



General Certificate of Secondary Education

Economics 3144

Paper 1 Foundation Tier

Mark Scheme

2008 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: 23 marks**

1 (a) (i) Using **Item A**, what percentage of the world's cement is used by China? (1 mark)

40% (1).

1 (a) (ii) Which of the world's goods listed in **Item A** are made mainly by China? (1 mark)

Tractors (65%) (1).

1 (b) (i) Using **Item A**, identify and explain the **main** production advantage which China has over the USA. (2 marks)

Low wages (1) or any other evidence from Item A (1).

About 1/20th of the cost per hour of production – lower prices (1).

Maximum of 1 mark if a non **Item A** advantage is used.

1 (b) (ii) What benefits might the UK gain from trading with China? (4 marks)

Greater variety of goods, cheap goods, large market for sales, growing market.

Either 4 x (1) or 2 x (2) where developed.

1 (c) What is meant by the term 'economic growth'? (2 marks)

Increase in value (1) of goods and services (1).

OR

Increase in GDP over a period of time (2).

1 (d) Using **Item B**, identify and explain **one** advantage of economic growth. (2 marks)

Rising incomes, luxury goods (1).

Explanation relating advantage to living standards (1).

1 (e) Using **Item B**, identify and explain **one** external cost of China's economic growth. (3 marks)

Any one from: obesity, environmental damage, poverty (1).
Explanation shows mal effects on economy (1) + 1 can include international impact, eg global warming.

1 (f) Discuss whether or not it is important for an economy to grow rapidly. (8 marks)

Level 3 (6 – 8 marks)

Candidates' conclusions consider benefits of growth compared with the drawbacks.

Level 2 (3 – 5 marks)

Candidates' link features of rapid growth to higher goals, ie living standards, national prestige, relative standing.

Or candidates mention the negative aspects, ie pollution, inflation, which may make economic growth not so important.

Level 1 (1 – 2 marks)

Candidates explain features of rapid growth, ie investment growth, exports or demerits, but don't go beyond that. Vague discussion on the speed of growth generally.

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

2 (a) What is a 'monopoly'?

(2 marks)

Allow any two from:

- control of market (1);
- at least 25% legally (1);
- sole provider (1);
- high market share.

Max 2 marks

2 (b) Explain **one** advantage to Sky TV of having an 'exclusive deal'.*(2 marks)*

Relevant points – monopoly power/output, excess profits, no competition, advertising revenue, charge higher prices.

1 mark for basic knowledge and 1 mark for application.

2 (c) Suggest **two** reasons why consumers might be unhappy when there is a monopoly.*(4 marks)*

Relevant points – no choice, price rises, lack of quality.

2 marks for basic knowledge and 2 marks for application.

One very well explained argument can gain full marks.

2 (d) (i) From the following, use the most appropriate words to complete the definition of 'market failure' in the spaces provided.

*(2 marks)*Market failure occurs when a market is unable (1)
to allocate resources efficiently (1).

2 (d) (ii) Discuss whether Governments should make markets more competitive.

(6 marks)

Relevant points – power of monopolies, efficiency, lower prices, regulators, government failure.

Level 2 (4 – 6 marks)

Candidates look at arguments for and against.

Level 1 (1 – 3 marks)

Candidates only consider one side of argument.

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

3 (a) (i) What was the total supply of energy in 2000? (1 mark)

45 billion cubic feet per day. (Accept 45 Billion) (1).

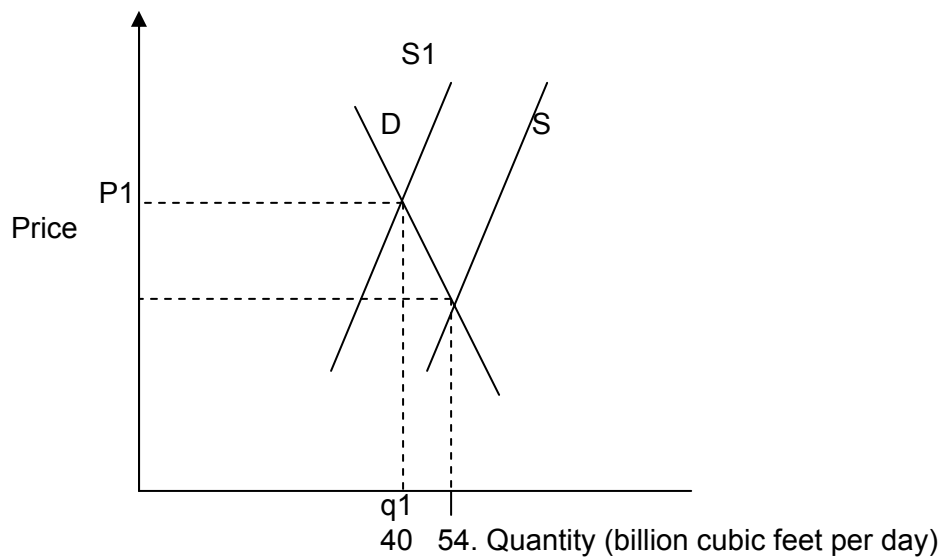
3 (a) (ii) Using **Item D** identify **two** trends in the supply of energy. (2 marks)

Any two from:

- supply falls (1);
- local production falls slowly (1);
- existing imports fall rapidly from 2010 to 2015 (1);
- more imported than home production (1).

Max 2 marks

3 (b) (i) Using the data in **Item D**, show on the above diagram the changes in supply predicted for 2015. Label all of your changes. (4 marks)



- Correct new price P1 (1).
- Correct new quantity 40 (1).
- Higher price indicated (1).
- Correct labels S1 or q1(1).

3 (b) (ii) Describe the changes to the price and quantity that you have shown in the diagram. (2 marks)

Price has risen because demand exceeds supply.
Supply is falling.
Impact on quantity depends on size of shift or elasticity shape.

(1) for general explanation and (1) for quantity/size of change.

3 (c) (i) Using **Item E**, state **one** reason that led to an increase in the demand for gas. (1 mark)

Unexpected cold weather (1).

3 (c) (ii) Using **Item E**, state **one** reason that led to a fall in the supply of gas. (1 mark)

Either rising costs of gas production in the North Sea (1) **OR** the lack of EU supply (1).

3 (d) The supply of gas, in the short run, is perfectly inelastic. Explain what this statement means. (2 marks)

Short run is time period (1) where at least one factor of production is fixed (1).
Or a recognition of differences in long run.
Very difficult to increase supply (1). Max 2 marks

Inelastic – quantity supplied is unchanged (1). If the price rises in the long-run, supply becomes less inelastic.
Necessity/no alternative (1) with development (1).
Inelastic explained/rather than perfectly inelastic up to 2 marks.

3 (e) Discuss why the price of energy may vary so much between two countries, such as the UK and the Netherlands. (6 marks)

Relevant points – different tax (subsidy) regimes, variations in demand, different production costs/efficiency, role of government re public/private sector provision, population size.

Level 3 (4 – 6 marks)

Candidates can discuss two reasons for the differences.

Level 2 (2 – 3 marks)

Candidates are able to explain one reason.

Level 1 (1 mark)

Candidates show some knowledge/awareness.

4**Total for this question: 17 marks**

4 (a) What is meant by the term 'inflation'?

(1 mark)

Rising prices (1).

4 (b) Using **Item F**, describe what has happened to the inflation rate in the UK between 2003 and 2006.*(2 marks)*

Risen to 2005 (1) fallen to 2006 (1).

OR over period overall rate has fallen by 0.2 (2).4 (c) Using **Items F** and **G**, describe how inflation in Europe has differed from that in the UK between 2003 and 2006.*(3 marks)*

Higher level in UK (1) and falling (since 2005) (1) Europe same level then rising (1).

4 (d) State **two** possible reasons for the differences between European and UK inflation.*(2 marks)*

Different measurement index (1).

Housing costs in RPI (1).

European data is average of 12 (1) so likely to be less volatile (1).

Cheaper priced goods/services in Europe (1), more efficient or any other credible reason (1).

Demand pull (1) or cost push (1) reasons.

Max of 2 marks

4 (e) Discuss how a big rise in UK inflation would affect the following groups:

4 (e) (i) UK pensioners

*(3 marks)***Level 1**

Lower real income

Level 2

No chance to get income increase

Level 3

State benefits unfair/insufficient

4 (e) (ii) UK businesses

*(3 marks)***Level 1**

Higher costs

Level 2

Higher prices, lay off workers, lose market share/profits

Level 3

Stimulate change?

4 (e) (iii) European competitors of UK businesses.

*(3 marks)***Level 1**

Advantage

Level 2

Increase sales

Level 3

Gain market share. Impact B of P

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

5 (a) Using **Items H, I and J** and your knowledge of economics, discuss whether the changes in retailing have benefited the customer. *(10 marks)*

Indicative content:

Better:

- supermarket monopoly and consequences that may benefit;
- lower prices;
- improved quality;
- better service;
- innovation;
- many dependants remain;
- Tesco dominance – economies of scale – lower prices.

Worse:

- Tesco dominance – profits increasing;
- spurious diversity;
- independents closing down;
- less choice;
- misleading special offers;
- squeezing suppliers.

Level 3 (7 – 10 marks)

Candidates offer points from both sides (4 min) and reaches conclusion. Max 9 marks without conclusion.

Candidates must use all items to reach this level.

Level 2 (3 – 6 marks)

For candidates who use two points from either side of the argument (or from one side)

3 – 4 marks.

For candidates who use three points (at least one from each side of the argument) 5 – 6 marks.

Level 1 (1 – 2 marks)

Candidates list items without explanation.

5 (b) Identify and explain **two** problems in the National Grocery Market. Discuss whether the National Grocery Market should be made more competitive.

(15 marks)

Indicative content:

Problems:

- independents closed;
- squeezed suppliers;
- less choice for consumers;
- dominance of big supermarkets;
- Tesco's monopoly.

OFT decisions re selling off stores.

'Big 4' expansion.

Refusal of planning permission.

Consumer benefits.

Effect of competition on prices.

Level 3 (11 – 15 marks)

Candidates are able to compare/contrast possible policies to combat the problems in the National Grocery Market, making a reasoned conclusion. Max 13 marks without a conclusion.

Level 2 (6 – 10 marks)

Candidates are able to outline the effects of two problems on the market and briefly consider the effect of competition.

Level 1 (1 – 5 marks)

Candidates identify and explain at least one problem in the National Grocery Market or make a cursory discussion of competition.

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

6 (a) Using **Items K, L and M** and your knowledge of economics, discuss how well the Government is managing its revenue and spending. *(10 marks)*

Indicative content:

Doing well:

- 1997 – 2000 tight control;
- extra spending → growth;
- extra funding for public services, ie education;
- income tax unchanged for three years;
- lower percentage on debt interest.

Doing badly:

- budget deficit in 2005 – 2006;
- £39bn deficit and rising;
- selling off public assets has long term impact on finances;
- large spending increases → deficits;
- tax revenue/burden is growing.

Level 3 (7 – 10 marks)

Candidates offer some points from both sides and reach a conclusion. Candidates need to bring in evidence from three items to achieve max marks. Max 9 marks without a conclusion.

Level 2 (3 – 6 marks)

Candidates use at least two points which they can relate to the question 3 – 4 marks.

Candidates use at least three points which they can relate to the question 5 – 6 marks.

Level 1 (1 – 2 marks)

Candidates list items without explanation.

6 (b) Explain what is meant by:

- (i) fiscal policy
- (ii) monetary policy.

Discuss which of these policies is the better way of managing the economy.

(15 marks)

Indicative content:

- budget issues, ie use of taxation, spending, fiscal drag and budget deficits in order to influence macro-economic objectives;
- monetary policy – particular use of interest rates;
- main macro-economic objectives, ie inflation, unemployment, growth, balance of payments.

Level 3 (11 – 15 marks)

Candidates are able to compare/contrast policies.

For 13+, a reasoned conclusion is needed.

Level 2 (6 – 10 marks)

Candidates are able to explain the relationship of one policy to at least two macro-economic objectives, (or both policies to one objective) to reach 8 – 10 marks.

If only one objective and one policy considered then max of 7 marks.

Level 1 (1 – 5 marks)

Candidates can explain the meaning of fiscal and monetary policies.