

Mark Scheme (Standardisation) January 2009

GCE

GCE Economics (6352/01)

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.

Question Number	Answer	Mark
1(a)	<p>Private costs are those internal to the transaction, paid for directly by the fishermen (producers) involved in the industry. (2 marks)</p> <p>Allow 1 mark for costs paid by producers (and consumers) also allow 1 mark for formula: private cost = social cost - external cost.</p> <p>Examples include cost of vessels (or rent of vessels); fuel; wages paid to crew. (1 mark for valid example).</p> <p>Private benefits are those internal to the transaction, received directly by the fishermen (producers) involved in the industry. (2 marks)</p> <p>Allow 1 mark for benefits received by producers (and consumers) also allow 1 mark for formula: private benefit = social cost - external benefit.</p> <p>Examples include money received for fish caught; rent for vessels loaned to others; subsidies from the government; wages (1 mark for valid example).</p> <p>4 for knowledge (definitions) and 2 for applications (examples)</p>	(6)

Question Number	Answer	Mark
1(b)	<p>Property rights relate to ownership rights e.g. in this case of a given area of the sea. In this case the property rights are either absent or poorly defined. (1+1 marks)</p> <p>Application of concept to over-fishing occurs e.g. it occurs because there is an incentive to catch as much fish as possible in order to make as much money. (2 marks)</p> <p>Also: It is very difficult to police the amount of fish being caught. (1 mark) Younger fish caught and thrown back into sea dead so future stocks will be limited. (1 mark) Low fines for exceeding quotas. (1 mark)</p> <p>2 for knowledge (first paragraph) and up to 2 marks for application(s) to context (any valid explanation).</p>	(4)

<ul style="list-style-type: none"> • Question • Number 	<ul style="list-style-type: none"> • Answer 	<ul style="list-style-type: none"> • Mark
<ul style="list-style-type: none"> • 1(c) 	<ul style="list-style-type: none"> • External costs are those incurred by third parties, not involved in the transaction (2 marks). If just states that external costs are the difference between social costs and private costs (1 mark) <div data-bbox="422 470 1252 1019" data-label="Figure"> </div> <ul style="list-style-type: none"> • X: Free market level of fishing • Y: socially efficient level of fishing • 4 marks for fully labelled diagram [1 mark of which for identifying free market level of provision (X) and socially efficient level of provision (Y) which could be on diagram or in written explanation]. Accept price or £ sign on the vertical axis. Also 1 mark of which for specific reference to fishing either on diagram or in explanation of diagram or for an example of external costs (no marks for fishing reference if diagram is incorrect) • (Examples include: loss of business for local retailers and firms in fishing ports; decline in house prices in towns near fishing ports; no fish for future generations) • Up to 2 marks for analysis: <ul style="list-style-type: none"> • e.g. Discussion of over-fishing of YX (2 marks) • OR for explanation for welfare loss area i.e. at X, social costs are greater than social benefits (2 marks). • 2 for knowledge (definition); 4 for application (diagram and supporting explanation); 2 for analysis 	<ul style="list-style-type: none"> • (8)

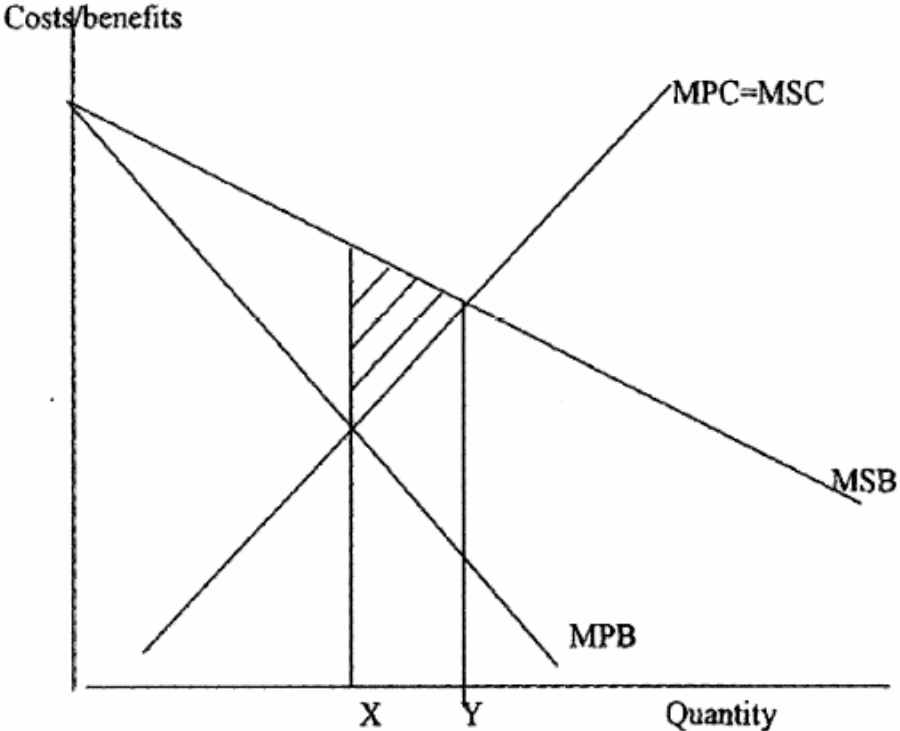
Question Number	Answer	Mark
1(d)(i)	<p>For 2 marks</p> <p>When intervention by the government causes a net welfare loss; Or to an increased misallocation of resources; or to a movement further away from the socially optimal level of output.</p> <p>Award 1 mark:</p> <ul style="list-style-type: none"> • If candidate states that government intervention makes the situation worse • Or leads to misallocation of resources 	(2)
1(d)(ii)	<p>Examples of government failure:</p> <ul style="list-style-type: none"> • Declining fish stocks • Quotas set above the level thought to be sustainable by scientists • Actual catches are higher than quota implying poor government enforcement • Poor data collection by government • System results in fish being caught and thrown back into the sea - dead • Payment of subsidies to fishermen <p>2 marks for any 2 examples or use of information from text and 4 for analysis Evaluation points could include (2 marks for any one point):</p> <ul style="list-style-type: none"> • Figure 1 - some signs of improvement in cod stocks • Situation might be worse without government intervention <p>2 marks for any 2 examples; 4 for analysis and explanations and 2 for any one evaluation comment (or 1+1)</p>	(8)

Question Number	Answer	Mark
2(a)	<p>Private costs are those internal to the transaction, paid for directly by the student/consumer (and producer) involved in the higher education. (2 marks)</p> <p>Allow 1 mark for costs paid by student/consumers (and producers) also allow 1 mark for formula: private cost = social cost - external cost.</p> <p>Examples include: tuition fees; accommodation costs; opportunity cost; travel; books (1+1)</p>	(4)

Question Number	Answer	Mark
2(b)(i)	<p>Private benefits are those internal to the transaction, which accrue directly to the consumers of the higher education. (2 marks)</p> <p>Allow 1 mark for benefits received by students/consumers (and producers) also allow 1 mark for formula: private benefit = social cost - external benefit.</p> <p>Application marks: 1 mark for identifying higher potential future earnings and 1 mark for data reference i.e. additional £160 000 or extra 25% compared with a person with 2 or more A Levels</p> <p><i>N.B. If no reference to extract relating to potential future earnings then maximum 1 mark for points such as</i></p> <ul style="list-style-type: none"> • More interesting/rewarding job • Enhanced personal skills <p>A candidate could be rewarded with 2 marks for reference to higher potential future earnings and 1 other point.</p>	(4)

Question Number	Answer	Mark
2(b)(ii)	<p>Factors include:</p> <ul style="list-style-type: none"> • Subject of degree course (reference to Figure 1) • Where degree studied • Socio-economic group from which individual comes • Number of students on degree course relative to demand for graduates in that subject <p>2 marks for identification; 2 marks for application e.g. examples; 2 for explanation/analysis</p>	(6)

If no reference to demand then maximum 5 out of 6
 Could gain full marks for 2 factors done well or 3 factors
 explained more briefly.

Question Number	Answer	Mark
2(c)	<p>External benefits are those enjoyed by third parties, not involved in the transaction; the difference between social benefits and private benefits (2 marks) If just states that external benefits are the difference between social benefits and private benefits (1 mark)</p> <p>Examples include:</p> <ul style="list-style-type: none"> • Increased productivity • Leading to higher economic growth • More flexible and adaptable workforce • Less training required to be undertaken by firms <p>2 marks</p> <p>External benefits diagram: 4 marks</p>  <p>4 marks for fully labelled diagram [1 mark of which for identifying free market level of provision (X) and socially efficient level of provision (Y) which could be on diagram or in written explanation]. Accept price or £ sign on the vertical axis. Also 1 mark of which for specific reference to higher education either on diagram or in explanation of diagram (no marks for higher education reference if diagram is incorrect) Accept price or £ sign on the vertical axis</p> <p>Evaluation might include:</p> <ul style="list-style-type: none"> • Little external benefit from some degree courses • Difficult to quantify the external benefits 	

	<ul style="list-style-type: none"> • Opportunity cost involved in expenditure on higher education for the government • Opportunity cost to individuals of higher education • Benefits will be lost if graduates move to another country • Distinction between short run and long run benefits <p>Up to 4 marks for evaluation (2 + 2 or 1 + 3)</p>	(12)
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Question Number	Answer	Mark
2(d)	<p>Reasons include:</p> <ul style="list-style-type: none"> • Unequal distribution of income • Economies of scale • Asymmetric information • Local monopoly/oligopoly • Allow credit for merit goods argument if not linked to external benefits • To attract foreign students • To enable universities to offer wider range of less vocational courses • To enable universities to attract high quality teaching staff • To finance research • To enable universities to survive • To enable graduates to minimise debts <p>2 marks for identification; 2 for application to higher education (or for references from extract) and 2 for further explanation/analysis</p>	(6)

Question Number	Answer	Mark
2(e)	<p>Arguments for include:</p> <ul style="list-style-type: none"> • High private benefits from university education • Premium has not diminished despite increased number of graduates • Cost to taxpayer of university provision • Tuition fees do not cover cost of degree • Opportunity cost • Students would make more rational choices when deciding on subject of degree • To improve the quality of the university courses • To provide more funds for research and development; high quality teaching staff <p>Case against:</p> <ul style="list-style-type: none"> • Might deter students from low income groups • Would result in an increase in inequality • Graduates will have larger debts • Might lead to increased difference in quality of universities • Recession might magnify problem of higher tuition 	

	fees Up to 4 marks for any two evaluative comments (2+2 or 3+1) 2 marks for knowledge (identification of 2 factors/arguments); 2 for analysis and 4 marks evaluation (i.e. 2x4 marks)	(8)
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Section	Knowledge	Application	Analysis	Evaluation	Total
Question 1					
(a)	4	2			6
(b)	2	2			4
(c)	2	4	2		8
(d)(i)	2				2
(d)(ii)		2	4	2	8
(e)	2	2	2	6	12
Total	12	12	8	8	40
OR					
Question 2					
(a)	2	2			4
(b)(i)	2	2			4
(b)(ii)	2	2	2		6
(c)	2	3	3	4	12
(d)	2	2	2		6
(e)	2	0	2	4	8
Total	12	12	8	8	40