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# **GCE AS MARKING SCHEME**

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**SUMMER 2018**

**AS  
ECONOMICS - COMPONENT 1  
B520U10-1**

## **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.

## **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 business 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.

Question		Total
<b>Q.1 (a)</b>	<b>Outline what a PED of -0.47 means.</b>	<b>3</b>
	<b>AO1:</b> Clear description of PED in principle The responsiveness of demand to a change in price/formula (1) Demand and price are negatively correlated (1) Demand is price inelastic (1)	2
	<b>AO2:</b> Accurate application showing a full understanding of what -0.47 means Demand changes by 0.47 times as much as price (1)	1

<b>Q.1 (b)</b>	<b>Explain why PED for tobacco products might be at this level. [4]</b>	
<b>Band</b>	AO2	AO3
	2 marks	2 marks
<b>2</b>	<b>2 marks</b> Good application The learner will offer more than just the idea that cigarettes are addictive	<b>2 marks</b> Good analysis A clear explanation of why PED is at -0.47 meaning some sense of proportionality is explained.
<b>1</b>	<b>1 mark</b> Limited application One feature of the context is considered	<b>1 mark</b> Limited analysis Brief explanation why PED is inelastic
<b>0</b>	<b>0 marks</b> No valid application	<b>0 marks</b> No valid analysis

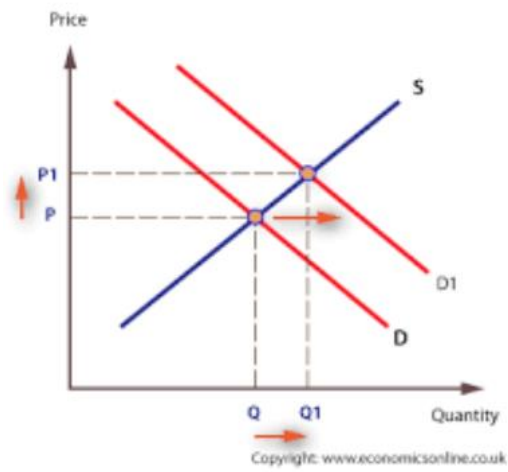
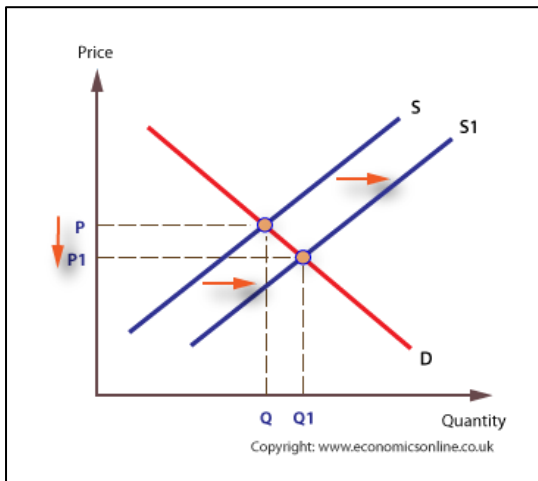
**Indicative content**

Cigarettes are addictive therefore low PED  
 Demand does fall to some extent – it's not totally inelastic because as price raises, some lower income groups will be priced out of the market  
 Substitutes are available

Question		Total
Q.1 (c)	<b>Suppose average incomes in Egypt rise by 5% and the price of cigarettes rises by 10%. Calculate the probable impact on the sales of tobacco products in Egypt.</b>	<b>3</b>
	<p><b>AO2:</b>  Price elasticity is -0.47 so a 10% increase in the price of cigarettes would reduce demand by 4.7% (1)</p> <p>YED is +1.6 so a 5% rise in income would increase demand by 8% (1)</p> <p>Therefore there will be an approximate increase in demand of 3.3%</p> <p>Correct answer of +3.3% (3)</p>	

<b>Q.2 (a)</b>	<b>With the aid of a diagram, outline why the data suggests that the number of diesel cars on the road grew between 2001 and 2015.</b> [4]	
<b>Band</b>	<b>AO1</b>	<b>AO2</b>
	<b>2 marks</b>	<b>2 marks</b>
	<i>Is the diagram correct?</i>	<i>Has the diagram been well applied to the context?</i>
<b>2</b>	<p><b>2 marks</b></p> <p>Correct D&amp;S diagram showing supply shift and quantity increasing. Or appreciation that road tax is paid by the consumer and therefore causes demand to shift to the right.</p> <p>The diagram is used as part of the answer</p>	<p><b>2 marks</b></p> <p>Identification from the data as to why supply/demand shift ("reduced vehicle tax")</p> <p>AND</p> <p>Clear link to the diagram in terms of S/D shift or good use of chart</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Partially correct diagram showing limited understanding. Or diagram is accurate but not used as part of the answer</p>	<p><b>1 mark</b></p> <p>Only one of the above.</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No diagram or totally incorrect diagram.</p>	<p><b>0 marks</b></p> <p>No valid application.</p>

**Indicative content**



Correct diagram showing supply or demand shifting right and quantity increasing

Correct explanation linking the diagram to a decrease in vehicle tax.

<b>Q.2 (b)</b>	<b>Discuss how effective subsidies for electric cars are likely to be in reducing the number of petrol and diesel cars on UK roads. [8]</b>		
<b>Band</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	<b>2 marks</b>	<b>2 marks</b>	<b>4 marks</b>
	<i>Has the context been well used to answer the question?</i>	<i>Has economic theory been well developed to explain why subsidising the production of vehicles that use alternative fuels or electric cars will effectively reduce the number of diesel cars on the road over the next 5 years</i>	<i>Has the answer evaluated the arguments made?</i>
<b>3</b>			<b>4 marks</b> Excellent evaluation  Clear, well-reasoned discussion of the effectiveness of subsidies
<b>2</b>	<b>2 marks</b> Good application  Context is well-used to support the answer, with direct use of features from the context to support either AO3 or AO4	<b>2 marks</b> Good analysis  Clear chain of reasoning explaining how subsidies will reduce the number of diesel-powered cars on the road/increase demand for electric cars.	<b>3 marks</b> Good evaluation  A developed evaluation that subsidising the production of vehicles that use alternative fuels or electric cars may not effectively reduce the number of diesel cars on the road over the next 5 years
<b>1</b>	<b>1 mark</b> Limited application  Answer makes some reference to the information given, but use is superficial and not very effective in supporting the answer.	<b>1 mark</b> Limited analysis  Answer is not fully clear as to why diesel car usage will fall, but nevertheless explains some of the impact of subsidies	<b>1-2 marks</b> Limited evaluation  The evaluation is superficial and not in the context of the data.
<b>0</b>	<b>0 marks</b> No valid application	<b>0 marks</b> No valid analysis	<b>0 marks</b> No valid evaluation

## Indicative content:

### AO2

Alternative fuel cars are a tiny proportion of the market

Use of alternatives doesn't just depend on the price – there other issues including charging points

Rate of growth has been impressive, suggesting that the existing subsidy is making a difference

Changes in government legislation likely to reinforce the trend

### AO3

Subsidies of electric cars will inevitably lower the price of electric cars. As a result, the demand for petrol/diesel cars will fall because the two are substitute goods. And therefore the quantity of petrol/diesel cars should fall.

XED is positive, meaning that a fall in the price of electric cars should reduce the demand for diesels

### AO4

The number of petrol/diesel cars on the road will not decrease straight away as people who already own one will not immediately replace it with a petrol driven car. Therefore it might be a number of years before we see any real change.

The XED value between the two goods may be inelastic and therefore the price change of electric cars may not affect diesel cars that much. Diesel cars are, for example, traditionally long-lasting and thus many consumers may choose to keep buying diesel cars regardless.

It depends on the PED for electric cars.

Electric cars are only a very small proportion of the market (although they are growing), so the short run impact may be quite small, although in the longer run, demand may begin to build.

The evaluation point “it depends on the amount of subsidy” must be linked to the idea of PED or XED or similar in order to warrant any marks. In and of itself, it is not considered a satisfactory evaluative point.

It depends on the number of electric car charging points – not that widely available currently (although growing) and the price of charging cars.

The evaluation point that it is expensive and may cause the Government to run a fiscal deficit must be linked to an argument about the sales of petrol/diesel cars. For example, the subsidy will cost a lot of money and the Government runs yet another risk here of Government failure as there may be a more effective means of using this money to decrease petrol/diesel car sales.

Question		Total
Q.3 (a)	<p><b>Define consumer surplus.</b></p> <p><b>AO1: 2 marks</b></p> <p>Award 2 marks for an accurate definition.</p> <p>Award 1 mark for an incomplete or slightly inaccurate definition.</p> <p>Consumer surplus is defined as the difference between the total amount that consumers are willing and able to pay for a good or service (shown by the demand curve) and the total amount that they actually do pay (i.e. the market price).</p>	<b>2</b>
Q.3 (b)	<p><b>Using the diagram above calculate the consumer surplus for television licence holders in the UK when the licence fee is set at £145.50. Show your workings.</b></p> <p><b>AO2: 2 marks</b></p> <p>1 mark for partial calculation of consumer surplus: e.g. fails to divide by 2 e.g. fails to state that it is in £m.</p> <p>2 marks for correct answer: <math>(£125 \times 27m) / 2 = £1687.5m</math></p>	<b>2</b>



Question		Total
Q.4	<p><b>Outline the economic theory which would explain these statistics.</b></p> <p><b>AO1: 3 marks</b></p> <p>Award 3 marks for full and correct understanding of the multiplier, that also explains why not all of the economic activity remains in the UK</p> <p>Award 2 marks for full and correct understanding of the multiplier Process which makes it clear that GDP changes more than proportionally to the initial change in AD.</p> <p>Award 1 mark for a partial understanding/identification of the multiplier process.</p> <p><b>AO2: 1 mark</b></p> <p>Award 1 mark if information in the data is fully used in the development of the answer – e.g. good use of construction sector in the answer, or use of the £1 and £2.84, or reference to the idea that only 90% stays in the UK.</p> <p><b>Indicative content:</b></p> <p>The multiplier effect occurs when an initial injection into the economy causes a bigger final increase in national income. A construction project will generate income for many firms who will then spend this in the economy on wages and materials etc generating more income. One firm's spending becomes another firm's income.</p> <p>For every £1 spent on construction a further £2.84 will be generated in the economy as money is spent and re-spent as it passes through many firms and workers.</p>	4

Question		Total 2
Q.5 (a) (i)	<p>In percentage terms, approximately how much higher is: Luxembourg's minimum wage compared to Albania?</p> <p><b>AO2:</b> <math>(1900-200)/200 \times 100 = 850\%</math> (1)</p>	1
Q.5 (a) (ii)	<p>In percentage terms, approximately how much higher is: The UK's minimum wage compared to the USA?</p> <p><b>AO2:</b> <math>(1550-1150)/1150 \times 100 = 34.8\%</math> (1) (accept 34.7%)</p>	1

<b>Q. 5 (b)</b>	<b>With reference to the data and using appropriate economic theory, discuss the extent to which the decision to increase the UK's minimum wage for 21-24 year olds would have been likely to increase unemployment in the UK. [8]</b>		
<b>Band</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	<b>2 marks</b>	<b>2 marks</b>	<b>4 marks</b>
	<i>Is the data used to support the answer?</i>	<i>Is there a good explanation of the impact of one side of the debate?</i>	<i>Has the issue been fully discussed?</i>
<b>3</b>			<p><b>4 marks</b> Excellent evaluation</p> <p>The answer is clearly two sided and at least one side has been qualified to allow the answer to judge the extent to which unemployment in the UK would have been likely to increase.</p> <p>Answers in this band will have therefore made a convincing case for or against the question, having examined both sides of the argument.</p>
<b>2</b>	<p><b>2 marks</b> Good application</p> <p>Chart and/or text are well used to support the points that are made</p>	<p><b>2 marks</b> Good analysis</p> <p>One side of the debate is convincingly developed with clear links between the increased minimum wage and the risk of unemployment. There is a well-developed clear chain of argument through to unemployment (or not).</p>	<p><b>3 marks</b> Good evaluation</p> <p>The answer contains a developed counter argument which clearly counters the main line of argument that the answer has made or makes a developed evaluation of the argument(s)</p>
<b>1</b>	<p><b>1 mark</b> Limited application</p> <p>Chart and/or text are used to support the answer, but superficially</p>	<p><b>1 mark</b> Limited analysis</p> <p>The chain of argument is not well developed and may also be relatively narrow</p>	<p><b>1-2 marks</b> Limited evaluation</p> <p>Answers in this band are likely to have a simple two-sided approach.</p>
<b>0</b>	<p><b>0 marks</b> No valid application</p>	<p><b>0 marks</b> No valid analysis</p>	<p><b>0 marks</b> No valid evaluation</p>

**Indicative content:**

AO2

UK's NMW is high relative to global levels, making a further increase risky – direct use of countries and figures makes an answer more likely to be band 2.

3.7% is above inflation meaning a real increase

*We don't know what is happening in other countries or other age ranges*

AO3

For band 2 responses it is likely that both supply and demand side effects of the increase in the minimum wage will have been considered on whichever side of the argument is being advanced here. If demand or supply have been considered, the argument will be very well developed.

Credit use of diagram for limited AO3.

**Indicative content:**

**Rising unemployment**

Increased minimum wage will increase firms' costs forcing them to become more efficient or to pass on cost increases to consumers, reducing the DL.

*AO4 However, this will depend on the numbers of workers actually affected by the minimum wage and the price elasticity of demand for labour*

Increased minimum wage will increase the numbers of workers looking for employment, hence increasing the SL

*AO4 However, this will depend on the extent to which the minimum wage is genuinely attractive (eg benefits levels, tax system etc) and hence on the PES for labour*

**Not rising unemployment**

The increase in the NMW might increase AD, creating more jobs  
*Depending on how many jobs are lost*

The increase in the NMW might reduce voluntary u/e if the economy is growing

Only a small number of workers are affected

AO4

See italicised points above, but allow any other relevant qualifications of arguments

<b>Q. 6</b>	<b>Using an AD/AS diagram, explain how the actions taken by the Bank of England were designed to prevent a post-Brexit recession. [10]</b>		
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>
	<b>2 marks</b>	<b>4 marks</b>	<b>4 marks</b>
	<i>Is there a good understanding of AD/AS?</i>	<i>Is the data used to support the answer?</i>	<i>Is there a good explanation of the expected impact of the measures on recession?</i>
<b>3</b>		<b>4 marks</b> Excellent application  Answer is fully embedded in the context making excellent use of all the information given and focussing on recession	<b>4 marks</b> Excellent analysis  Clear explanation of both domestic and external channels
<b>2</b>	<b>2 marks</b> Good understanding  Accurate AD/AS diagram with no major errors showing AD shifting right (or shifting left by less) and understanding is demonstrated by reference being made to it as part of the answer.	<b>3 marks</b> Good application  Text is used throughout the answer to support the points that are made  Answer makes good use of the context but misses a key element	<b>3 marks</b> Good analysis  Clear explanation of how monetary policy operates to support AD.  One of the domestic and external channels is fully explained
<b>1</b>	<b>1 mark</b> Limited understanding  AD/AS diagram has significant errors or no reference is made to it as part of the answer.	<b>1-2 marks</b> Limited application  Text is used to support the answer, but superficially	<b>1-2 marks</b> Limited analysis  The chain of argument is not well developed and/or may also be relatively narrow perhaps focusing just on one sector of the economy
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid application	<b>0 marks</b> No valid analysis

## Indicative content:

### AO1

A top band response will show good understanding of the key terms in the question which are monetary policy and recession.

Monetary policy for the purpose of this question involves the use of interest rates to control AD. A good understanding of what interest rates are is sufficient for credit here. Recession is two consecutive quarters of negative economic growth, but a definition has not been asked for. As long as the answer makes it clear that the intent of the policy is to prevent falling AD/GDP, then credit can be given.

### AO2

Answer needs to make use of the actual context given, rather than being a purely theoretical interest rate cut answer.

Confidence has slumped following the Brexit vote  
Interest rates have been cut by and to 0.25%  
High street lenders have been 'warned' to pass the cut on  
Timing of the cut – immediate – to have an effect 'when the economy really needs it'  
Good reference to prevention of the recession as mentioned by Mark Carney (if this is the only context used, then 1 max for AO2)  
Credit wider understanding of issues facing the UK economy at the time.

### AO3

The stimulus should affect households, firms and trade:

Households:

Cut in interest rates may...

Reduce tracker mortgage payments, increasing discretionary income

Make hire-purchase/credit more attractive

Reduce incentives to save

Boost confidence

Create wealth effects through asset price increases

Firms:

Expectations of rising consumption may boost investment and confidence

Borrowing costs may fall, increasing investment or improving cash flow, reducing the chance of business failure.

Trade:

The unexpected cut in interest rates may cause the exchange rate to fall/stay low increasing exports.

Good answers will have clear analysis linked through to AD and therefore how a recession might be prevented.

<b>Q.7</b>	<b>Using appropriate economic analysis and with reference to the data below, discuss the relationship between GDP growth and unemployment in the EU since the beginning of 2008. [10]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>
	<b>4 marks</b>	<b>2 marks</b>	<b>2 marks</b>	<b>2 marks</b>
	<i>Is an understanding of the relationship shown?</i>	<i>Is the data well used to illustrate the relationship?</i>	<i>Is economic theory used appropriately?</i>	<i>Is the link between the two qualified</i>
<b>2</b>	<b>3-4 marks</b> Good understanding  Clear understanding of the link between GDP growth and unemployment is shown	<b>2 marks</b> Good application  Strong use of data to show that unemployment rises when GDP growth is weak or negative but when growth is stronger jobs are created.	<b>2 marks</b> Good analysis  Strong use of economic theory to explain how changes in GDP will have an impact on the labour market.	<b>2 marks</b> Good evaluation  Answer discusses the relationship with some sophistication. Data is well used to support the points and the evaluation is explained.
<b>1</b>	<b>1-2 marks</b> Limited understanding  Understanding of the relationship is not present, but an understanding of growth and unemployment is shown	<b>1 mark</b> Limited application Data is used at a superficial level but fails to understand that GDP growth is a percentage change based variable, whereas unemployment is a stock. Alternatively, percentage change data is understood, but the answer looks at only a narrow range.	<b>1 mark</b> Limited analysis The link between growth and unemployment is explained, but the theoretical development is limited	<b>1 mark</b> Limited evaluation There is some qualification, but data is not very well used – references are vague (although not completely throw-away).
<b>0</b>	<b>0 marks</b> No valid understanding	<b>0 marks</b> No valid application	<b>0 marks</b> No valid analysis	<b>0 marks</b> No valid evaluation

## **Indicative content:**

### **AO1 Knowledge and understanding**

Max 3 for answers only understanding that unemployment will affect growth.  
Up to 4 for answers understanding that growth impacts unemployment.

Both are not needed for 4.

### **AO2 Data use:**

Band 2 answers use GDP percentage changes very effectively and are aware that slowing growth may well be associated with falling unemployment because GDP is rising.

Not all of the following are needed, but:

2008-09: Unemployment rises steadily from 7 to 10% of the labour force. Growth slows, then becomes negative, before GDP starts to rise right at the end of 2009 (not from early 2009).

2010-early 11: Strong growth (0.5% per quarter) is linked with falling unemployment, but only marginally (to just under 10%).

Late 2011-12: Eurozone heads into mini-recession and unemployment surges from under 10% to 12%.

### **AO3 Analysis: standard lines will be:**

Falling GDP means that firms have fewer orders and are forced to cut costs. As a result, jobs will be lost causing unemployment to rise.

Rising GDP means that firms need to expand output. They need more FOPs to do this, so labour is hired and unemployment falls as the output gap is reduced.

Any initial change in GDP and unemployment will be magnified by the multiplier process, meaning that the process is a two way one (although answers which explain only that rising unemployment cuts GDP will be band 1 analysis only).

### **AO4: Evaluation**

Relationship is not stable: Big increase in u/e in 2012 does not correlate with a big fall in GDP – other factors may be at work – delayed effects of slow growth from before etc. 2014 onwards, unemployment falls quite quickly even though growth is very modest (probably due to strong growth in some parts of the zone).

There are times where growth is occurring but unemployment is rising (2009, 2013), that even when growth is occurring, not that many jobs are created, that there are lags at certain points (2010), or that rises in unemployment do not always match up with a given size of GDP fall.

There may be other lags – 2009, 2014 when GDP growth becomes positive but it takes time for unemployment to start to fall.