

Mark Scheme (Results)

Summer 2014

Pearson Edexcel  
International Advanced Level (IAL)  
Economics (WEC01) Unit 1

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Summer 2014

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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.

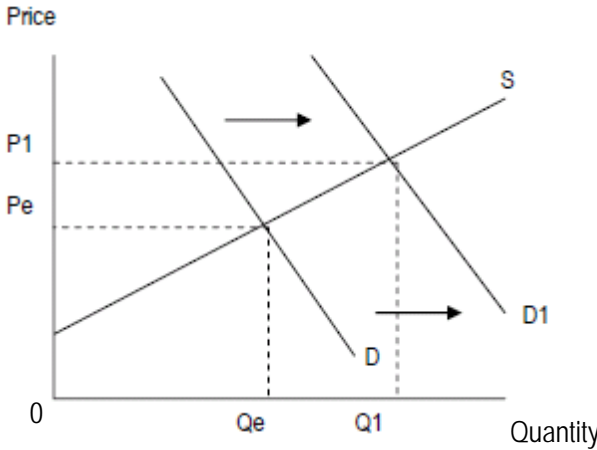
## Section A: Supported multiple choice

NB: Candidates may achieve up to 3 explanation marks even if the incorrect option is selected.

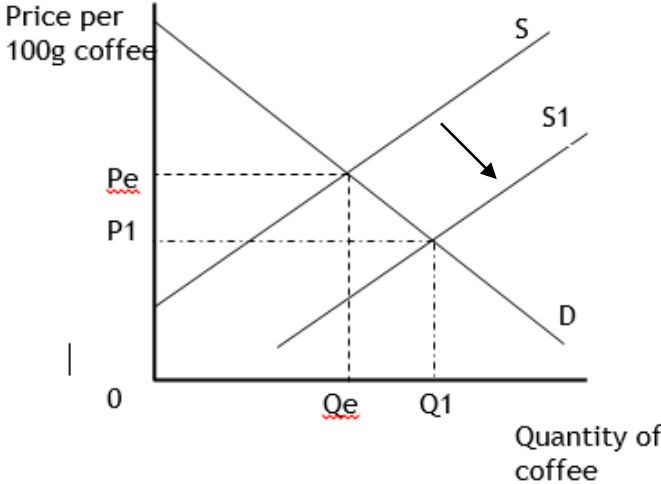
NB: Candidates may achieve up to 3 marks for explaining three incorrect options (provided three different reasons are offered and each option key is clearly rejected).

Question Number	Answer	Mark
1	<p><b>Answer B (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"><li>• Definition of a normative statement: (one that is based on a value judgement/ subjective approach/ cannot be tested as true or false/ non-scientific approach to Economics <b>(1)</b>)</li><li>• Definition of a positive statement: (one that is based on fact/ objective approach/ can be tested as true or false / value free/ Scientific approach to Economics <b>(1)</b>)</li><li>• Application: in statement 1 the word 'should' shows it is a value judgement <b>(1)</b></li><li>• Application: in statement 2 is positive since it can be tested to see if monthly minimum wages in Europe vary between €159 and €1874 <b>(1)</b></li></ul> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"><li>• Option A: incorrect because statement 2 has statistics/facts about minimum wage that can be proved and therefore is not based on a value judgement <b>(1)</b></li><li>• Option C: incorrect because statement 1 contains value judgements, shown by the word should</li><li>• Option D: statement 1 is not positive as it has value judgements and 2 is positive as it is based on statistics/facts about minimum wage that can be checked <b>(1)</b></li></ul>	<b>(4)</b>

Question Number	Answer	Mark
2	<p><b>Answer C (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of a production possibility frontier- the maximum combination of goods that can be produced with all available resources <b>(1)</b></li> <li>• Definition of economic growth - increase/ improvement in productive potential/ capacity/ where outward shift of PPF <b>(1)</b></li> <li>• They may annotate the diagram to show the movement from KK to LL (or equivalent explanation) <b>(1)</b></li> <li>• The economy can only be using all of its available resources at points X and Y when it is on its PPF <b>(1)</b></li> <li>• This growth may be caused by investment in capital goods/ new technology/ discovery of new resources <b>(1)</b></li> </ul> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A: This is where the economy moves from the frontier to inside the PPF, where resources are wasted/ shows negative economic growth/ decreased capacity utilisation <b>(1)</b></li> <li>• Option B: This is a reallocation of resources with capital being forgone to produce more consumer goods/ shows the opportunity costs in terms of capital goods forgone to make additional consumer goods <b>(1)</b></li> <li>• Option D: Z is unobtainable in year 1 because the PPF was KK so there would not be a movement from Z in year 1 <b>(1)</b></li> </ul>	<b>(4)</b>

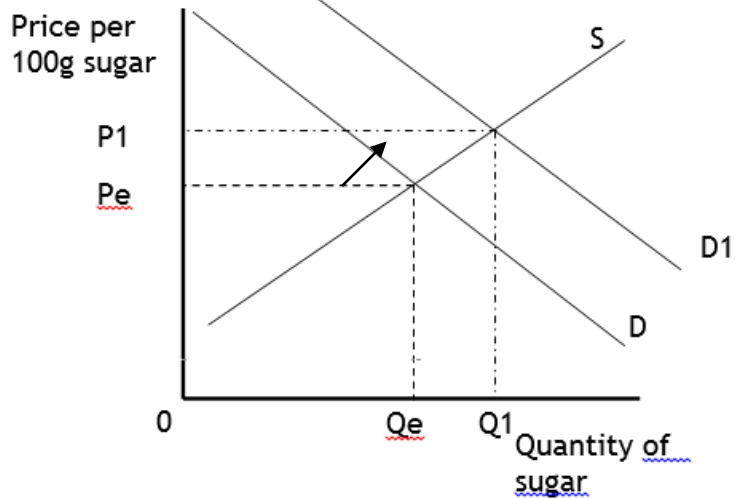
Question Number	Answer	Mark
3	<p><b>Answer D (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of price mechanism - eg invisible hand /interaction of supply and demand / allocation of resources/ or identification of functions of price mechanism- incentive, signal and rationing <b>(1)</b></li> <li>• Demand rising causes price rise meaning selling an item becomes more profitable <b>(1)</b> relative to other items creating an incentive to increase or switch production <b>(1)</b></li> <li>• If an increase in demand shifts the demand curve right/ up pushing up the price <b>(1)</b> and will cause an extension of supply <b>(1)</b></li> <li>• OR Diagram to show rising demand <b>(1)</b> extension of supply <b>(1)</b></li> </ul>  <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A: the price mechanism is about leaving economic decisions to supply and demand and does not involve government intervention <b>(1)</b></li> <li>• Option B: changes in supply and demand will cause prices to vary and may cause price volatility <b>(1)</b></li> <li>• Option C: rising demand will cause the price to rise, which will ration the good to those who can most afford it <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
4	<p><b>Answer B (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of division of labour - where the production process is broken down and members of staff specialise on one task <b>(1)</b></li> <li>• OR Definition of specialisation- where workers will focus on one stage of production <b>(1)</b></li> <li>• Each worker will be able to focus on one job and will become more productive at that job/ more efficient <b>(1)</b></li> <li>• Output per worker/ productivity should improve/ less wastage <b>(1)</b></li> <li>• With more output per worker the cost per garment will fall <b>(1)</b></li> </ul> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A: If workers do the same job repeatedly this might make their jobs more boring <b>(1)</b></li> <li>• Option C: productivity likely to rise with specialisation <b>(1)</b></li> <li>• Option D: Specialisation means staff will get better at doing each job so will help the clothing company make more <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
5	<p><b>Answer C (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of complements- products that tend to be consumed together/ with a negative XED <b>(1)</b></li> <li>• Sugar is a complement because you add sugar to coffee to sweeten it <b>(1)</b></li> <li>• Bumper harvest leads to increased supply causing prices to fall <b>(1) OR</b></li> <li>• Diagrams annotated showing supply rising for coffee and an equilibrium with a lower price <b>(1)</b></li> </ul> <p style="text-align: center;"><b>Market for coffee</b></p>  <ul style="list-style-type: none"> <li>• As a higher quantity of coffee is consumed the demand for sugar to go with the coffee will increase causing its price to rise <b>OR</b></li> <li>• Diagrams annotated showing demand rising for sugar and an equilibrium with a higher price <b>(1)</b></li> </ul>	<b>(4)</b>



### Market for sugar

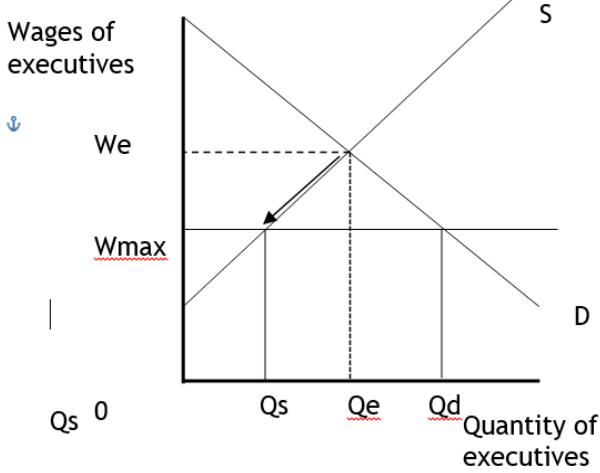


#### Rejection marks

- Option A: if supply of coffee rises it causes price to fall not rise **(1)**
- Option B: if coffee is cheaper people will demand more sugar to add to their coffee, causing the demand to rise so price would not fall. **(1)**
- Option D: a good coffee harvest causes supply to rise causing lower prices **(1)**

Question Number	Answer	Mark
6	<p><b>Answer B (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition or formula for PED- responsiveness of Quantity Demanded to a change in Price</li> <li>• OR <math>\% \Delta QD \div \% \Delta P</math> (1)</li> <li>• OR <math>TR = P \times Q</math></li> <li>• Europe PED is elastic as <math>PED &gt; 1</math> (1)</li> <li>• By increasing price total revenue will fall because the revenue lost by the lower quantity will be greater than the gain from the higher price per item (2)</li> <li>• This may be shown diagrammatically on a demand curve and or on a corresponding TR curve (2 marks)</li> <li>• Reasons for it being elastic- e.g. large quantity of substitutes- e.g. ferries, trains etc.</li> </ul> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A: it is inelastic in N.America, Asia and Sub Saharan Africa as <math>PED &lt; 1</math> But the <math>PED &gt; 1</math> for Europe is elastic (1)</li> <li>• Option C: Sub Saharan African airlines will find reducing price leads to total revenue falling as the additional revenue earned by the higher quantity will be less than the loss from the lower price per item (1)</li> <li>• Option D: North American airlines find when they change price their quantity demanded responds more than in Asia as the N.Americian PED is higher at -0.9(1)</li> </ul>	(4)

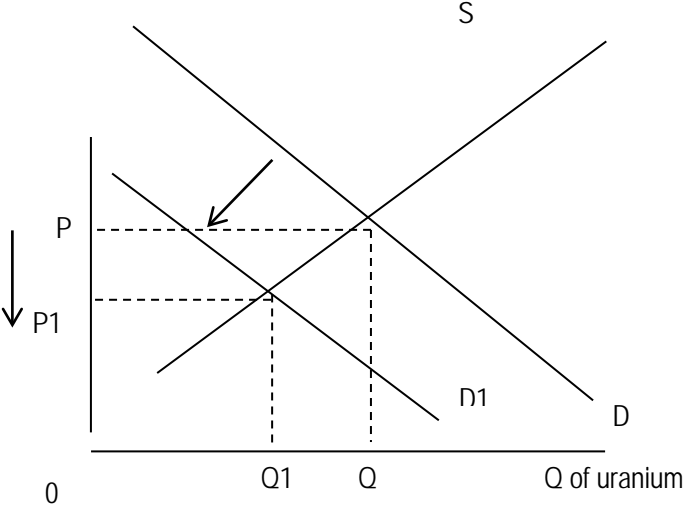
Question Number	Answer	Mark
7	<p><b>Answer D (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of habitual behaviour: Consumers are not acting rationally because they are keeping to their habits rather than switching to achieve better returns <b>(1)</b></li> <li>• In this case consumers would be acting rationally by moving to higher interest accounts to get a better return <b>(1)</b></li> <li>• This is because they have been used to dealing with the same bank and rather than checking for better returns they will continue to use the lower interest rate bank/ trust or loyalty to the bank <b>(1)</b></li> <li>• Link to irrationality- that consumers do not always aim to maximise utility <b>(1)</b></li> </ul> <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A rational consumers would maximise utility <b>(1)</b></li> <li>• Option B if consumers were good at computation they would calculate they would get a better return from switching accounts and would do so <b>(1)</b></li> <li>• Option C this is where a third party is negatively affected by a transaction which is not likely to happen when someone has savings accounts <b>(1)</b></li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
8	<p><b>Answer D (1 mark)</b></p> <p><b>Explanation (up to 3 marks)</b></p> <ul style="list-style-type: none"> <li>• Definition of maximum wage- the legal amount which labour cannot be paid above <b>(1)</b></li> <li>• Lower wages at <math>W_{max}</math> will cause a contraction in quantity of labour supplied <b>(1)</b></li> <li>• Executives will be receive less reward from working in Switzerland and are likely to seek employment elsewhere if the rewards are higher <b>(1)</b></li> <li>• Diagram annotated to show contraction in quantity supplied/ labour shortage/ excess demand <math>Q_d - Q_s</math> <b>(1)</b></li> </ul> <p>8-</p>  <p><b>Rejection marks</b></p> <ul style="list-style-type: none"> <li>• Option A: wages cannot stay at <math>W_e</math> as this is above the maximum wage and will therefore not be allowed <b>(1)</b></li> <li>• Option B: because at this lower wage less are willing and able to work at the going rate so they are not classed as unemployed <b>(1)</b></li> <li>• Option C: the reward from working in Switzerland is now lower so the incentive to move to Switzerland will be lower attracting less executives <b>(1)</b></li> </ul>	<b>(4)</b>

**Section B: Data response**

NB: KAA marks relates to those awarded for AO1, AO2 and AO3

NB: Evaluation marks relates to those awarded for AO4

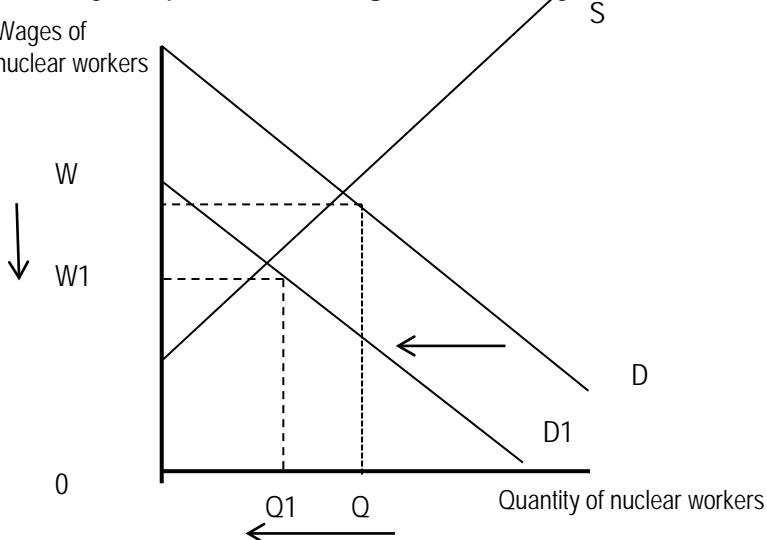
Question Number	Answer	Mark
9(a)	<p><b>Knowledge, Application and Analysis (up to 6 marks)</b></p> <ul style="list-style-type: none"> <li>• Explicit reference to Figure 1 (eg uranium price prices fell from around US\$64 per pound to below US\$39, accept percentage change) <b>(1)</b></li> <li>• A decrease in demand <b>(1)</b> (only award if not awarded on diagram)</li> </ul> <p>Because (up to 3) :</p> <ul style="list-style-type: none"> <li>○ a nuclear accident and nuclear leaks put people off nuclear <b>(1)</b></li> <li>○ the jury is still out on the role of nuclear fuels/ lower confidence in it <b>(1)</b></li> <li>○ <b>2 significant customers have stopped purchasing uranium (1)</b></li> <li>○ Japan shut down 52 nuclear power stations <b>(1) mark only is reference to number closed</b></li> <li>○ Germany abandoned nuclear altogether <b>(1) mark only if reference to abandoned</b></li> </ul> <p>Diagrammatic analysis which shows:</p> <ul style="list-style-type: none"> <li>• a shift to the left of the demand curve <b>(1)</b></li> <li>• original equilibrium price and quantity <b>(1)</b></li> <li>• new equilibrium price and quantity <b>(1)</b></li> </ul>  <p><b>NB: Award a maximum of 4 marks if no diagram.</b></p>	<b>(6)</b>

Question Number	Answer	Mark
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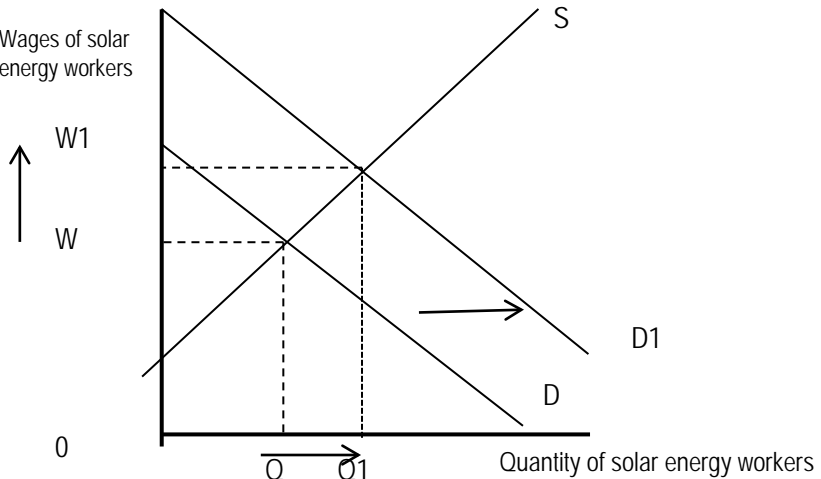
**9(b)** **(10)**

**Knowledge, Application and Analysis – Indicative content**

- Demand for labour of nuclear workers is derived demand from the demand for nuclear power
- If the demand for nuclear power declines the number of workers demanded will fall
- Application falling demand cause by 52 closures
- This will cause the wage rate to fall
- And the quantity of labour employed in the sector to decline
- May be presented diagrammatically



- Demand for labour of solar energy workers is derived demand from the demand for solar energy
- If the demand for solar power increases the number of workers demanded will rise
- Application additional solar energy to supply over 3 million homes
- This will cause the wage rate to rise
- And the quantity of labour employed in the sector to rise
- May be presented diagrammatically



		<ul style="list-style-type: none"> <li>• Minimum price- firms have an incentive to start producing solar- may increase demand for labour</li> <li>• Nuclear disaster and leaks- workers sick- may reduce supply of labour/ may find it hard to find employment</li> <li>• People have to relocate due to radiation- increasing labour supply to these areas</li> </ul>	
Level	Marks	Descriptor	
0	0	A completely inaccurate response.	
1	1-2	Shows some awareness of the effect of a decrease in demand for nuclear power plants or the effect of an increase in demand for solar energy on the demand for labour in respective markets.	
2	3-4	Understanding of the effect of a decrease in demand for nuclear power plants and/or the effect of an increase in demand for solar energy on the demand for labour in respective markets with some application to context.	
3	5-6	Clear understanding of the effect of a decrease in demand for nuclear power plants and solar energy on the demand for labour with appropriate application to context.	
Evaluation – Indicative content			
		<ul style="list-style-type: none"> <li>• Nuclear power stations need decommissioning which will require labour, so demand will not fall so much</li> <li>• Long term- after safety tests they may reopen</li> <li>• Unions may make it difficult for nuclear firms to make staff redundant or make it difficult for them to lower wages</li> <li>• Magnitude- a significant impact due to scale of closures 52 plants/ rapid increase in solar production- 14 gw</li> <li>• Time lag- short term little impact as it takes time to adjust, long term larger impact as firms adjust all factors of production</li> <li>• Impact on supply also- staff be unwilling to work in the industry seeing supply also fall</li> <li>• Solar energy may not require lots of labour as uses a lot of capital- so less impact</li> <li>• Transfer of workers between the two- geographical or occupational immobility/ structural unemployment</li> <li>• Minimum price- may limit demand so little derived demand for labour</li> </ul>	
Level	Marks	Descriptor	
0	0	No evaluative comments.	
1	1-2	For identifying 2 evaluative comments without explanation or developing one	
2	3-4	For 2 evaluative comments one supported by relevant reasoning for 3 and both with relevant reasoning for 4.	

Question Number	Answer	Mark
9(c)		(14)
Knowledge, Application and Analysis – Indicative content		
	<p><b>Definition of externalities</b></p> <ul style="list-style-type: none"> <li>• cost or benefit external to an exchange</li> <li>• positive or negative third party effect</li> <li>• spill over from production or consumption</li> <li>• cost or benefits which the price mechanism fails to take into account</li> <li>• difference between private costs and social costs or private benefits and social benefits</li> </ul> <p><b>Examples of external costs of Fukushima nuclear disaster:</b></p> <ul style="list-style-type: none"> <li>• radioactive contamination of the region</li> <li>• Including North Pacific ocean/ contamination of soil, water and marine animals.</li> <li>• Uncertain long term waste disposal/ shutting down nuclear plants</li> <li>• 200,000 people had to leave their homes</li> <li>• 70,000 not evacuated contaminated radiation</li> <li>• Increased risks to cancer and other radiation induced diseases</li> <li>• Food and drinking water contaminated and internal exposure</li> </ul> <p>Examples of benefits:</p> <ul style="list-style-type: none"> <li>• Cheaper fuel for business-lowering costs of production</li> <li>• Less reliant on expensive alternative sources – renewable or fossil fuels</li> <li>• Less greenhouse emissions</li> </ul> <p><b>Diagram: (may be offered )</b></p>	



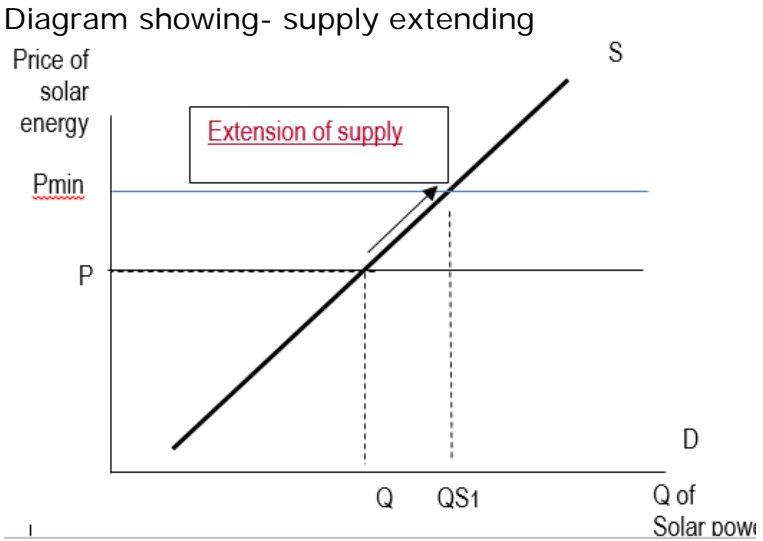
	<ul style="list-style-type: none"> <li>• MPC, MSC and MB curves</li> <li>• Social optimum and market equilibrium positions labelled or explained in text</li> <li>• Welfare loss area shaded in (grey triangle above) and named</li> </ul>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of an externalities Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of externalities in the context of the nuclear market. This may be supported by an accurately labelled diagram. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of externalities in the context of the nuclear market. This may be supported by an accurately labelled diagram which is explained and applied effectively. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.
Evaluation – Indicative content		
	<ul style="list-style-type: none"> <li>• Magnitude of external costs – extract says 'largest ever radioactive contamination', 'highly contaminated', all point to the severity of the external costs</li> <li>• Time period: impact of radiation immediately but also over long term- cancers may emerge later</li> <li>• Discussion of possible benefits, e.g. normally low costs to run, less emissions than coal,</li> <li>• Difficulty of putting a monetary value on the external costs- for shutting down/ waste disposal</li> <li>• Estimates of costs will not be exact as the impact is spread across a wide area and it will be difficult to measure</li> <li>• My compare to fossil fuels with greenhouse gases and how nuclear is better</li> </ul>	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation or 1 developed
2	3-4	For evaluative comments supported by some reasoning and application to context.
3	5-6	For evaluative comments supported by relevant reasoning and clear application to context.

Question Number	Answer	Mark
9(d)	<p><b>Knowledge, Application and Analysis (4 marks)</b></p> <ul style="list-style-type: none"> <li>• Explicit reference to Extract 1: solar energy and hydroelectricity <b>(1+1)</b></li> <li>• A renewable resource is one which <b>(up to 2 marks)</b>: <ul style="list-style-type: none"> <li>○ The resource is inexhaustible/ not deplete/ abundant/ infinite supply <b>(1)</b></li> <li>○ if used now is still available for use in the future/ available for next generation <b>(1)</b></li> <li>○ can be used again and again / cannot be used up in the production process/ replenish themselves <b>(1)</b></li> <li>○ will not run out <b>(1)</b></li> </ul> </li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
9(e)		(14)

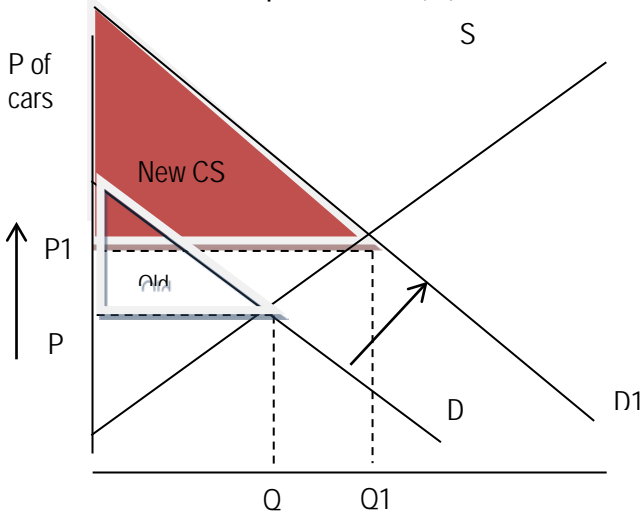
Knowledge, Application and Analysis – Indicative content

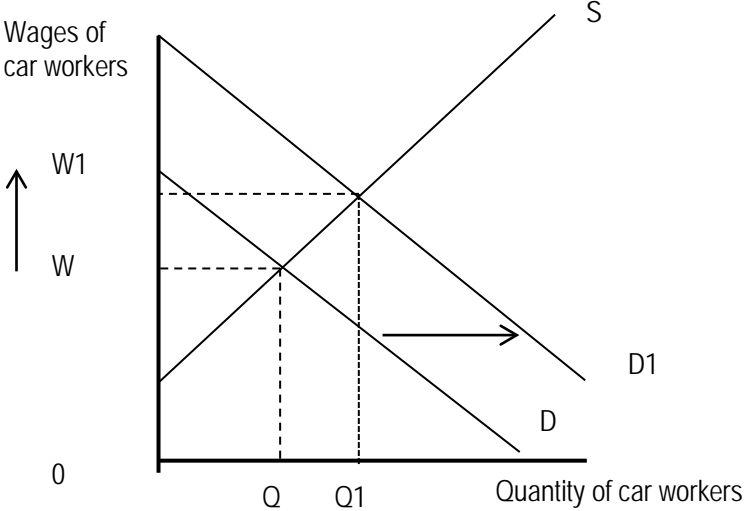
- Written analysis**
- Minimum price- the lowest price firms can sell for or consumers can buy for
  - Reasons for its use- e.g. protect suppliers from low prices, low incomes and to encourage investment
  - If the minimum price is above the market equilibrium it will cause a willingness to supply by firms to generate the higher profits available
  - Changes in producer surplus/ consumer surplus
  - Demand is likely to be perfectly elastic
  - Consumers face higher prices and contraction of quantity
  - The government would have to have to spend money to support the minimum guaranteed price
  - Fills the gap left by 52 nuclear plants no longer producing – avoids power cuts/ shortages
  - Reduces reliance on fossil fuels and the negative externalities e.g. emissions
  - Solar power producers will earn more revenue/ profits may invest in more efficient technologies



Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of minimum pricing . Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.

Level	Marks	Descriptor
2	4-6	Understanding of minimum price in the context of solar energy production. This may be supported by an accurately labelled diagram. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of minimum price in the context of solar energy. This may be supported by an accurately labelled diagram which is explained and applied effectively. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.
Evaluation – Indicative content		
	<ul style="list-style-type: none"> <li>• Energy companies willing to pay this higher price as 52 nuclear plant closures mean additional energy is needed</li> <li>• Encouraging renewable over non-renewable – better for environment- few external costs</li> <li>• Stability in price will support incomes of those investing which may encourage expansion of solar energy</li> <li>• Opportunity cost- if government has to make payments to energy suppliers it cannot spend on other priorities- e.g. health/ nuclear clear up</li> <li>• Magnitude- potential huge cost to Japanese government, x2 price in Germany/ France</li> <li>• What about other renewable sources like hydroelectricity- risky to rely on only one technology</li> <li>• Bad for consumers as pay higher price</li> </ul>	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation
2	3-4	For evaluative comments supported by some reasoning and application to context.
3	5-6	For evaluative comments supported by relevant reasoning and clear application to context.

Question Number	Answer	Mark
10(a)	<p><b>Knowledge, Application and Analysis (up to 6 marks)</b></p> <ul style="list-style-type: none"> <li>• Explicit reference to Extract 1 (e.g. 4% increase car sales first half of 2013) or Figure 1 (e.g. 58.58m in 2010 to 64.94m in 2012) <b>(1)</b></li> <li>• An increase in demand because of (up to 2): <ul style="list-style-type: none"> <li>○ Global job creation leads to rising incomes <b>(1)</b></li> <li>○ Economic growth leads to rising incomes in Asia/ South America <b>(1)</b></li> <li>○ Low interest rates/ improving financial conditions <b>(1)</b></li> </ul> </li> </ul> <p>Written explanation: consumer surplus rises  Diagrammatic analysis which shows:</p> <ul style="list-style-type: none"> <li>• a shift to the right of the demand curve <b>(1)</b></li> <li>• old and new consumer surplus <b>(1)</b></li> <li>• old and new equilibrium <b>(1)</b></li> </ul>  <ul style="list-style-type: none"> <li>○ <b>NB: Award a maximum of 4 marks if no diagram.</b></li> </ul>	<b>(6)</b>

Question Number	Answer	Mark
10(b)	<p><b>Knowledge, Application and Analysis (Up to 4 marks):</b></p> <ul style="list-style-type: none"> <li>• Explicit reference to growing car sales in Figure 1 Extract 1- showing increase from 58.58m to 64.94m/ car sales increased 4%/ China strong growth in car sales <b>(1)</b></li> <li>• Explicit reference to growing incomes in Extract 1- Asia and South America rising incomes, income growth China</li> <li>• Definition of normal good- when income rises, the quantity demanded rises/ YED positive/ diagram to show relationship <b>(1)</b></li> <li>• Explanation with rising income leading to quantity demand rising makes it a normal good <b>(1)</b></li> <li>• Inferior good is when income rises, the quantity demanded falls/ YED negative not the case as incomes and quantity demanded have risen <b>(1)</b></li> </ul>	<b>(4)</b>
Question Number	Answer	Mark
10(c)		<b>(10)</b>
Knowledge, Application and Analysis – Indicative content		
	<ul style="list-style-type: none"> <li>• Reference to extract hiring spree car makers for engineers, technicians an factory workers/ creating 167500 jobs/</li> <li>• increased demand for cars- reference to data</li> <li>• Demand for Labour of car workers is derived demand from the demand for cars</li> <li>• If the demand for cars increases the number of workers demanded will rise</li> <li>• This will cause the wage rate to rise</li> <li>• And the quantity of labour employed in the sector to increase</li> <li>• May be presented diagrammatically</li> </ul> <div style="text-align: center;">  </div>	

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-2	Shows some awareness of the effect of an increase in demand for cars on wages for labour in the car market.
2	3-4	Understanding of the effect of an increase in demand for cars on the wages for labour in the car market with some application to context.
3	5-6	Clear understanding of the effect of an increase in demand for cars on the wages for labour in the car market with appropriate application to context.
<b>Evaluation – Indicative content</b>		
	<ul style="list-style-type: none"> <li>• Magnitude- a significant impact due to scale of growth- e.g. 167,500</li> <li>• Time lag- may take time for recruitment process to employment may increase after a period of time</li> <li>• Capital intensive production so less impact on employment</li> <li>• Firms may seek to invest in capital./ new technology if labour costs rise</li> <li>• If unemployment is high following downturn supply may be high reducing the size of increases in wages</li> <li>• Elasticity of supply may be inelastic as skilled jobs- e.g. engineers</li> </ul>	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by relevant reasoning.

Question Number	Answer	Mark
10(d)		(14)
Knowledge, Application and Analysis – Indicative content		
	<ul style="list-style-type: none"> <li>• Definition of subsidy- a payment to encourage the production of a good/ environmentally friendly cars</li> <li>• Reference to extract 35,000 to 60,000 yuan</li> <li>• This subsidy reduces production costs for car manufacturers</li> <li>• Increase in supply of environmentally friendly cars– <b>this may be shown diagrammatically</b></li> <li>• Fall in price of electric cars</li> <li>• Increase in quantity of environmentally friendly cars</li> <li>• Increase in consumer surplus / producer surplus - <b>this may be shown diagrammatically</b></li> <li>• Total government subsidy/ Unit subsidy</li> <li>• Producer/ consumer subsidy</li> <li>• Reduction in demand for non-electric cars as the incentive to switch rises</li> <li>• Increased incentive for car manufacturers to switch production</li> <li>• Increased employment</li> <li>• Environmental impact-reduced negative impact of petrol cars if switched</li> </ul>	
Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of the effect of a subsidy for environmentally friendly cars. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.
2	4-6	Understanding of the effect of a subsidy for environmentally friendly cars, with some application to context. This may be supported by an accurately labelled diagram. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of the effect of a subsidy for environmentally friendly cars. There may be an accurately labelled diagram which is explained and applied effectively to the context. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.

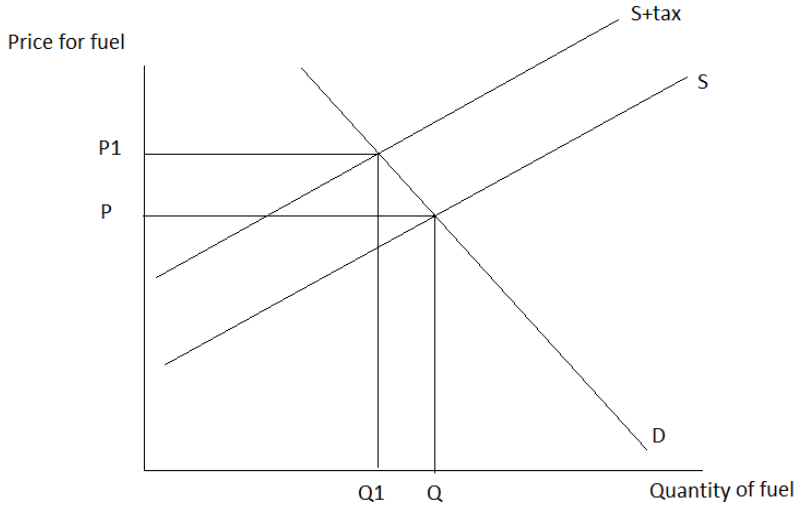


Evaluation – Indicative content		
	<ul style="list-style-type: none"> <li>• Cost of subsidy- opportunity cost as could be used for health/ education etc.</li> <li>• Incidence of subsidy- may benefit producer more</li> <li>• Higher price compared to petrol cars means subsidy might not be enough to encourage purchases</li> <li>• Lack of infrastructure to charge electric cars will limit demand</li> <li>• Hybrids still use petrol, electric cars still require electricity production and pollution this causes</li> <li>• Magnitude: depends on the size of the subsidy, previous only led to 11375 sales</li> <li>• SR/LR: it will take time before positive effects on the environment are noticed</li> </ul>	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and application to context.
3	5-6	For evaluative comments supported by relevant reasoning and clear application to context.

Question Number	Answer	Mark
10(e)		(14)

Knowledge, Application and Analysis – Indicative content

- Definition of indirect tax- a tax collected by the government via a third party/ tax levied on goods and services/ expenditure (do not award for generic definitions of taxation)
- Reference to extract large engined 40%/ small engined 1%
- This indirect tax increases production costs for fuel
- reduction in supply of fuel / rise in price of fuel – **this may be shown diagrammatically**
- **candidates may also use an externality diagram**



- Decrease in quantity of fuel
- With lower quantity of fuel lower emissions produced
- Reduction in harmful effects (negative externalities) of petrol
- Reduce emissions, reduce pollution- particular problems in a rapidly growing China
- Substitution from large to smaller engine cars- reducing emissions if people drive smaller vehicles
- Tax revenue can be used to cover external costs/ environmental projects
- If no diagram offered cap at 5

Level	Marks	Descriptor
0	0	A completely inaccurate response.
1	1-3	Shows some awareness of indirect tax. Material presented is often irrelevant and lacks organisation. Frequent punctuation and/or grammar errors are likely to be present and the writing is generally unclear.

Level	Marks	Descriptor
2	4-6	Understanding of indirect tax, with some application to context. Material is presented with some relevance but there are likely to be passages which lack proper organisation. Punctuation and/or grammar errors are likely to be present which affect the clarity and coherence.
3	7-8	Clear understanding of indirect tax with effective application to context. Diagram is included and accurate. Material is presented in a relevant and logical way. Some punctuation and/or grammar errors may be found, but the writing has overall clarity and coherence.
Evaluation – Indicative content		
	<ul style="list-style-type: none"> <li>• Demand for fuel may be price inelastic meaning little effect on quantity/ incidence of tax passed to consumer</li> <li>• Magnitude of tax for large engines- may have a significant effect</li> <li>• Time lag- before the tax is introduced</li> <li>• SR/LR: it will take time before positive effects on the environment</li> <li>• Other emissions more significant anyway- lorries etc</li> <li>• Modern cars being imported are more fuel efficient anyway even with bigger engine compared to some of the older smaller cars.</li> <li>• Smuggling/ government failure if tax is too high- especially if the smuggled fuel emits more toxic emissions etc.</li> <li>• Burden of tax- producer and consumer incidence</li> </ul>	
Level	Marks	Descriptor
0	0	No evaluative comments.
1	1-2	For identifying evaluative comments without explanation.
2	3-4	For evaluative comments supported by some reasoning and application to context.
3	5-6	For evaluative comments supported by relevant reasoning and clear application to context.





