

GCSE 2004

June Series



Mark Scheme

Economics

(3144/1F)

Mark schemes are prepared by the Principal Examiner and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation meeting attended by all examiners and is the scheme which was used by them in this examination. The standardisation meeting ensures that the mark scheme covers the candidates' responses to questions and that every examiner understands and applies it in the same correct way. As preparation for the standardisation meeting each examiner analyses a number of candidates' scripts: alternative answers not already covered by the mark scheme are discussed at the meeting and legislated for. If, after this meeting, examiners encounter unusual answers which have not been discussed at the meeting they are required to refer these to the Principal Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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Economics - Paper One, Foundation Tier (3144/1F)

General Marking Guidance

Whilst every effort is made to give clear guidance, the marking scheme will always require the exercise of judgement in interpreting marginal points, not just occasionally, but continuously throughout the scripts. It should be seen as a set of guidelines, not rigid performance criteria.

One key area of judgement relates to the access to levels. In principle, candidates can 'come in' at any level, according to the quality of their response, with Level 1 commonly by-passed. However, problems can arise when, on a higher mark question, the candidate makes, or hints at, one high level point in an otherwise Level 1 (or zero mark) response. Usually the situation is anticipated by the structure of the marking scheme, but examiners should feel able to withhold access to a level should the spirit of the marking scheme appear to have been breached.

Responses suggested in this scheme are not exhaustive. The marking scheme cannot anticipate all possible responses. **Any valid response should be given full credit**, with reference being made to your team leader where serious doubt arises.

Quality of Written Communication

Quality of Written Communication		
Level 4	Information is clearly and logically presented using an appropriate form. The text is legible. Candidates spell, punctuate and use the rules of grammar accurately, enabling the meaning to be clearly understood.	4-5 marks
Level 3	Information is presented in an appropriate form. The text is legible. Candidates generally spell, punctuate and use the rules of grammar accurately, although there may be some errors. The meaning is clear.	2-3 marks
Level 2	Some of the information presented is in an appropriate form. Generally the text is legible. Although there are errors in spelling, punctuation and grammar, candidates' meaning can be understood.	1 mark
Level 1	Candidates have failed to reach the standard required for the award of a mark.	0 marks

1**Total for this question: 16 marks**

(a) (i) What is the difference between the percentage pay rise being asked for by the firefighters and that being offered by the Government? Show your working. (2 marks)

40% - 16% (1) = 24% (1). 2 marks for correct answer.

(ii) Using **Item A**, how much extra percentage will doctors get in their pay compared with other NHS workers? (1 mark)

10%

(b) Explain **two** possible reasons why the NHS is offering a pay rise to its workers. (4 marks)

Increased productivity reduces cost per unit, ie can afford to do so; shortage of workers; increase in demand; competition with similar work, etc.

Allow any valid suggestion.

2 x 2

(c) "One problem facing the firefighters is that there are plenty of people waiting to become firefighters". On the diagram below, draw and label the supply curve for firefighters. (2 marks)

Give one mark for an upward sloping line and 1 mark for labelling it 'S'.

2 x 1

(d) Discuss why skilled workers, eg doctors, are paid more than unskilled workers. (7 marks)

Candidates may mention: inelastic versus elastic supply; greater demand for skilled workers; longer training periods; skilled workers more productive; etc. Rewarding valid idea.

Level 3	Candidates are able to discuss why skilled workers/doctors are paid more. A clear comparison will be at the bottom of the level.	6-7 marks
Level 2	Candidates are able to explain why skilled workers/doctors are paid more.	3-5 marks
Level 1	Candidates offer unexplained points.	1-2 marks

2

Total for this question: 20 marks

(a) (i) Calculate *Newland Scientific plc*'s total costs for 2001-2002. Show your working. (2 marks)

£(250000 + 2000000) (1) = £2,250,000 (1). Own figure rule (OFR) applies. 2 marks for correct answer.

(ii) Using **Item B**, state whether the company is making a profit or loss. (1 mark)

A loss

(iii) What information would the company need to calculate its average cost of production? (2 marks)

Total Cost/quantity (1 + 1) or AFC + AVC (1 + 1)

(b) (i) Using **Item B**, identify **two** objectives of the company. (2 marks)

Increase in sales (1); maximise its revenue (1).

(ii) State **one** objective, **not** mentioned in **Item B**, which the company could also try to achieve. (1 mark)

eg profit maximisation; growth of market share; reduce costs; etc.
Allow any valid suggestion.

(c) (i) Suggest **two** reasons why a firm might want to achieve growth. (4 marks)

eg economies of scale; reduce cost per unit; gain advantage over competitors; etc.
Allow any valid ideas. Give 1 mark per point plus 1 mark for development.
2 x 2

(ii) Explain **one** problem that a firm might have as it grows in size. (2 marks)

Give 1 mark for any basic point, eg alienation; mismanagement; diseconomies of scale etc plus 1 mark for development, eg leading to rising AC.
1 + 1

(d) Discuss how a company could increase the demand for its products. (6 marks)

Firms can either try to shift the demand curve by promotion techniques or can try to shift the supply curve through greater productivity, finding lower cost suppliers etc.

Level 3	Candidates are able to explain and discuss how a company could increase demand for its products	5-6 marks
Level 2	Candidates will explain ways in which demand could be increased	3-4 marks
Level 1	Candidates are able to list or outline one or more points	1-2 marks

3

Total for this question: 19 marks

(a) (i) Why are resources scarce? (1 mark)

Insufficient to meet wants. Give the mark for any answer which shows evidence of understanding scarcity.

(ii) What is meant by **market forces**? (2 marks)

Supply (1), demand (1), the way in which price is determined in a market (1).

(b) (i) Using **Item C**, give **one** example of a private cost. (1 mark)

eg labour; capital; but allow electricity; petrol.

(ii) Using **Item C**, give **one** example of an external cost of running a car. (1 mark)

Air pollution is the only answer.

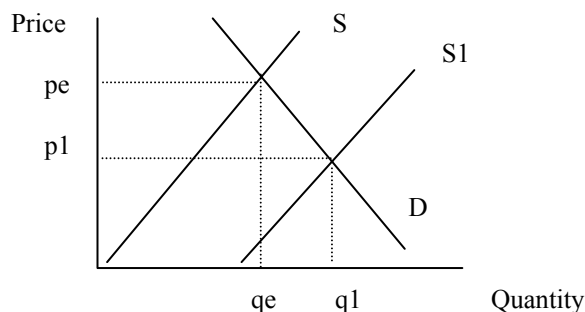
(iii) Explain why visual pollution by windmills is an example of an external cost. (2 marks)

eg 'The windmills spoil the view of people (1) who are not recompensed for this' (1), etc. Give 1 mark for the statement plus one for relationship to external cost.
1 + 1

(c) (i) Why do governments give subsidies to producers? (3 marks)

Give 1 mark for: to reduce the price; increase output; increase consumption; etc
Either 3 x 1 or 1 x 3 etc. Credit each point or each development of a point.

(ii) On the diagram below, show how a government subsidy would affect the supply and price of nuclear energy. (3 marks)



Give 1 mark for the correct shift, labelled, in the S curve.
Give 1 mark for increase in quantity.
Give 1 mark for fall in price.

(d) Discuss whether or not motorists should be charged for using roads.

(6 marks)

For: higher price thus less demand; encourage use of public transport; etc;

Against: depends on whether alternatives available, diversion of traffic; etc.

Better candidates may offer some idea of elasticity.

Level 3	Candidates are able to explain and discuss points both for and against with, at the top, some idea of a supported conclusion. Answers may include elasticity.	5-6 marks
Level 2	Candidates can explain both sides. Answers that only address one will gain a maximum of 3 marks.	3-4 marks
Level 1	Candidates list or outline a few points or offer a weak explanation of one side only.	1-2 marks

4

Total for this question: 20 marks

(a) (i) What is meant by economic growth ?	<i>(1 mark)</i>
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eg 'Increase in the productive capacity of the economy' or 'an outward shift in the PPC' or 'an increase in real GDP' or 'increase in national output' etc.

(ii) Using Item D , how has economic growth changed between 1994 and 2002 ? <i>(2 marks)</i>
--

Risen (1) at a falling (1) or changeable(1) rate. An accurate transposition of the data is worth a maximum of 1 mark. Sensible use of data (1). Maximum 2 marks.

(iii) Explain two ways in which a government could try to increase economic growth. <i>(4 marks)</i>

Allow both short run and long run ways, eg greater government expenditure; more investment; tax breaks for firms; more education and training; privatisation; etc.

Give 1 mark for each method plus 1 mark for development.

2 x 2

(b) (i) Using Item D , how have prices changed between 1994 and 2002 ? <i>(2 marks)</i>

Risen (1) by a small amount (1) or a similar development eg prices have remained fairly stable or change in prices has fluctuated.

1 + 1

(ii) Using Item D , describe the relationship between inflation and economic growth for the period 1988 to 1994 . <i>(3 marks)</i>
--

Candidates who state that as inflation fell/rose economic growth did the opposite and offer some data will get up to 2 marks. For the third they need to offer some further point about the relationship, eg inverse, etc.

Eg. "As inflation fell economic growth rose" (1).

Eg. "Inflation fell from 9% to 2% between 1990 and 1994 as growth rose from - 2% to 5%" (2).

This shows an inverse relationship (1).

Mark as below:

Give up to 2 marks for reference to the information; give up to 2 marks for the discussion/reasoning for this. Maximum **3 marks**.

Candidates who either start with economic growth or do both aspects should also be rewarded in a similar way.

(c) Economic growth and low inflation are two of the four major **macroeconomic** objectives.

(i) Name **two other** major **macroeconomic** objectives of a government. (2 marks)

Low unemployment/full employment (1); balance of payments balance/surplus (1).

(ii) Discuss how an increase in consumer spending on goods and services could affect any **two** of the major government **macroeconomic** objectives. (6 marks)

NB If candidates have named incorrect objectives in (c) (i) and then choose to discuss these, then they must still be rewarded if this is possible.

Unemployment - reduce this, depending on size of increase and the ability of people to take the jobs on offer - could lead in the short run to technological unemployment.

Balance of payments - likely to lead to higher imports and thus worsen balance of payments but, in the long run, more demand leading to more investment could improve quality of goods.

Inflation - likely to lead to a rise in inflation unless there is spare capacity.

Economic growth - likely to stimulate this.

Level 3	Candidates are able to offer supportive discussion of both objectives in relation to an increase in aggregate demand.	5-6 marks
Level 2	Candidates can either explain how a rise in aggregate demand will affect both objectives, only one explained max 3 marks; or will only discuss one of the objectives	3-4 marks
Level 1	Candidates list or outline a few points or offer a weak explanation of one objective only.	1-2 marks

5

Total for this question: 25 marks

(a) Using **Items E, F and G** and your knowledge of economics, discuss how well the UK manufacturing sector is doing. *(10 marks)*

In a poor state:

- Output now lower than any time since 1997 (indeed since 1994) (E)
- Output has fallen in both September and October (E)
- Competition from cheap imports (E)
- Firms transferring production to other countries (E)
- Cannot compete in Europe due to UK outside the euro-zone (E)
- Growth in manufacturing output negative since mid-2000 (F)
- 45% of firms have orders below normal (G)
- 24% of firms expect output to fall (G)
- Investment fell by c50% in 2001 (G)
- Firms having to cut prices (G)

But

- 13% of firms had orders above normal (G)
- 23% of firms expected output to rise (G)
- Cutting prices may increase sales (G)
- Fall in output getting smaller (F)
- Fall in output in September and October due to 2 industries, implies others must have grown

Candidates may make reference, also, to points from their own knowledge.

Level 3	Candidates are able to use all three items, and own knowledge, to discuss how well the UK's manufacturing sector is doing. Do not necessarily expect very much on the 'positive' side. Answers that fail to refer to all three items can get a max of 8 marks.	7-10 marks
Level 2	Candidates are able to explain how well the UK's manufacturing sector is doing. Answers that fail to refer to all three items can get a max of 5 marks.	4-6 marks
Level 1	Candidates state some information from one or more of the items, or offer some knowledge with no reference to the items, or both.	1-3 marks

(b) Explain **three** ways in which UK manufacturers could be more successful. Discuss which way would be best. *(15 marks)*

Possible points: reduce prices; better promotion/sales techniques; improve quality; more R & D; find new markets; improve quality of labour and capital; exploit comparative advantages; UK joins the euro; growth of world economy; etc.

Allow any sensible suggestions.

Level 3	Candidates are able to explain three ways and discuss which would be best. Answers that only offer one or two ways, max 12 marks.	11-15 marks
Level 2	Candidates can explain three ways and may make an unsupported judgement. Answers which only refer to one or two ways, max 8 marks.	6-10 marks
Level 1	Candidates list or describe one or more ways.	1-5 marks

6

Total for this question: 25 marks

- | |
|---|
| (a) Using Items H, I and J and your knowledge of economics, discuss whether or not the Government should increase its spending. <i>(10 marks)</i> |
|---|

The candidate may mention some of the following points:

- Need to improve education
- Need to improve the NHS
- Transport system
- Housing
- Need for greater productivity
- More investment in defence
- More expenditure on international development
- Strong public finances, low unemployment, low inflation, economic stability allow more government spending
- Actual figures from Item I and Item J
- National Insurance increase will hit workers and employers
- Profits are falling as a result of higher taxes
- Irony of the NHS position
- Taxes may have to rise again - effects of this?
- Positive economic outlook allowing taxes to pay for spending

Candidates may make reference, also, to points from their own knowledge.

Level 3	Candidates are able to use all three items, and own knowledge, to discuss whether or not the government should increase its expenditure. Do not necessarily expect too much depth. Answers which fail to refer to all three items can get a max of 8 marks.	7-10 marks
Level 2	Candidates are able to explain the points for and/or against the increase in government spending. Answers which fail to refer to all three items can get a max of 5 marks.	4-6 marks
Level 1	Candidates state some information from one or more of the items, or offer some knowledge with no reference to the items, or both.	1-3 marks

- | |
|---|
| (b) Explain three ways in which the Government could increase its revenue. Discuss which way would be best. <i>(15 marks)</i> |
|---|

Candidates may mention:

- Various direct taxes: income tax; national insurance; capital gains; etc
- Various indirect taxes: VAT, Excise Duties
- Generate greater growth and thus taxes
- New taxes, eg congestion charges
- Increase in borrowing

Allow any sensible suggestion.

Level 3	Candidates are able to explain three ways and to discuss which would be best. Answers which only discuss two ways, max 12 marks.	11-15 marks
Level 2	Candidates can explain three ways and may make an unsupported judgement. Answers which only refer to two ways, max 8 marks.	6-10 marks
Level 1	Candidates list or describe one or more ways	1-5 marks