



General Certificate of Secondary Education

Economics 3144

Paper 1 Foundation Tier

Mark Scheme

2007 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.

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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: 18 marks**

(a) (i) Using Item A , state two effects on the local area of the speed limit. (2 marks)
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The text mentions three:

- empty beds in hotels;
- fewer visitors to major tourist attractions;
- large falls in business at water sports' centres – up to 66%.

Candidates could also give:

- fall in trade;
- disappearance of 'the water-skiers, powerboats and jet skies';
- unemployment;
- lower economic growth;
- small businesses may not survive.

Give 1 mark for any two of these, ie 2x1. (2)

(ii) Explain why one of these effects could lead to unemployment. (2 marks)
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The answer will partly depend on the effect chosen.

Give 1 mark for a basic statement (not the effect restated) and 1 mark for some development.

'A fall in trade (no mark) will mean less demand by tourists for goods (1) so less people are needed to serve them (1)'.

(b) Explain two reasons why large hotel businesses might survive a fall in trade while small businesses might not. (4 marks)

Candidates may give more than one economy of scale or may give economies of scale and stronger financial position; banks more likely to favour large businesses, etc. Allow any valid point.

Give 1 mark for each point and 1 mark for each development. 2x2 (4)

(c) The table below gives three possible definitions of economic growth. Select one that best describes economic growth. (1 mark)
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Answer – 'value of goods and services produced in the economy'.

Mark the first answer ticked. (1)

(d) (i) Using **Item B**, what is the objective of the Lake District National Park? (1 mark)

'protect the countryside' is the only answer. (1)

(ii) State and explain **one** other objective that a business might have. (2 marks)

Eg profit maximisation; survival; growth; satisfying; sales; etc – allow any valid point.

Give 1 mark for the objective and 1 mark for some development. (2)

(e) Discuss why the ban has had no effect on the number of customers at the Boars Head. (6 marks)

Candidates may mention: they are not interested in water sports; they prefer walking/sight-seeing/etc; inelastic demand; prefer sailing etc. Allow any valid suggestion.

Level 3 (5-6 marks)

Candidates offer discussion or comment. At the top this will be based on two or more points.

Level 2 (3-4 marks)

Candidates can explain one or more points.

Level 1 (1-2 marks)

Candidates show knowledge and application of one or more points.

2**Total for this question: 20 marks**

- (a) The demand for labour is often called a derived demand.
Complete the following sentence that uses this idea.

The demand for Art Gallery Assistants depends on the demand for (1 mark)

Allow: seeing art; going to art galleries; etc. (1)

- (b) (i) Using **Item C**, calculate the average pay of the three managers. (2 marks)

$£(22\,600 + 25\,000 + 35\,000) = (£) 82\,600$ (1).

$£82\,600 \div 3 = 27\,533$ (1) ofr applies.

Give 2 marks for the correct answer. (2)

- (ii) With reference to **Item C**, explain **two** reasons why the pay of managers is more than that of the other jobs advertised. (4 marks)

Candidates may mention: more qualified/educated; more time spent in education; more responsibility; etc. Allow any valid suggestion.

Give 1 mark for each reason and 1 mark for each development. 2x2 (4)

- (c) A job advertisement for Information Technology Staff in the Midlands offered pay of £14 468. State and explain **one** factor that could lead to similar staff in London being offered pay of £16 700. (2 marks)

Candidates may mention: higher cost of living or any element of this, eg housing, travel, etc; higher demand; less supply; etc.

Allow any valid suggestion.

Give 1 mark for the basic point and 1 mark for some development. (2)

(d) (i) In the Table below, put a tick against the statement that defines productivity of labour. (1 mark)
--

Total output divided by the workforce. (1)
Mark the first answer ticked.

(ii) Explain two advantages of belonging to a trade union. (4 marks)

Trade unions can bargain better with employers; improve working conditions; employment protection; etc. Allow any valid suggestion.

Give 1 mark for the basic point and 1 mark for some development. 2x2 (4)

(iii) Most employees in the retail trade are paid a lot less than the average wage. Discuss whether this is the result of the competition among retailers. (6 marks)
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Workers may lose because competition forces employers to lower costs, eg reduce numbers; keep pay rises down; send production abroad; etc. Where firms are successful it can lead to more people employed and higher pay/bonuses. Wages may also be low because of many part time workers; low skills needed; etc.

Level 3 (5-6 marks)

Candidates will offer discussion. At the top this will show that they realise the answer is not straightforward.

Level 2 (3-4 marks)

Candidates are able to explain relevant points.

Level 1 (1-2 marks)

Candidates can offer some knowledge and application.

3**Total for this question: 19 marks**

(a) (i) What is meant by a quota? <i>(2 marks)</i>

A quota is a fixed amount (fixed %) (1) allowed into a country (1).

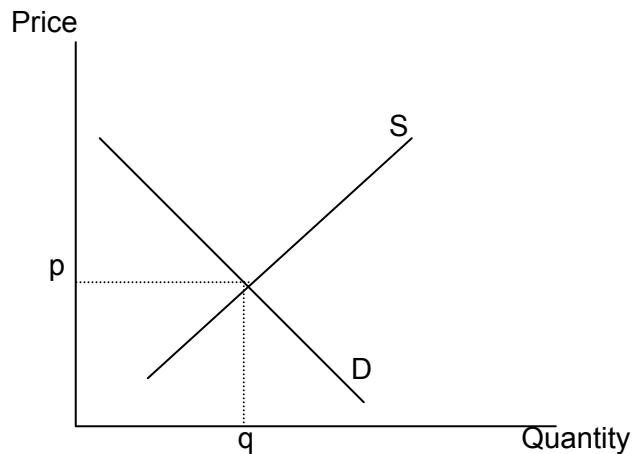
Give marks along these lines. (2)

(ii) Explain one other way that a country could reduce imports. <i>(2 marks)</i>
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Give 1 mark for tariffs, embargoes, health/safety measures, exchange controls, etc.

Give 1 mark for some development. (2)

(b) (i) Draw and label a supply and demand diagram showing the equilibrium price and quantity of T-shirts. <i>(3 marks)</i>
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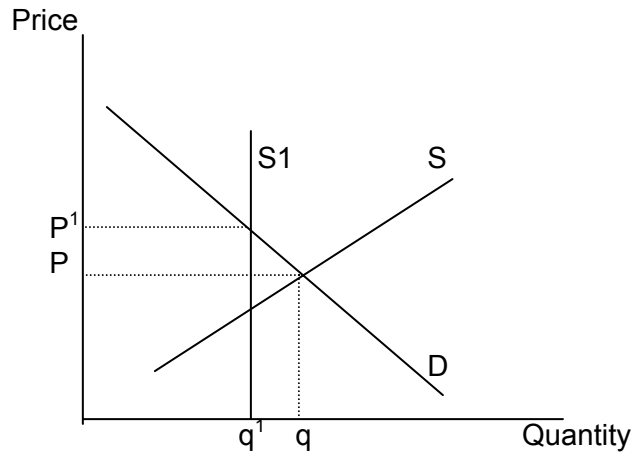


Give 1 mark for drawing the correct S and D lines.

Give 1 mark for correctly labelling them.

Give 1 mark for labelling the equilibrium price and quantity. (3)

(ii) Show the effect on price and quantity of the introduction of a quota. (2 marks)



Give 1 mark for an increase in price.

Give 1 mark for a fall in quantity.

NB there is no need to draw a perfectly inelastic supply line. (2)

(iii) Explain why the introduction of a quota would result in the effects shown on your diagram. (2 marks)

Give 1 mark for stating that a quota reduces supply.

Give 1 mark for development, eg a fall in supply will lead to demand exceeding supply pushing up prices or cheaper imports are replaced by dearer home products, etc. (2)

(c) Discuss whether free trade or protection gives a country greater benefits. (8 marks)

Free Trade – increased choice of goods; greater output; economic growth; etc.

Protection – protects employment; encourages infant industries; provides greater self reliance; etc.

Level 3 (5-8 marks)

Candidates are able to offer a supported discussion of whether free trade or protection gives a country greater benefits. At the bottom the answer is likely to be very one-sided and may only concentrate on the negative points of free trade or protection or the discussion is very limited. At the top expect a supported conclusion.

Level 2 (3-4 marks)

Candidates can explain points for free trade and/or protection. Expect at least two points at the top of the level.

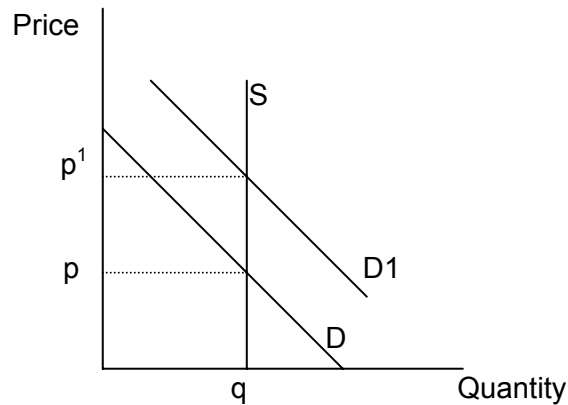
Level 1 (1-2 marks)

Candidates are able offer some knowledge and application. A list of points will be at the bottom.

4

Total for this question: 18 marks

- (a) (i) Using the diagram, show how a shift in demand could lead to a rise in the price of petrol. (2 marks)



Give 1 mark for the shift in demand.
Give 1 mark for showing correct change in price. (2)

- (ii) Explain **one** factor that could lead to a shift in the demand curve for petrol. (2 marks)

Candidates may mention: rise in real income; shift in demand from diesel to petrol/rise in price of diesel; increase in road travel; etc. Do not allow fall in price.

Give 1 mark for the basic point and 1 mark for development, eg 'if there was a rise in the real income (1) people might decide to use their cars more thus pushing up demand' (1).

- (iii) Discuss why the price of unleaded petrol varies between the supermarket and the village garage. (6 marks)

Candidates may mention: size of garage; quantity of sales; location; elasticity of demand; etc.

Level 3 (4-6 marks)

Candidates are able to offer discussion/comment on why petrol is sold at different prices. At the top there will be a clear idea why supermarkets can charge less. At the bottom the answer will be more general or the range of points is very limited or the comment is very brief.

Level 2 (2-3 marks)

Candidates can offer application and analysis.

Level 1 (1 mark)

Candidates show some relevant knowledge.

(b) (i) What happened to the price of petrol in the UK between May and November 2005? (2 marks)

Give 1 mark for rose.

Give 1 extra mark for not consistently or for the figures or stating that they peak and then there is a slight fall. Max 2. (2).

(ii) Discuss the effect that the change in the price of petrol might have had on the rate of inflation. (6 marks)

Candidates are likely to state that it pushed it up. Better candidates will point out that:

- the increase is only c12.5%;
- petrol price is only one element in inflation; etc.

Level 3 (4-6 marks)

Candidates are able to discuss the effects. At the top they will realise that these effects may have been small and/or that the effects could be large if they are passed on through a variety of ways in addition to private motoring. At the bottom the comment is along the line of more/less important.

Level 2 (2-3 marks)

Candidates are able to apply and analyse one or more effects.

Level 1 (1 mark)

Candidates show some relevant knowledge.

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

- (a) Using **Items I, J and K** and your knowledge of economics, discuss whether the goals set by the Energy White Paper are likely to be achieved. *(10 marks)*

Item I

- renewable sources are clean, safe and good for the environment/economy;
- rising source of energy – wind up to 10%, solar rising by 33%;
- need for major investment;
- not too late.

Item J

- natural gas 40.6% but supplies are problematical;
- oil is 31.8% - rising cost;
- nuclear is 8.6% but power stations are old;
- coal is 17.4% - compatibility with sustainable/reduce CO²;
- renewable energy is very small 1.3% + 0.2%;
- some electricity imports.

Item K

- how to cut CO² emissions;
- how to maintain energy supplies;
- how to promote competitive markets.

Level 3 (7-10 marks)

Candidates are able to offer to discuss the goals and whether they can be achieved. Answers at the top will use all 3 items and goals (not equally) and show evidence of using knowledge of economics. Answers that discuss, but do not use 3 items or goals can get a max of 8.

Level 2 (4-6 marks)

Candidates use the items and can explain some points. Answers that do NOT use all three items (not equally) can get a max of 5.

Level 1 (1-3 marks)

Candidates do not refer to the items or only list them with no explanation or development.

- (b) Explain why it is important for the UK to invest in renewable energy sources. Discuss whether investing in renewable energy sources is the best policy for the UK. (15 marks)

There is no right answer as such, but candidates are expected to weigh up the evidence using the 3 Items and their own knowledge. Reward economic thoughtfulness.

Importance – global warming – effects on climate, rainfall, gulf stream, flooding, melting ice caps, etc.

For – climate change; decline of non-renewable sources; dangers of nuclear; promote sustainability; need to increase competition; etc.

Anti – wind power unreliable and could not replace all the other sources; solar power not practical in UK; could decrease competition; too expensive; capital costs etc.

Candidates may mention and discuss other ways either in terms of energy, eg nuclear or actions such as higher energy/environmental taxes, etc.

Level 3 (11-15 marks)

Candidates offer discussion of the points made. At the top they are able to offer evaluation. One-sided answers, max 12.

Level 2 (6-10 marks)

Candidates are able to explain why it is important to cut carbon dioxide emissions and may start to explain reasons for renewable energy. There is a max of 8 marks for an answer that only considers one point.

Level 1 (1-5 marks)

Candidates list some points, including repeating part of Item L, or only offer description.

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

- (a) Using **Items L, M and N** and your knowledge of economics, discuss how well the government is doing in reducing unemployment. *(10 marks)*

Item L

- employment at record levels while unemployment has fallen;
- there are now more people in work than ever before, up by over a hundred thousand in the last quarter alone;
- very successful in helping those who have recently lost their job to find another one quickly;
- helping the long-term unemployed, lone parents and those claiming incapacity benefits to return to work.

Item M

- unemployment falling since 1993;
- fall is slowing down from 2001.

Item N

- unemployment is higher than stated – as much as 4% points higher;
- unemployed are shifted into other categories.

Level 3 (7-10 marks)

Candidates are able to discuss how successful the Government has been in reducing unemployment. Answers at the top will use all 3 items (not equally) and show evidence of using knowledge of economics. Answers that discuss, but do not do this can get a max of 8.

Level 2 (4-6 marks)

Candidates use the items and can explain some points. Answers that do NOT use all three items (not equally) can get a max of 5.

Level 1 (1-3 marks)

Candidates do not refer to the items or only list them with no explanation or development.

- (b) Explain why low unemployment is an important government objective. Discuss how best a government could achieve low unemployment. *(15 marks)*

Low unemployment is important because of economic factors – efficient use of resources; likely to lead to economic growth, reduction in poverty, etc. Also because of social factors – lower crime rates, etc.

Candidates may discuss:

- fiscal policy – increased government expenditure and reductions in taxation;
- monetary policy – cuts in rate of interest;
- supply side policies, eg education and training; lower tax rates to stimulate investment etc, privatisation, trade union reform, etc.

Level 3 (11-15 marks)

Candidates offer discussion of the points made. At the top they are able to offer evaluation. Answers that only consider one type of approach max 12.

Level 2 (6-10 marks)

Candidates are able to explain some reasons why low unemployment is an important objective. They may also explain some policies. Answers that only consider social factors will gain a max of 8.

Level 1 (1-5 marks)

Candidates list some points or only offer description.