prices are accelerating this trend.

Higher oil prices increase the cost of producing copper, impacting supply.

Government fiscal policy in Chile (the world's largest copper producer) is driving up the costs of larger firms

AO3 (assuming down, but answer is reversible)

Global recession will reduce industrial activity and hence the derived demand for copper will fall. This will create excess supply on global markets, driving copper prices down.

AO4

Counter:

Prices may rise as a result of both rising demand and restricted supply creating excess demand for copper. This will cause prices to rise.

Other evaluation to support judgement:

Recession will tend to be a short-term effect whereas the other trends are only likely to intensify, meaning that whilst prices may fall in the short run, they are more likely to rise in the long run

Prices already starting to recover – market may have priced in recession making prices more likely to rise than fall

Global outlook very uncertain, making it very difficult to tell which set of factors will come to dominate.

Allow other relevant points

AO grid

	AO1	AO2	AO3	AO4	Total	Num
Q1-20	8	12			20	14
Q21	1	1	2		4	2
Q22		2	2	3	7	2
Q23	1	2	1		2	4
Q24		2	3	3	8	2
Q25		2	3	3	8	2
Q26	2	2	2	3	9	3
	12 (12-16)	23 (20-24)	13 (10-14)	12 (10-14)	60	29