

# Mark Scheme (Post standardisation) Summer 2009

GCE

## GCE Economics (6EC01/01)

## 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.

N.B. Candidates may achieve up to 3 explanation marks even if the incorrect key is selected.

N.B. Candidates may achieve up to 3 marks for explaining up to three incorrect options using different reasons.

### Key to multiple choice questions

Question	1	2	3	4	5	6	7	8
Answer	D	C	D	D	D	A	C	B

Question Number	Answer	Mark
1	<p>Answer D</p> <ul style="list-style-type: none"> <li>• Definition of a production possibility frontier (the maximum output combinations of two goods / services an economy can achieve when all its resources are fully / efficiently employed) (1 mark).</li> <li>• An outward shift in agricultural goods indicates an increase in potential output (accept output) / this may be shown by annotation of the diagram (1 mark).</li> <li>• Improvements in technology increase productivity / efficiency (1 mark)</li> <li>• Application to technological improvements in agriculture e.g. new machinery, GM crops, fertilisers. (1+1 mark).</li> </ul>	(4)

Question Number	Answer	Mark
2	<p>Answer C</p> <ul style="list-style-type: none"> <li>• Definition of division of labour / specialisation (production of a good is broken down into different tasks and labour allocated to each task) (1 mark).</li> <li>• Advantages of division of labour such as increase in productivity / efficiency (1 mark)</li> <li>• Reasons for increase in productivity include less time taken to train / repetition in one task quickly leads to greater productivity / more efficient use of machinery (1+1 mark).</li> <li>• Also award for diagram showing an increase in supply caused by reduction in costs / also accept a decrease in average cost diagram (1 mark).</li> <li>• Application to beauty industry e.g. face creams, lipsticks, eye shadow, other make up (1 mark)</li> </ul>	(4)

Question Number	Answer	Mark
3	<p>Answer D</p> <ul style="list-style-type: none"> <li>• Definition or formula of income elasticity of demand (responsiveness of demand for a good due to a change in income) (<math>\% \Delta QD \div \% \Delta Y = YED</math>) (1 mark).</li> <li>• Calculation of percentage change in expenditure for food and soft drinks (25.6%; accept 25% or 26%) and clothing and footwear (145.9%; accept 145% or 146%) Both calculations required (1 mark).</li> <li>• Calculation of income elasticity of demand for clothing and footwear (3.6; accept reasonable approximate answers) (1 mark).</li> <li>• Calculation of food and soft drinks (0.63; accept reasonable approximate answers) (1 mark).</li> <li>• Both categories of food and soft drinks, and clothing and footwear are normal goods (1 mark)</li> </ul>	(4)

Question Number	Answer	Mark
4	<p>Answer D</p> <ul style="list-style-type: none"> <li>• Definition of consumer surplus (the difference in the price consumers are prepared to pay for a good and the actual market price paid) (also accept the area above the equilibrium price and below the demand curve) (1 mark).</li> <li>• Original consumer surplus is XYP1 (this may be annotated on the diagram)(1 mark).</li> <li>• Increase in consumer surplus is P1YZP2 (this may be annotated on the diagram) (1 mark).</li> <li>• New level of consumer surplus annotated on the diagram (1 mark).</li> </ul>	(4)

Question Number	Answer	Mark
5	<p>Answer D</p> <ul style="list-style-type: none"> <li>• Definition of free market economy (where resources are allocated by the price mechanism and there is no government intervention) (1 mark).</li> <li>• Definition of the price mechanism (a mechanism which determines resource allocation through the interaction of demand and supply / price signals) (1 mark).</li> <li>• Application of price mechanism to rationing: for example, an increase in price will cause demand to fall or this could be shown by diagrammatic analysis (up to 2 marks).</li> <li>• Explanation of scarcity / basic economic problem (up to 2 marks)</li> </ul>	(4)

Question Number	Answer	Mark
6	<p>Answer A</p> <ul style="list-style-type: none"> <li>• Definition of cross elasticity of demand (the responsiveness in quantity of demand of one Good due to a change in price of another Good) or formula (<math>\% \Delta QD \text{ good B} \div \% \Delta P \text{ good A}</math>) (1 mark).</li> <li>• Goods which have a positive cross elasticity of demand are substitutes (1 mark).</li> <li>• Application to motor vehicles and rail travel (for example an increase in price of motor vehicles may cause an increase in demand for rail travel or vice versa) (1 mark).</li> <li>• Accept correct diagrammatic analysis depicting a positive cross elasticity of demand (1 mark).</li> </ul>	(4)

Question Number	Answer	Mark
7	<p>Answer C</p> <ul style="list-style-type: none"> <li>• Definition of government failure (government intervention which leads to a net welfare loss / inefficient allocation of resources / to correct market failure but makes it worse) (1 mark).</li> <li>• Definition of an indirect tax (tax placed on the expenditure of a good) (1 mark).</li> <li>• High taxes on tobacco make it worthwhile for some people to break the law and smuggle in cheaper tobacco from abroad / leads to a hidden market (1 mark).</li> <li>• Explanation of why it is a government failure: loss of tax revenue / more money spent on policing of tobacco smuggling / more funding for the NHS / cheaper smuggled cigarettes encourage more people to smoke / more external costs(1+1 marks).</li> </ul>	(4)

Question Number	Answer	Mark
8	<p>Answer B</p> <ul style="list-style-type: none"> <li>• Definition of market failure (the price mechanism leads to a net welfare loss / inefficient allocation of resources) (1 mark).</li> <li>• Identification of the type of market failure (external costs or negative externalities / and development e.g. diagram of external costs) (1+1 marks).</li> <li>• Explanation of tradable permits (pollution permits bought and sold by firms / property rights assigned to companies which permits them to pollute to a set maximum) (1+1 marks).</li> <li>• Reference to the profit incentive to reduce pollution so permits can be sold on (1 mark).</li> <li>• Application: the carbon permits will restrict the amount of pollution from these industries to a certain level and so reduce extent of external costs (1 mark).</li> </ul>	(4)

Data response: Examiners should be prepared to use their discretion in awarding evaluation marks for answers which include higher order levels of analysis.

Question Number	Answer	Mark
9(a)	<ul style="list-style-type: none"> <li>• Any two reasons for falling property prices: (2+2 marks)               <ul style="list-style-type: none"> <li>➤ Rising unemployment / falling consumer confidence / more households unable to afford mortgage repayments or to purchase property.</li> <li>➤ Credit crunch has meant banks are less willing to lend / due to poor debtors.</li> </ul> </li> <li>• Diagram showing a decrease in demand and falling house prices: (original demand and supply curve / decrease in demand curve / a fall in the equilibrium price) (1 + 1 + 1 marks)</li> </ul> <div style="text-align: center;"> </div> <p>N.B. If the supply curve is shifted as well as the demand curve award a maximum of 2 marks for the diagram.</p>	(7)

Question Number	Answer	Mark
9(b)	<ul style="list-style-type: none"> <li>➤ Any two points developed (2+2 marks)</li> <li>➤ Data reference: falling number of first time buyers from 532 000 to 300 000 / huge pent up demand for housing / the trend in house prices may be reversed (1+1 marks)</li> <li>➤ The fall in property prices means it is easier for first time buyers to afford to buy / take out smaller mortgages.</li> <li>➤ If property prices continue to fall over next two years then more first-time buyers will be able to afford to get on housing ladder.</li> <li>➤ Nature of first time buyers and type of housing sought is changing: first-time buyers are older / look for smaller, more affordable properties.</li> </ul> <p>Note: award a maximum of 4 marks for KAA</p> <p>Evaluation (2 marks for any one point)</p> <ul style="list-style-type: none"> <li>• It depends on the magnitude of house price fall - 13.4% is quite significant for one year; if this continues for the next two years then more first time buyers will be successful. However, house prices still greatly exceed average earnings so perhaps little impact.</li> <li>• It depends on whether first-time buyers are able to obtain mortgages as banks have greatly reduced their lending. Banks lack funds to lend and are under pressure to reduce debts.</li> <li>• The extract refers to the dramatic decrease in numbers of first time buyers / this is linked to difficulties in obtaining mortgages / higher cash deposit requirements.</li> <li>• Depends on the future state of the economy. Some first-time buyers may become unemployed or risk becoming unemployed. This will reduce their ability to purchase property.</li> <li>• Discussion of price elasticity of demand.</li> <li>• Discussion of first time buyers deferring house purchase since property prices are still falling / the trend in house prices is still falling.</li> </ul>	(6)



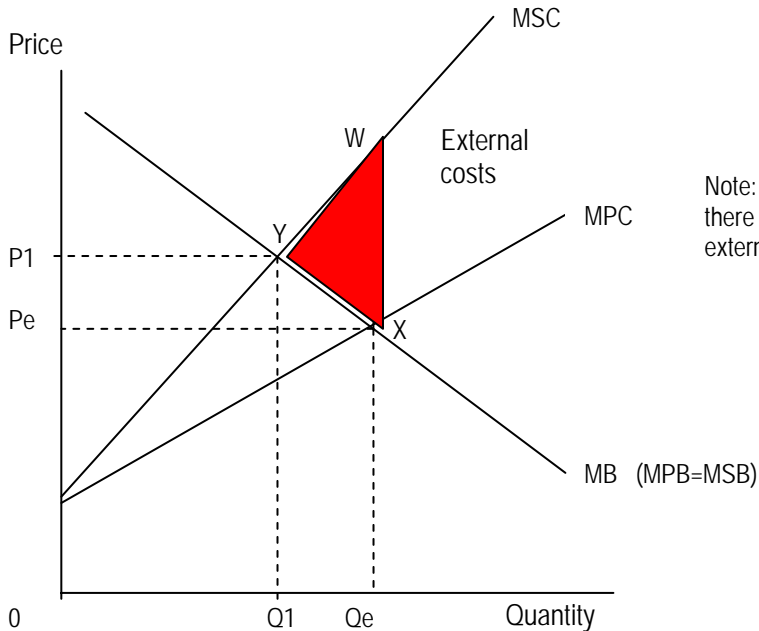
Question Number	Answer	Mark
9(c)(i)	<ul style="list-style-type: none"> <li>• Accept any two regions, though most candidates are likely to select Greater London / South East to compare with another region.</li> <li>• Explicit data reference to house prices for two regions (1 mark).</li> <li>• Identification of two or more factors (1+1 marks) <ul style="list-style-type: none"> <li>➢ Differences in regional average earnings</li> <li>➢ Differences in availability of land Accept other factors e.g. differences in wealth / employment rates / net migration / population densities / cultural attractions.</li> <li>➢ Differences in regional unemployment rates.</li> </ul> </li> <li>• Development of two factors (2+2 marks) <ul style="list-style-type: none"> <li>➢ Higher regional earnings mean people can afford to pay more for housing - so higher demand will push up average price. Also accept view of lower average earnings in some regions.</li> <li>➢ Availability of land in some regions is less than others; where supply very limited average house prices will be higher. Also accept view of more availability of land in some regions.</li> <li>➢ Lower regional unemployment rates may lead to higher regional house prices / due to stronger demand in the housing markets.</li> </ul> </li> </ul> <p>Note: award a maximum of 6 marks for KAA</p> <p>Evaluation: (3+3 marks or 2+2+2 marks)</p> <ul style="list-style-type: none"> <li>• Prioritise between the two reasons e.g. differences in the cost of land might be the major cause, especially for Greater London where it is extremely expensive.</li> <li>• Regional average earnings may not account for the differences in house prices. The disparities in regional earnings are significantly less than regional house prices.</li> <li>• Time factor - the major house building programme for south-east may reduce regional differences in house prices.</li> <li>• Evaluative use of the data e.g. magnitude of the house price differentials.</li> <li>• Price and availability of substitutes in the regions e.g. rental accommodation.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Geographical element could be involved. The further the region is from London the lower average house prices. This suggests access to London is major determinant of regional house price differentials.</li> <li>• Data issues: more information required to evaluate effectively, for example, regional wealth holdings / household earnings may be more appropriate than individual earnings / intra regional migration.</li> <li>• Candidates may discuss other factors which could have an impact on differences in average regional house prices and weigh up their significance.</li> </ul> <p>Quality of written communication skills will be assessed in this question based on the candidate's ability:</p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument.</li> <li>• To organise information clearly and coherently.</li> <li>• To use economics vocabulary appropriately.</li> <li>• To use grammar, spelling and punctuation appropriately.</li> </ul>	(12)
--	---	------

Level	Mark	Descriptor
Level 1	1-2	Identification of two factors but no explanation.
Level 2	1-4	Explanation of two factors but no evaluation. (Mark cap of 6 if no evaluation offered).
Level 3	5-7	Explanation of two factors and one evaluation point.
Level 4	8-10	Convincing explanation of two factors and two or more evaluation points offered.

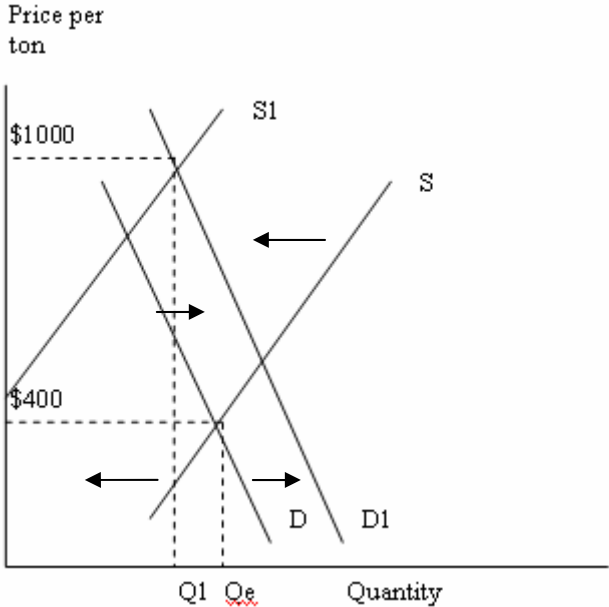
Question Number	Answer	Mark
9(c)(ii)	<ul style="list-style-type: none"> <li>• Understanding of geographical mobility of labour e.g. the ability of labour to move from one region to another without obstacles. This may be an implicit understanding. (1 mark).</li> <li>• Data reference may be offered e.g. difficulty in moving from Newcastle to London. (1 mark).</li> <li>• People in high house price regions are likely to have more geographical mobility / people will find it relatively easier to move to lower price regions / more able to afford mortgages. (Up to 2 marks).</li> <li>• People in low house price regions are likely to have less geographical mobility / people will find it relatively harder to move to higher price regions / less able to afford mortgages. (Up to 2 marks).</li> <li>• Labour can rent property rather than buy - as long as rent not too expensive. (1 mark)</li> </ul> <p>Note: award a maximum of 5 marks for KAA</p> <p>Evaluation (2 marks for one or more factors).</p> <ul style="list-style-type: none"> <li>➤ Magnitude: regional house price disparities are huge and people outside of the Greater London / South-East will have great difficulty in purchasing a house within this region.</li> <li>➤ Labour mobility could increase due to immigration from Eastern Europe -despite high house prices in some regions.</li> <li>➤ Labour may still be able move into Greater London / South-East if accept smaller property.</li> <li>➤ Labour moving into Greater London / South-East are likely to be on higher earnings, so may be able to afford more expensive property.</li> <li>➤ Labour might be able to commute into Greater London / South-East.</li> <li>➤ Labour mobility not so significant since many people work from home due to growth of Information Technology sector.</li> <li>➤ Other factors also affect the geographical mobility of labour e.g. social ties / government initiatives to improve mobility.</li> </ul>	(7)

Question Number	Answer	Mark
9(d)(i)	<ul style="list-style-type: none"> <li>• Definition of private costs: cost internal to an exchange / cost which the price mechanism takes into account / a direct cost to the producer or consumer / social cost minus external cost equals private cost (1+1 marks).</li> <li>• Definition of external cost: cost external to an exchange / negative third party effect / spillover from production or consumption / cost which the price mechanism fails to take into account / cost outside of the transaction / social cost minus private cost equals external cost (1+1 marks).</li> <li>• An example of an external cost and private cost can be used to reinforce definitions. (1 + 1 marks)</li> </ul> <p>Examples of external costs include: air pollution / visual pollution / noise pollution / road congestion.</p> <p>Examples of private costs include: the price paid by consumers / wage costs/ raw material costs / machinery / power / factory costs for producers.</p>	(4)

Question Number	Answer	Mark
9(d)(ii)	<ul style="list-style-type: none"> <li>• An example of private costs from house building (1 mark) and development of this (1 mark).</li> <li>• An example of external costs from house building (1 mark) and development of this (1 mark).</li> <li>• Relevant diagram depicting marginal private cost and marginal social cost curves) (up to 4 marks).  MPC = MB curves (1) MSC curve (1) new equilibrium position (1) identify external costs (1) the welfare loss triangle XYW on the diagram (1)</li> </ul>  <p>Note: for simplicity there are no external benefits</p> <p>N.B. accept parallel shift in the MSC curve  N.B. award a maximum of 6 marks for KAA</p> <p>Evaluation (3+3 or 2+2+2 marks)</p> <ul style="list-style-type: none"> <li>• Discussion of whether the house building programme is a market or government failure. Issue of internalising the external costs to reduce welfare loss.</li> <li>• Discussion of magnitude of house building programme: more than 1.1 million homes in South-East. This is very ambitious.</li> <li>• Time factor: 2016 means a relatively short time to construct so many homes. Will quality suffer? Some costs may be short term but benefits long term.</li> <li>• Size of external costs will depend on various factors e.g. planning regulations, quality of new builds, size of new houses, environmental awareness of housing companies.</li> </ul>	

	<ul style="list-style-type: none"> <li>• Credit crunch could mean the target for house building will not be met. House building companies face problems in raising finance / potential house buyers face problems raising finance.</li> <li>• Difficulties of measuring external costs / quantifying and placing monetary values.</li> <li>• Candidates may also refer to the benefits of such a large housing project e.g. employment creation, improved mobility of labour and multiplier effects. Candidates may make a value judgement on whether benefits exceed the cost of the housing project.</li> </ul> <p>Quality of written communication skills will be assessed in this question based on the candidate's ability:</p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument.</li> <li>• To organise information clearly and coherently.</li> <li>• To use economics vocabulary appropriately.</li> <li>• To use grammar, spelling and punctuation appropriately.</li> <li>•</li> </ul>	(12)
--	--	------

Level	Mark	Descriptor
Level 1	1-4	Examples of private costs and external costs of a major house building programme.
Level 2	5-6	Examples and relevant diagrammatic analysis applied to house building programme. No evaluation. (Mark cap of 6 if no evaluation offered).
Level 3	7-9	Examples and relevant diagrammatic analysis; one evaluation point offered.
Level 4	10-12	Convincing examples and diagrammatic analysis; two or more evaluation points offered.

Question Number	Answer	Mark
10(a)(i)	<ul style="list-style-type: none"> <li>• Explanation of increase in demand: rising incomes in developing countries such as China / population growth in India and Indonesia (1+1 marks).</li> <li>• Explanation of decrease in supply: severe floods / drought in rice growing regions / cyclone in Myanmar (1+1 marks).</li> <li>• Diagrammatic analysis which shows: <ul style="list-style-type: none"> <li>➤ An increase in the demand curve (1 mark).</li> <li>➤ A decrease in the supply curve (1 mark).</li> <li>➤ Original equilibrium price (1 mark).</li> <li>➤ New final equilibrium price (1 mark).</li> </ul> </li> </ul> <p>N.B. If candidates show an increase in demand and a decrease in supply on separate diagrams with the same final equilibrium price, award 3 marks.</p> <p>N.B. If candidates show an increase in supply as well as an increase in demand award a maximum of 2 marks.</p> 	(8)

Question Number	Answer	Mark
10(a)(ii)	<ul style="list-style-type: none"> <li>• Identification and explanation (1+1 marks) <ul style="list-style-type: none"> <li>➤ Demand factors include: change in tastes / rise in price of substitutes such as maize / fall in price of complements such as vegetables and fish / cut in income taxation leading to increase in disposable income / increase in advertising.</li> </ul> </li>   <li>• Identification and explanation (1+1 marks) <ul style="list-style-type: none"> <li>➤ Supply factors include: increase in production costs / tax placed on rice / deterioration in quality of soil for rice growing / decrease in supply of agricultural land due to urbanisation / withdrawal of government subsidies to rice growers / switch to bio fuels.</li> </ul> </li> </ul> <p>N.B. Do not accept population and income growth for demand nor flooding, drought, poor climate and weather for supply.</p>	(4)



Question Number	Answer	Mark
10(b)	<ul style="list-style-type: none"> <li>• Definition or formula of price elasticity of demand (1 mark)</li> <li>• Demand is likely to be price inelastic (1 mark) Reasons e.g. it may have few close substitutes / a small percentage of income spent on the good / a necessity good (1+1 marks)</li> <li>• Diagram showing price inelastic demand curve (1 mark).</li> </ul> <p>Candidates may argue that price is elastic in demand. Accept valid reasons.</p> <p>Award a maximum of 3 marks for KAA.</p> <p>Evaluation (up to 2 marks for a sound point)</p> <ul style="list-style-type: none"> <li>• Significance of price inelastic demand, for example, Extract 1 refers to food riots following price increase.</li> <li>• Rice could be price elastic in demand in developed countries as more substitutes available e.g. pasta, potatoes and noodles.</li> <li>• Rice may be price elastic in demand in the long run as living standards rise / tastes change in developing countries.</li> <li>• Discussion of different qualities / types of rice e.g. basmati and long grain and how price elasticity of demand is affected.</li> </ul>	(5)

Question Number	Answer	Mark
10(c)	<ul style="list-style-type: none"> <li>• Definition or formula of price elasticity of supply (1 mark)</li> <li>• Supply may be inelastic in the short run / due to time taken to grow (1+1 marks).</li> <li>• Supply is relatively price elastic in the long run / as farmers give up their jobs in towns and cities and return to work the fields / profit incentive (1+1+1 marks).</li> <li>• Diagram showing how price elasticity of supply might change over time (1 mark).</li> <li>• Understanding that in the short run, at least one factor input is fixed in quantity whereas in the long run all factor inputs are variable (1+1 marks).</li> </ul> <p>Award a maximum of 5 marks for KAA.</p> <p>Evaluation (2+2 marks)</p> <ul style="list-style-type: none"> <li>➤ Supply could be relatively elastic in the short run too since up to four harvests of rice can be planted each year.</li> <li>➤ Discussion on the availability of land for growing rice / could switch land use from other types of crops to rice production / finite nature of land.</li> <li>➤ Discussion on the mobility of factor inputs, for example, growing rice requires limited skills so plentiful supply of labour.</li> <li>➤ Discussion on changing technology over time.</li> <li>➤ Discussion on level of spare capacity in the economy.</li> <li>➤ Discussion on stock piles and perishability of rice and how it affect elasticity.</li> <li>➤ Discussion on the quality of farmland after storms, flooding and drought. This could make supply less elastic.</li> <li>➤ Discussion on how long the price of rice will remain high (is it temporary or permanent) - perhaps rice prices could fall dramatically over next few years if supply increases worldwide.</li> </ul>	(9)

Question Number	Answer	Mark
10(d)	<ul style="list-style-type: none"> <li>• Definition / understanding of government failure or some development. Government intervention leads to a net welfare loss / inefficient allocation of resources / intervenes to correct market failure but makes it worse. This may include an example of government failure e.g. tobacco smuggling through high taxes (1+1 marks).</li> <li>• Export restrictions mean producers may switch supplies to domestic markets / reducing price for domestic consumers / diagram showing an increase in supply (1+1+1 marks).</li> <li>• Government failure will occur if farmers lose incentive to grow rice for domestic market due to low price (1 mark). Development of this point, for example, farmers have less revenue to re-invest into rice production / farming commodities suffer a fall in incomes (1+1 marks).</li> </ul> <p>Award a maximum of 6 marks for KAA.</p> <p>Evaluation (2+2 marks)</p> <ul style="list-style-type: none"> <li>• Magnitude of restriction on exports. The greater the restrictions the greater the effect on domestic farmers. The policy could backfire on the governments since there could still be rice shortages in the long run.</li> <li>• Time period in which restrictions on exports of rice may occur - over a short period there may be little effect. Over a long period farmers may exit the market / discussion on elasticity of supply / suffer bankruptcy.</li> <li>• Discussion of emergence of hidden markets for rice exports / especially if international price of rice soars.</li> <li>• Discussion of view that it is not a government failure since it should reduce food shortage / reduce food prices in domestic market. It depends on the response of rice farmers.</li> <li>• Discussions on changes to consumer surplus / producer surplus.</li> <li>• N.B. Accept a macro economic argument e.g. impact on Balance of Trade / negative multiplier effects / lower aggregate</li> </ul>	(10)

	<p>demand.</p> <p>Quality of written communication skills will be assessed in this question based on the candidate's ability:</p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument.</li> <li>• To organise information clearly and coherently.</li> <li>• To use economics vocabulary appropriately.</li> <li>• To use grammar, spelling and punctuation appropriately.</li> </ul>	
--	--	--

Level	Mark	Descriptor
Level 1	1-2	Definition of government failure. No development.
Level 2	1-4	Explanation of why government failure - lower domestic price or rice may lead to lower production and revenue. (Mark cap of 6 if no evaluation).
Level 3	5-7	Explanation of why government failure and one evaluation point offered.
Level 4	8-10	Convincing explanation and two or more evaluation points.

Question Number	Answer	Mark
10(e)	<ul style="list-style-type: none"> <li>• Correct diagram(s) (up to 4 marks) (accept variation which shows one target price). <ul style="list-style-type: none"> <li>➢ Ceiling and floor price (1 mark)</li> <li>➢ Supply curve exceeds <math>Q_y</math> (1 mark)</li> <li>➢ Identification of quantity to purchase (1 mark)</li> <li>➢ Supply curve is less than <math>Q_x</math> (1 mark)</li> <li>➢ Identification of quantity to release on to market (1 mark)</li> </ul> </li> </ul> <ul style="list-style-type: none"> <li>• Explanation of how buffer stock schemes work (2+2 marks) <ul style="list-style-type: none"> <li>➢ Reference to output less than <math>Q_x</math> leads to agency releasing <math>Q_3Q_x</math> stocks onto the market.</li> <li>➢ Reference to output more than <math>Q_y</math> leads to agency purchasing <math>Q_yQ_5</math> stocks.</li> </ul> </li> </ul> <p>N.B. Award a maximum of 4 marks if no diagram for KAA</p> <p><b>Evaluation (3+3 or 2+2+2 marks)</b></p> <ul style="list-style-type: none"> <li>• The scheme is unlikely to be successful since the extract refers to failure of previous buffer stock schemes. <ul style="list-style-type: none"> <li>➢ It requires spare stocks to cope with shortages - as in the current situation, otherwise the scheme will be unable to hold price down within the target range. The long term trend looks bleak as prices are likely to remain high.</li> <li>➢ Rice producers may be unwilling to participate in a scheme that would reduce rice prices.</li> </ul> </li> </ul>	

	<ul style="list-style-type: none"> <li>➤ It requires major rice producer countries to participate - otherwise risk being undersold. There is a danger of cheating among producers too.</li> <li>➤ There are millions of rice farmers across south east Asia and so it will be very difficult to co-ordinate and manage the scheme.</li> <li>➤ Require funds to purchase stocks or support farmers in time of surplus. There are also storage costs of the stockpiles. These funds may not be available.</li> <li>➤ Danger of growth of substitute foods such as maize, wheat and barley.</li> </ul> <p>The scheme could be successful:</p> <ul style="list-style-type: none"> <li>➤ Rice can be stored for a relatively long time - as long as kept cool and dry. This enables the holding of stockpiles.</li> <li>➤ It might work in the short term if producers and government are seeking price stability. Over the long term there is more pressure on the scheme to breakdown.</li> </ul> <p>Quality of written communication skills will be assessed in this question based on the candidate's ability:</p> <ul style="list-style-type: none"> <li>• To present an argument and conclude on the basis of that argument.</li> <li>• To organise information clearly and coherently.</li> <li>• To use economics vocabulary appropriately.</li> <li>• To use grammar, spelling and punctuation appropriately.</li> </ul>	(12)
--	--	------

Level	Mark	Descriptor
Level 1	1-2	Limited explanation of buffer stock scheme.
Level 2	1-4	Correct diagram and explanation of buffer stock scheme. (Mark cap of 6 if no evaluation offered).
Level 3	5-7	Correct diagram and explanation of buffer stock scheme and one evaluation point offered.
Level 4	8-10	Convincing diagram, and explanation of buffer stock scheme with two or more evaluation points