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Mark Scheme (Standardisation)
Summer 2009

GCE

GCE Economics (6352/01)

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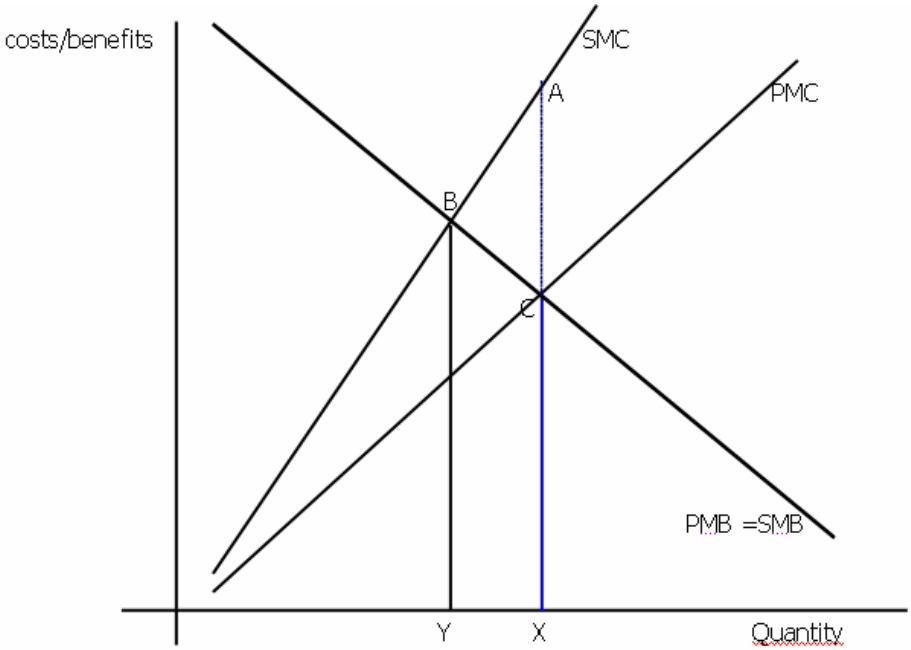
General Marking Guidance

- 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
1(a)(i)	120/397 x 100 = 30.2% Accept 30%. 1 mark if method correct but calculation incorrect. Award 2 marks if correct answer is written down without calculations.	**(2)**

Question Number	Answer	Mark
1(a)(ii)	Factors which might explain the increase in waste include: • Increase in economic growth leading to increased income per head, resulting in increased consumption of goods • Change in tastes and fashions – more consumption of fast foods, ready meals resulting from lifestyle changes • Population changes: increase in size e.g. due to net migration and increase in number of households e.g. resulting from divorce, increased life expectancy, and single person households • Increased packaging associated with change in shopping patterns – greater use of supermarkets 2 marks for identification of any 2 relevant factors, 4 for analysis. (2 x 3 marks)	**(6)**

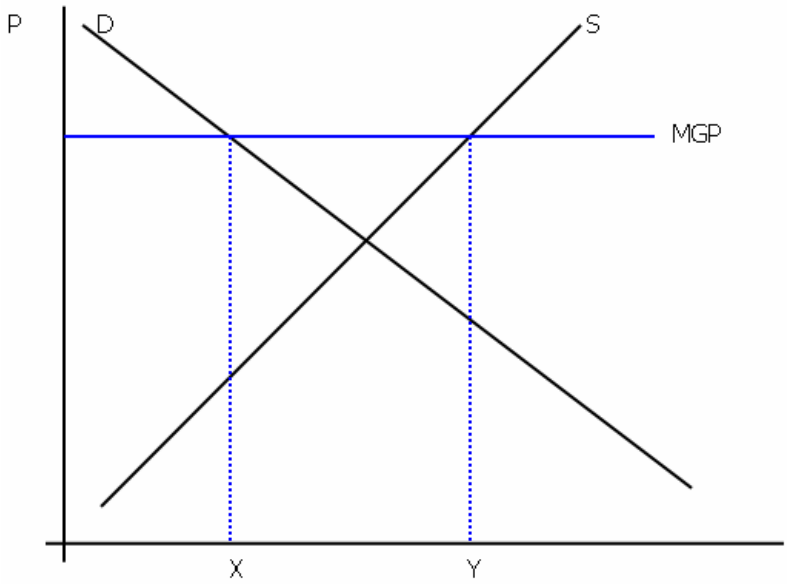
Question Number	Answer	Mark
1(b)	Factors include: • Differences in cost of landfill sites resulting from differences in availability and of landfills sites and taxes on landfill • Differences in costs of recycling e.g. nearness to recycling centres; government provision for collection • Differences in laws and regulations 2 marks for identification of any 2 relevant factors, 1 for application (reference to figure 2) and 1 for analysis (i.e. brief further explanation of one of the points)	**(4)**

Question Number	Answer	Mark
1(c)	Consideration of factors such as: Definition of external costs: those accruing to third parties who are not part of the transaction (2); spillover effects on consumers and producers not involved in the exchange (2); Only 1 mark for any of the following: difference between social costs and private costs (or formula); costs to society; cost to third party; costs to consumers not involved in the transaction; costs which the price mechanism fails to take into account  4 marks for diagram and associated explanation, (2 marks for basic diagram, 1 mark for identifying the free market level of production (X), and socially efficient level (Y), and 1 for identifying/explaining that YX represents over-production or for explaining welfare loss area ABC. (allow price and quantity on the axes) Examples of external costs of waste disposal in landfills sites: methane gas; pollution of water table higher council tax; reduction in local services; (1 + 1) (Do not allow vague reference to pollution) Evaluation could include: • Prioritisation of factors; • Impact depends on magnitude of methane gas emissions; significance of methane gas for global warming • Significance of tax on dumping in landfill sites	**(10)**

	2 marks for definition of external costs; 2 marks for examples; 4 marks for analysis and 2 marks for any one evaluative point.	

Question Number	Answer	Mark
1(d)	Private benefits: those benefiting consumers and producers internal to the exchange (2) 1 mark for any of the following: those benefiting consumers; those benefiting producers; formula e.g. PB = SB – EB Examples include: employment and wages for workers in recycling industries; profits of firms involved in recycling (1 mark for example) External benefits are those to third parties not involved in the transaction; spillover effects on consumers and producers not involved in the exchange (2); 1 mark for any of the following: difference between social benefits and private benefits (or formula); benefits to society; benefits to consumers not involved in the transaction; not reflected in market price. Examples of possible benefits: innovation leading to economic growth; employment in industries associated with recycling leading to increased growth/extra tax revenue for the government. Also allow a mark for an example of a reduction in external costs. (1 mark for example)	**(6)**

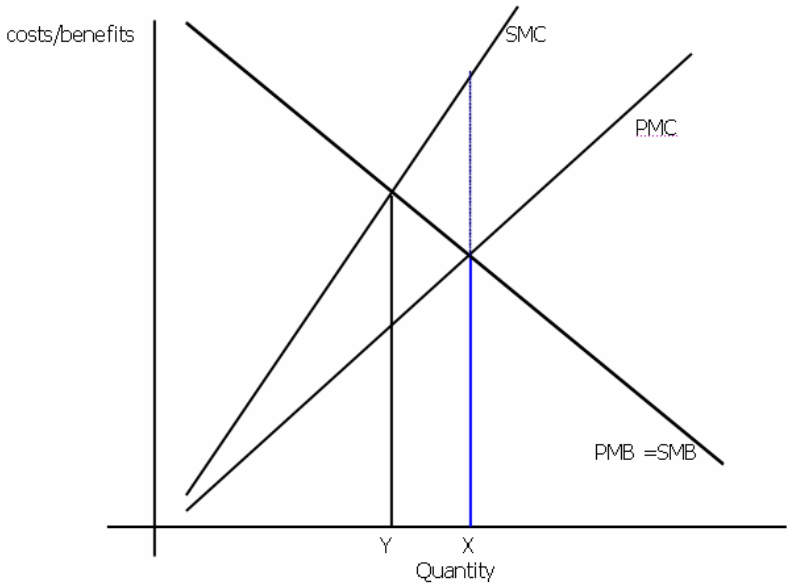
Question Number	Answer	Mark
1(e)	Pay-as-you-throw schemes would • Provide an incentive for greater recycling • Reduce the need for landfill sites • Take account of the external costs of waste But… • Might encourage fly tipping • Householders to put waste in someone else's bin • Would adversely affect households with a large number of people • Would adversely affect low income households Tax on packaging would: • Internalise the externality • Raise the costs of producers who may pass on these higher costs to consumers (A diagram may be used to illustrate this) • Reduce the need for landfill and so reduce external costs of waste • Incentive to increase recycling But: • Less packaging might lead to contamination of food or damage to products • Less incentive for consumers to reduce waste • Effectiveness limited if demand is price inelastic • Effect depends on the magnitude of the tax 2 x 6 marks: each block of 6 marks to be awarded as follows: 1 mark for knowledge/identification; 1 mark for application of scheme to reduce waste; 1 for analysis; and 3 marks for any one or two evaluative points	**(12)**

Question Number	Answer	Mark
2(a)	 Diagram showing minimum guaranteed price above the free market price (2 marks, + 1 mark for showing surplus of XY) • 2 marks for application: context of dairy products and/or milk powder. No context marks if diagram is absent or incorrect. 2 marks for analysis: MGP leads to excess supply or over production (1) – extension of supply and contraction in demand (1). (Allow 1 mark if answer focuses on the reasons for CAP)	**(7)**

Question Number	Answer	Mark
2(a)(ii)	Reasons include: • Reduction of minimum guaranteed price *But some surplus would have remained if the MPG was above the market price* • Increased demand e.g. from Asia *This could be very significant because it appears to be a long term trend* • Decreased supply (because of droughts/floods e.g. in Australia) *This would probably be a short term problem only unless climate change causes permanent problems.* Also allow factors from extract 2 e.g. use of crops for biofuel (but no application marks for these factors) 3 marks for identification; 3 marks for application to context e.g. specific reference to extract; 2 marks for analysis and 2 marks for any one evaluative points (2 + 2 or 3 + 1)	**(10)**

Question Number	Answer	Mark
2(b)(i)	72/10 x 100 = 720% . Also allow: 73/10 x 100 = 730% or 71/10 x 100 = 710% 1 mark for correct method but inaccurate calculation. Award 2 marks if correct answer is written down without calculations. Award 1 mark if there is a vague answer "around 700% increase".	**(2)**

Question Number	Answer	Mark
2(b)(ii)	Definition of external costs: those accruing to third parties who are not part of the transaction (2); spillover effects on consumers and producers not involved in the exchange (2); Only 1 mark for any of the following: difference between social costs and private costs (or formula); costs to society; costs to third parties; costs to consumers not involved in the transaction; costs which the price mechanism fails to take into account Examples include: loss of rainforest threatening wildlife e.g. orang-utans and associated problems of climate change; threat of increasing hunger for the poor because of higher food prices associated with the production of biofuels. (1 + 1 marks for examples)	**(4)**

Question Number	Answer	Mark
2(c)	 3 marks for diagram; 1 of which for application to biofuel production; 2 marks for explanation e.g. under a free market there would be over production of YX or for explaining welfare loss area ABC. 1 mark for identifying the free market level of production (X), and socially efficient level (Y). Also allow external benefits diagram and analysis – mark as above.	**(5)**

Question Number	Answer	Mark
2(d)	Tighter legal regulations – fixed limits can be placed on the amount of pollutants discharged and enforced with financial penalties. Regulations can limit carbon emissions to a specific level. But.. • enforcement costs might be significant • difficulty of measuring discharge of pollutants • allow analysis based on tradable permits Higher taxes – a means of making the polluter pay for carbon emissions – could be illustrated with a supply and demand diagram. Taxes bring in revenue for the government which may be used for research into methods of reducing carbon emissions. But.. • impact depends on the level of the tax • the impact of taxes depends on the price elasticity of demand • difficult to measure precisely the external costs of carbon emissions and therefore of setting the appropriate tax 2 x 6 marks: each block of 6 marks to be awarded as follows: 1 mark for knowledge/identification; 1 mark for application of scheme to reduce waste; 1 for analysis; and 3 marks for any one or two evaluative points	**(12)**