



General Certificate of Secondary Education

Economics 3144

3144/1F Paper 1 Foundation Tier

Mark Scheme

2005 examination - June series

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.

Quality of Written Communication

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

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

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

Candidates have failed to reach the standard required for the award of a mark. 0 marks

1

Total for this question: 19 marks

(a) Using **Item A**, give **two** ways in which ‘becoming a centre for cruise ships’ would benefit the North-East. *(2 marks)*

Spend millions of pounds on goods and services.
 Create hundreds of jobs.
 Firms provide services.
 Improve use of resources.
 Social benefits exceed social costs.

1 mark for each point, 2 x 1.

(b) (i) State **two** factors of production. *(2 marks)*

2 from: land, labour, capital, enterprise.
 2 x 1

(ii) Explain why and how **one** of the factors of production, in question (b)(i) above, is useful to the economy. *(3 marks)*

Land – because it allows farming to take place or industry to operate on it.
 Labour – provides the ‘hands’ needed to make/sell things etc.
 Capital – provides the machinery, buildings for production.
 Enterprise – means of bringing together the others to ‘produce’.
 Give 1 mark for a basic statement as above and then 2 more marks for some development, eg “Labour is able to make goods (1). These lead to economic growth (1). This means the economy is better off (1).”

(c) (i) Using examples from tourism explain what is meant by:
 External benefits;
 External costs. *(4 marks)*

External Benefits – benefits to third parties (of an economic action) (1) eg more jobs etc. (1)
 External Costs – costs to third parties (of an economic action) (1) eg pollution, congestion, etc. (1) 2x2

(ii) Discuss whether tourism would benefit a region of the economy, such as the North-East. *(8 marks)*

For – more jobs, more wealth/income, better living standards, etc.
 Against – more pollution, congestion, jobs are only seasonal, etc.

Level 3	Candidates are able to discuss the benefits or otherwise.	6-8 marks
Level 2	Candidates can explain some benefits and/or costs of tourism. An answer offering both sides will be awarded at least 4 marks.	3-5 marks
Level 1	Candidates list some points.	1-2 marks

2

Total for this question: 16 marks

- (a) Which of the economic terms in the table below does the government use to measure economic growth? (1 mark)

Gross Domestic Product (1).

- (b) Using **Item B**, what is the increase in GDP between 2002 and 2003? Show your working. (2 marks)

£1099.4 billion - £1043.3 billion = £56.1 billion. Give 1 mark for the correct figures, 1 mark for the correct answer but 2 marks for correct answer only. Apply own figure rule if figures are wrong.

- (c) (i) GDP is also used to show changes in the standard of living. Using **Item B**, describe what has happened to the UK's standard of living since 1999. (3 marks)

It has increased (1) from about £900 billion to about £1100 billion (1) at a steady rate (1). Allow other valid points along this line, e.g. by £195.5 billion, but candidates must state 'increased' (1) then any two other points for +2.

- (c) (ii) Explain one effect of a rise in the standard of living for consumers. (2 marks)

Give 1 mark for a basic effect eg more goods, better living conditions etc and 1 mark for development which can be an example.

- (d) Discuss whether economic growth means an improvement in the quality of life for people in the UK. (8 marks)

Candidates may define living standards. They are likely to say that living standards follow GDP ie have risen because greater output etc equals better living standards – consume more etc. They may mention sustainable development, externalities etc and refer to eg HDI etc. They may also take a 'green' approach.

Level 3	Candidates are able to discuss whether a rise in GDP will lead to an increase in the quality of life.	6-8 marks
Level 2	Candidates can explain how a rise in GDP may, or may not, lead to an improvement in quality of life. An answer offering both sides will be awarded at least 4 marks.	3-5 marks
Level 1	Candidates make unsupported assertions or describe living standards or define quality of life.	1-2 marks

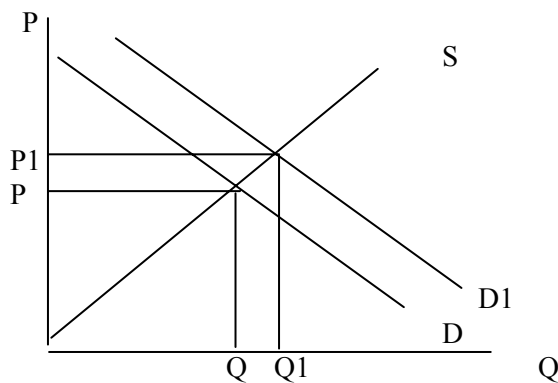
3

Total for this question: 20 marks

- (a) State **two** factors, other than a change in population, which could lead to a shift in a demand curve. (2 marks)

Advertising/marketing/promotion, income level, taste and fashion, prices of complements and substitutes.
2x1

- (b) (i) On the diagram below, show how an increase in the number of retired people 'with more buying power' would be likely to affect the market for new healthcare products. (2 marks)



Give 1 mark for the correct shift of the demand curve.
Give 1 mark for correctly showing the rise in P and Q.
No labelling of changes = 1 mark.

- (ii) Explain the change that you have shown on the diagram above. (2 marks)

'More buying power' will mean that they can buy more at all prices leading to an increase in demand (1) leading to greater quantity at a higher price (1).

If an incorrect shift is shown, then OFR applies.

Give marks, along these lines, for a reasoned answer.

- (c) Explain why a firm would put more resources into producing goods for retired people. (2 marks)

Candidates may answer in terms of: 'because the market answers what to produce based on consumer demand and for whom to produce based on buying power'. Candidates may also mention profit. Give the marks for a reasoned answer with 1 mark for a basic idea and 1 mark for development.

- (d) Explain **two** effects that an increase in the number of retired people could have on the labour market. (4 marks)

Candidates may mention: lead to a reduction in the number of people available for work; make it less adaptable to change; increase the number of part-time workers; increase the wage rates; lead to more over 60s having to work; etc. Candidates who adopt a supply and demand approach will also gain credit.

Give 1 mark for each basic point and 1 mark for some development. 2x2

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| (e) Discuss what effects an increase in the number of retired people might have on government expenditure and revenue. <i>(8 marks)</i> |
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Candidates may mention:

Expenditure – increase in areas such as social security payments, pensions, health for elderly, etc.

Decrease in areas such as education, etc.

Difficult to tell in many areas eg health, defence, etc.

Revenue – fall unless taxes are raised. Could argue that VAT/Excise duties might rise due to greater spending power.

Level 3	Candidates offer two or more effects on revenue and expenditure. They discuss how important these effects are on the relative size of the effect. Answers at the bottom of the level will only look at expenditure or revenue.	5-8 marks
Level 2	Candidates are able to explain two or more effects. Answers that only deal with expenditure or revenue, max 4.	3-5 marks
Level 1	Answers consist of a list or simply describe.	1-2 marks

4

Total for this question : 20 marks

(a) What is meant by the following terms?

(i) Public sector.

(1 mark)

Public sector is ownership by the state/government.

(ii) Privatisation.

(2 marks)

Privatisation is the transference of firms in public/state ownership (1) into private sector ownership (1). Award one mark for a basic/single idea of public to private sector.

(b) What would be the likely effect on the **price** of a good or service if a firm became a private monopoly? *(1 mark)*

Increase.

(c) Why do the UK government and the European Union (EU) have policies that seek to control monopoly power? *(4 marks)*

Candidates may mention: to regulate monopolies; to protect consumers against high prices, etc; to prevent cartels being set up, etc. Give up to 2 marks for points and up to 3 marks for development, ie 2x2 or 1x4.

(d) Explain how large economies of scale could be good for a monopoly. *(4 marks)*

The key here is 'good for a **monopoly**'. Candidates may mention: increased efficient use of resources; lower costs and higher quantities; more competitive in world markets; more able to keep out potential competitors; etc.

Level 2	Candidates are able to explain one or more ways in which large economies of scale could be beneficial.	3-4 marks
Level 1	Candidates describe or list some economies of scale..	1-2 marks

(e) Discuss why it is important for a **country** to compete on world markets. *(8 marks)*

Candidates may mention: to improve standard of living; reduce unemployment; improve the balance of payments; to make the best use of its resources, etc.

Level 3	Candidates will explain two or more points and will offer supported discussion. Answers with only one point discussed will be at the bottom of the level.	6-8 marks
Level 2	Candidates will explain one or more points. Answers with only one point will gain a max of 4 marks.	3-5 marks
Level 1	Answers will consist of points or a description of competitiveness.	1-2 marks

5

Total for this question: 25 marks

(a) Using **Items F, G and H** and your knowledge of economics, discuss whether charging for using roads should be introduced in all large towns. *(10 marks)*

Item F –

- real cost of buses up 31% and rail 37%, car hardly at all;
- road traffic up 70%, vehicles up from 19.2m to 29.7m;
- charging for car use would reduce the numbers of cars and pollution and benefit walkers/cyclists.

Item G –

- eg congestion £19.1bn; air pollution £2.4bn etc. Costs £31.5bn, but revenue £27.3bn.

Item H –

- road charging leads to a fall in trade for shops; encourages out-of-town shopping; small businesses especially hard hit.

Level 3	Candidates will use all three items and their own knowledge to discuss whether road charging should be introduced. Answers with good supported conclusions will be at the top of the level. A maximum of 8 marks if only 2 items are used.	7-10 marks
Level 2	Candidates use 1 or more items to explain the case for and/or against road charging. Answers using all 3 items will be at the top of the level.	4-6 marks
Level 1	Answers ignore the items or just list points with no attempt at the question.	1-3 marks

(b) Charging people for using their vehicles on roads is one way in which the government is trying to reduce pollution.

Explain **one other policy** which a government could use to control vehicle pollution.

Discuss whether your policy or the policy of ‘charging people for using their vehicles on roads’ would be the most effective. *(15 marks)*

Candidates may mention: higher fuel/car taxes; more controls on emissions; tax advantages to less polluting vehicles, eg Toyota Prius. Allow any valid suggestion.

Level 3	Candidates explain one policy and discuss which would be more effective. A clearly supported argument will be in the top half of the level.	11-15 marks
Level 2	Candidates can explain one policy and road charging. While a balanced answer is not required, an answer that only deals with one or the other will get a max of 8.	6-10 marks
Level 1	Candidates describe either their policy or road changing.	1-5 marks

6**Total for this question: 25 marks**

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|---|
| (a) Using Items I, J and K and your knowledge of economics, discuss whether the UK economy is doing well. <i>(10 marks)</i> |
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Item I –

- service sector and construction are doing well, but manufacturing is struggling; high levels of consumer spending, but high levels of borrowing; public sector investment rising, but private sector investment stagnating?; unemployment low, but inflation above the target. Base rate has risen by 0.25%.

Item J –

- Base Rate is lowest for 4 years.

Item K –

- The UK service sector in November grew at its fastest rate for six years; Christmas shoppers are not spending as much as expected; taxes will have to rise to pay for increased government spending; the UK economy has done better than almost any other major economy in recent years; a sharp rise in interest rates to control inflation could lead to a housing market crash.

Level 3	Candidates will use all three items and their own knowledge to discuss whether the UK economy is doing well. Answers with good supported conclusions will be at the top of the level. A maximum of 8 marks if only 2 items are used.	7-10 marks
Level 2	Candidates use 1 or more items to explain how well the UK economy is doing. Answers using all 3 items will be at the top of the level.	4-6 marks
Level 1	Answers ignore the items or just list points with no attempt at the question.	1-3 marks

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| (b) Discuss how a government could use taxation and interest rates to control the economy. Discuss which of these two methods would be more effective in controlling inflation. <i>(15 marks)</i> |
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Taxation – increase taxes, difference between direct and indirect.

Interest Rates – by increasing or cutting the rate of interest.

Hopefully candidates will refer to the experience of the UK economy.

Do **not** expect too much beyond a simple explanation and do **not** expect AS/AD diagrams or the multiplier.

Level 3	Candidates can explain how the 2 policies would work and can offer some discussion as to their effectiveness. Answers which compare them or come to a supportive conclusion will be in the top half of the level.	11-15 marks
Level 2	Candidates can explain how the 2 policies could be used to control the economy. Answers which only refer to one of the policies will be in the bottom half of the level.	6-10 marks
Level 1	Candidates state the basic ‘ingredients’ of the policies or make some points about government policies which are confused, but have some merit, eg confuse direct and indirect taxes.	1-5 marks