Mark scheme
June 2002

GCE

Economics

Unit ECN1

AQA Advanced Subsidiary Economics

June 2002   **ECN1/1**

This component is an objective test for which the following list indicates
the correct answers used in marking the candidates' responses.

KEY LIST

1.	A	14.	A
2.	C	15.	C
3.	D	16.	B
4.	C	17.	A
5.	A	18.	D
6.	A	19.	B
7.	B	20.	C
8.	B	21.	B
9.	D	22.	B
10.	A	23.	D
11.	B	24.	C
12.	D	25.	C
13.	D		

Advanced Subsidiary Economics

June 2002   **ECN1/2**

MARK SCHEME

General Instructions

Marks awarded to candidates should be in accordance with the following mark scheme and examiners should be prepared to use the full range of marks available. The mark scheme for most questions is flexible, permitting the candidate to score full marks in a variety of ways. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required for full marks. But conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation, **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, you must in the first instance telephone your team leader to discuss how to proceed.

Two approaches have been used in the construction of the mark scheme for the data response questions:

(i)   **An 'issue' based approach.** The mark scheme for parts (a) and (b) of the questions adopts this approach. The mark scheme lists the marks that can be awarded for particular issues (and associated development) that the candidate might include in the answer. Marks awarded for development should take into account the Quality of Written Communication used by candidates as indicated on page 8 of this mark scheme.

(ii)   **A 'levels' approach.** This approach is used for marking part (c) of the questions. The mark scheme summarises the information required to answer the question, but without attaching marks to particular issues. Marks should be awarded according to whether the answer displays the skills indicated by the four Mark Band Descriptors or "Levels of Skill" included in the mark scheme. The Mark Band Descriptors are set out on page 7. When using a 'levels' mark scheme the marker **must** identify where a particular skill is being demonstrated. The **key** to be used to identify the skill is also shown on page 8. The level chosen should be the one which **best fits** the answer provided by the candidate. It is **not** intended that the answer should satisfy every statement in the level description.

APPLYING THE 'LEVELS' MARK SCHEME

Levels of Response Mark Band Descriptors

In part (c) of the data questions approximately half the marks are available to award to candidates who demonstrate that they can 'evaluate economic arguments and evidence, and make informed judgements'. It is not necessary that the candidate identifies a wide range of issues. As indicated below the quality of language used should be taken into account when awarding the marks.

Level 1
Few, if any, relevant issues are recognised. Economic concepts and principles are not adequately understood or applied to the question. No satisfactory analysis or evaluation. A poorly organised response which generally fails to answer the question. Descriptions and explanations lack clarity. Spelling, punctuation and grammar are likely to be poor. There is little use of economic terminology.   **0 to 5 marks**

Level 2
One or more relevant issues are recognised. An attempt is made to use basic economic concepts to answer the question but the candidate's explanation may be confused. There will be some attempt to present alternative points of view. The answer is likely to be poorly organised and is unlikely to have a clear structure. The candidate demonstrates some ability to spell commonly used words and to follow the standard conventions of punctuation and grammar. Some use of economic terminology is made but this is not always applied appropriately.   **6 to 10 marks**

Level 3
Two or more relevant issues are recognised. The candidate has made a reasonable attempt to apply economic concepts and ideas. A satisfactory understanding of some basic economic concepts and theories is demonstrated. The candidate will present alternative points of view and there will be some attempt to evaluate the issues, arguments and/or data. Some logic and coherence in the organisation of the answer. The candidate is generally able to spell commonly used words and usually follows the standard conventions of punctuation and grammar. Some descriptions and explanations are easy to understand but the answer may not be expressed clearly throughout. There is some evidence of the correct use of relevant economic terminology.
                                                                11 to 15 marks

Level 4
Two or more relevant issues are identified. Good understanding of some basic economic concepts and models is demonstrated. The candidate is able to apply these concepts and models to help answer the question. An appreciation of alternative points of view is shown. Satisfactory use is made of evidence and/or theoretical analysis to evaluate the issues/arguments identified and to support conclusions. Spelling is generally accurate and the standard conventions of punctuation and grammar are usually followed. The answer is well organised. Descriptions and explanations are usually clearly expressed. Appropriate use is made of relevant economic terminology.   **16 to 20 marks**

THE KEY TO BE USED WHEN USING THE 'LEVELS' MARK SCHEME

D   Where a particular economic term is correctly **DEFINED** in order to help the candidate to answer the question properly.

I   Where a relevant **ISSUE** is raised by the candidate.

K   Where the candidate demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the candidate's response to the question. This should also be used where the candidate quotes relevant examples.

Ap   Where the candidate demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.

A   Where the candidate demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.

E   Where the candidate **EVALUATES** and makes judgements about the significance of various issues and arguments.

QUALITY OF WRITTEN COMMUNICATION

The Mark Band Descriptors, which are used for assessing part (c) of the questions, incorporate statements which relate to the Quality of Written Communication used by the candidates.

However, it is also important to assess Quality of Written Communication **whenever** candidates produce answers using continuous prose. When applying an issue based mark scheme, examiners must take into account the following when deciding how many marks to award for development:

(i)   use of appropriate format and style of writing to organise relevant information clearly and coherently;
(ii)   use of specialist vocabulary, where appropriate;
(iii)   legibility of handwriting;
(iv)   accuracy of spelling, punctuation and grammar.

AQA

EITHER

1   **Total for this question:** *35 marks*

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1 (a)   Compare the changes in the price and production of steel which are shown in **Figure 1**.   *(5 marks)*

For candidates who:

note that the general trend in the world price of steel was downward: **1 mark**
note that the trend of world production of steel was upward: **1 mark**
note that the world price fluctuated significantly: **1 mark**
note that the fluctuations in production were less volatile: **1 mark**
quote statistics from the data to back up these points: **Up to 2 marks**
make any relevant observation about the scales of the graphs: **1 mark**
identify the inverse relationship between price and output: **1 mark**

Maximum of 3 marks if no use is made of statistics.
Maximum of 3 marks if only price or output changes are described.

                                                                      Maximum of 5 marks

1 (b)   With the help of supply and demand diagrams, explain:

    (i)   the change in the price of steel which occurred in the last six months of 2000
            (**Figure 1** and **Extract A,** lines 1-4)   *(6 marks)*

    (ii)   how decreases in the prices of plastics and aluminium may affect the price of steel
            (**Extract A,** lines 7-8)   *(4 marks)*

(i)

For candidates who:

draw a supply and demand diagram to show an initial equilibrium in the market for steel:	**1 mark**
shift the supply curve rightward on the diagram:	**1 mark**
draw a new lower world price of steel on the diagram:	**1 mark**
state the price of steel fell in the last six months of 2000:	**1 mark**
state that the fall resulted from an increase in supply:	**1 mark**
explain, using information from Extract A, why supply increased:	**Up to 2 marks**

(award only 1 of the 2 marks if the answer goes no further than copying out the passage)

Maximum of 3 marks for the supply and demand diagram.
Maximum of 2 marks for an inaccurately labelled diagram.
However 3 marks can be earned if the demand curve shifts rightward, but not by as much as the supply curve.

Maximum of 3 marks if there is no diagram.

                                              Maximum of 6 marks

(ii)

For candidates who:

draw a supply and demand diagram to show an initial equilibrium in the market for steel:	**1 mark**
shift the demand curve leftward and draw a new lower world price of steel on the diagram:	**1 mark**
explain that plastics (and/or aluminium) are substitutes for steel:	**1 mark**
explain that when the price of plastics or aluminium falls, steel users increase their demand for the substitute and reduce the demand for steel:	**Up to 2 marks**

Similar marks allocated for the argument that the goods are in joint demand.

Maximum of 2 marks for the supply and demand diagram.
Maximum of 1 mark for an inaccurately labelled diagram.

Maximum of 2 marks if there is no diagram.

                                              Maximum of 4 marks

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1 (c)   Evaluate the view that supply conditions, including the steel industry's lack of economies of scale, are more significant than demand conditions, for explaining the difficulties faced by steel producers in the UK.   *(20 marks)*

The issues identified below are intended to provide an indication of some of the areas that might be discussed. Candidates can only be expected to consider a few of these issues in the time available. The specification **does not** require candidates to have studied, or to have knowledge of, specific markets such as the steel industry. Candidates can therefore earn full marks without such knowledge, providing they make use of stimulus material. They must draw on the information in Extract B such as the effects of the slowing of demand exercised by manufacturing industry and especially the car industry (demand conditions) and small, old plants, lacking economies of scale (supply conditions). To earn more than 13 marks, there must be some evaluation, namely a conclusion as to whether supply conditions are more significant than demand conditions, backed up by some reasoning and/or evidence. It does not matter whether the candidate agrees, disagrees or writes an 'it all depends' conclusion.

Issues and areas for discussion include:

- Competitiveness of the steel industry

- Competitiveness or market power of the iron mining companies

- Competitiveness or market power of the steel-using companies

- Fall in demand for steel, for example because of decline of UK car industry

- Other demand-side factors such as fall in price of substitutes for steel

- The UK steel industry in relation to the world steel industry

- Effects of plant fragmentation, and lack of economies of scale

- Lack of government aid or subsidy

- Effects of high exchange rate, recently introduced American tariffs etc.

- 'Unlevel playing field' arguments

**USE THE MARK BAND DESCRIPTORS
SHOWN ON PAGE 7 OF THE MARK SCHEME**

Maximum of 20 marks

OR

2   **Total for this question: 35 marks**

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2 (a)   Compare UK expenditure on health care in 1997 with that of the other countries shown in **Figure 2**.
(5 marks)

For candidates who:

state that the UK spent the lowest proportion of national output on health care:	**1 mark**
illustrate this point up with the use of statistics:	**1 further mark**
note that if only public health care provision is compared, the UK is not the lowest:	**1 mark**
illustrate this point up with the use of statistics:	**1 further mark**
state that the UK had the lowest percentage of private spending on health care:	**1 mark**
illustrate this point up with the use of statistics:	**1 further mark**
explain that the data allows relative comparison but not absolute comparison:	**1 mark**
note that the UK, along with all the other countries except the US, spends more on health care publicly rather than privately:	**1 mark**
illustrate this point with the use of statistics:	**1 mark**
compare the UK accurately with one of the other six countries:	**1 mark for each comparison**
illustrate this point with the use of statistics:	**1 mark**

Maximum of 2 marks if the answer refers only to absolute levels of health spending, with no reference to proportionate or percentage spending.
Maximum of 3 marks if the UK is compared with only one of the other six countries.
Maximum of 3 marks if there is no use of statistics.

Maximum of 5 marks

AQA

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2 (b) Explain:

    (i)   why supporters of the NHS believe that 'government intervention in the provision of health care is fairer than market provision and the charging of prices' (**Extract C** lines 3-5);   *(4 marks)*

    (ii)   with the use of examples, the difference between the private and the social benefits of health care (**Extract C** line 9).   *(6 marks)*

(i)

For candidates who:

explain the meaning of fairness or fair in terms of equity or justness: **1 mark**
make relevant reference to value judgements or normative economics: **1 mark**
explain either free provision financed out of taxation helps the poor or
how market provision or the charging of prices does not help the poor: **Up to 4 marks**
make relevant application of the stimulus material in Extract C: **Up to 2 marks**

                                                      Maximum of 4 marks

(ii)

For candidates who:

explain the meaning of private benefits: **Up to 2 marks**
provide an example or examples of private benefits of health care:
                                     1 mark per example, up to a maximum of 2 marks

explain the meaning of social benefits, making the point that the social benefits are
all the benefits, external as well as private: **Up to 2 marks**
provide an example or examples of external and/or social benefits of health care:
                                       1 mark per example, up to a maximum of 2 marks

Some candidates may explain the difference using a diagram illustrating marginal private and social costs and benefits. Accurately drawn and properly explained, such a diagram can earn up to the 4 marks available for definition and distinction, but such a diagram is not necessary for full marks, being on the A2 rather than the AS specification.

Maximum of 3 marks if only private or social benefits of health care are explained.
Maximum of 3 marks if there is no reference to health care.

                                                   Maximum of 6 marks

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> 2 (c) The demand for health care is increasing year by year. Using the data and your economic knowledge, discuss the advantages and disadvantages of alternative ways of rationing health care services. *(20 marks)*

The issues identified below are intended to provide an indication of some of the areas that might be discussed. Candidates can only be expected to consider a few of these issues in the time available. Extract D mentions, albeit briefly in some cases, 7 methods of rationing: rationing by price; rationing by queues; rationing by financial contribution to the NHS; rationing by lottery; rationing by experts identifying urgent cases or on the basis of immediate need; rationing by blame; and rationing by the efficiency of output in relation to the cost of inputs. It also indicates that rationing by queuing is being supplemented by rationing by the efficiency of outputs. Not all of these need be identified or discussed. Two rationing methods evaluated in depth or 3 or more in rather less depth, can achieve a Level 4 mark, provided there is also some relevant analysis. Good answers might evaluate rationing methods in terms of the equity and efficiency stimulus provided by Extract C or in terms of the NHS co-operating with the private health care sector, though neither of these is necessary to reach Level 4. To earn more than 13 marks, there must be some evaluation, e.g. a justified conclusion relating to the discussion of advantages and disadvantages and/or a conclusion that one of the methods of rationing discussed, is preferable.

Issues and areas for discussion include:

- Discussing the need for rationing

- Relating the need for rationing to increasing demand

- Relating rationing to the price mechanism

- Relating rationing to market failure and/or government failure

- Identifying methods of rationing

- Explaining how methods of rationing may work

- Discussing strengths and weaknesses of rationing methods

- Overall evaluation of the discussed methods of evaluation

**USE THE MARK BAND DESCRIPTORS
SHOWN ON PAGE 7 OF THE MARK SCHEME**

Maximum of 20 marks