

# **Mark Schemes for the Units**

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**June 2007**

**1985/MS/R/07**

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by Examiners. It does not indicate the details of the discussions which took place at an Examiners' meeting before marking commenced.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

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## GCSE Economics (1985)

### MARK SCHEME FOR THE UNITS

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**Mark Scheme 1985/01**  
**June 2007**

## INSTRUCTIONS ON MARKING SCRIPTS

*Excerpts from the Instructions for Examiners booklet.*

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### 1 Before the Standardisation Meeting

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### 2 After the standardisation meeting

- a) Scripts must be marked in **red**, including those initially marked in pencil for the Standardisation Meeting.
- b) All scripts must be marked in accordance with the version of the mark scheme agreed at the standardisation meeting.
- c) **Annotation of scripts**

The purpose of annotation is to enable examiners to indicate clearly where a mark is earned or why it has not been awarded. Annotation can, therefore, help examiners, checkers, and those remarking scripts to understand how the script has been marked.

#### **Annotation consists of:**

- the use of ticks and crosses against responses to show where marks have been earned or not earned;
- the use of specific words or phrases as agreed at standardisation and as contained in the final mark scheme either to confirm why a mark has been earned or indicate why a mark has not been earned (e.g. indicate an omission);
- the use of standard abbreviations e.g. for follow through, special case etc.

Scripts may be returned to Centres. Therefore, any comments should be kept to a minimum and should always be specifically related to the award of a mark or marks and be taken (if appropriate) from statements in the mark scheme. General comments on a candidate's work must be avoided.

Where annotations are put onto the candidates' script evidence, it should normally be recorded in the body of the answer or in the margin immediately adjacent to the point where the decision is made to award or not award the mark.

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- i) Marked scripts must give a clear indication of how marks have been awarded, as instructed in the mark scheme.
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**e) Handling of unexpected answers**

The standardisation meeting will include a discussion of marking issues, including:

- a full consideration of the mark scheme in the context of achieving a clear and common understanding of the range of acceptable responses and the marks appropriate to them, and comparable marking standards for optional questions;
- the handling of unexpected, yet acceptable answers.

There will be times when you may not be clear how the mark scheme should be applied to a particular response. In these circumstances, a telephone call to the Team Leader should produce a speedy resolution to the problem.

**Question 1**

- (a) Which supermarket has the largest market share?

**Target: to select from data.**

Tesco. (1)

- (b) Calculate the total percentage market share of the four largest supermarkets. Show your working.

**Target: to calculate market share.**

$29 + 17 + 16 + 12 = 74\%$  (1 mark for method).

OR  $100 - 26 = 74\%$  (2)

- (c) (i) Explain what is meant by opportunity cost.

**Target: to explain opportunity cost with an example.**

(i) 2 marks for clear explanation, e.g. next best alternative which is given up.

1 mark for some understanding shown or example only. (2)

- (ii) What might be the opportunity cost to a consumer of spending £20 on food?

(ii) 1 mark for any realistic spending of £20 or saving it. (1)

- (d) Put a tick in two boxes to show which two organisations are responsible for carrying out competition policy in the UK.

**Target: to identify organisations responsible for competition policy.**

1 mark each for Competition Commission and Office of Fair Trading. (2)

- (e) To what extent do supermarkets operate in a competitive market? Use Fig. 1 to help explain your answer.

**Target: to evaluate the extent that a market is competitive**

**Level 2 (3-4 marks)**

Candidate makes a judgement and justifies it e.g. they could argue that the big 4 having 74% of the market indicates a degree of monopoly power. There may not be much competition in some areas, e.g. specific towns.

**Level 1 (1-2 marks)**

An argument is presented, e.g. that there is plenty of competition with 4 big players plus lots of other food retailers. No reference to Fig 1, then max of 2 marks. A simple restatement of the data than max of 2 marks (4)



- (f) **Do consumers benefit from competitive markets? Give reasons for your answer. You should refer to the food retailing market, or any other market with which you are familiar, in your answer.**

**Target: to evaluate the extent to which consumers benefit from competitive markets.**

Candidates can refer to any argument which is relevant to the stated market; such as price competition, and non-price competition: variety and choice on offer within the stores, quality of products sold, quality of the service provided, opening times, location of stores, etc. Award marks for application to other markets. Award marks for non-benefit arguments, e.g. advertising raises costs, lack of economies of scale, natural monopoly argument.

**Level 3 (6-8 marks)**

Candidate develops an overview of issues (such as those above) and begins to develop a valid conclusion based on the arguments made.

**Level 2 (3-5 marks)**

Candidate provides some explanation of the issues applied to these markets, e.g. specific benefits to customers of supermarkets competing are explained. Max 5 marks where no application to markets.

**Level 1 (1-2 marks)**

Up to two reasons stated or one reason explained, e.g. low prices, more variety. (8)

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Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

(2)

**(Total 22)**

**Question 2**

- (a) **Using the information in Fig. 2, draw and label the demand curve and the supply curve for concert tickets.**

**Target: to plot a demand and supply curve from data.**

1 mark for correct demand curve.

1 mark for correct supply curve.

1 mark for label (D is sufficient).

1 mark for label (S is sufficient).

(4)

- (b) (i) **On your graph, draw a line to show the equilibrium price of tickets.**

**Target: to plot and identify equilibrium price.**

(i) 1 mark for correct equilibrium price plotted.

(1)

**(ii) State the equilibrium price of tickets.**

(ii) 1 mark for correct equilibrium price stated, i.e. £40.

(1)

- (c) **Put a tick in the box which best describes the elasticity of supply of tickets in Fig. 2.**

**Target: to identify the nature of supply from data.**

Perfectly inelastic.

(1)

- (d) **The promoters of Rocky Starr's concert at the Asten Arena have fixed the official price of tickets at £20. Using Fig. 2, explain how this would affect the market for tickets.**

**Target: to explain the effect of a maximum price being imposed in a market.**

1 mark for stating 40 000 tickets would be demanded.

1 mark for stating 30 000 tickets would be supplied.

OR 2 marks for showing this on their diagram.

1 mark for identifying excess demand or shortage.

1 mark for stating this is 10 000 tickets.

Award marks for further development, e.g. a black market would occur.

Promoters would earn more revenue at £30.00.

(4)

- (e) (i) **Concerts, films and TV programmes are available on DVDs. The diagram below shows the demand for and supply of DVDs. On the diagram, show the effect on the market for DVDs of a rise in the tax on DVDs.**

**Target: to understand how an indirect tax affects supply, price and sales in a market.**

(i) 1 mark for supply curve to the left.

1 mark for new equilibrium price and quantity.

(2)

**(ii) State what happens to the market price and the quantity sold.**

(ii) 1 mark for stating price rises.

1 mark for stating quantity sold falls.

(2)

- (f) **The price of DVD players falls. With the help of a demand and supply diagram, explain the effect of this on the price of DVDs and the quantity sold.**

**Target: to plot on a graph a rise in demand and explain the effects on price and sales.**

For one mark each:

Correctly labelled axes (p/q acceptable).

Demand curve shifting to the right.

New equilibrium position labelled.

Stating why demand has risen.

Stating the rise in price.

Stating the rise in sales.

(6)

- (g) **Should some pop and rock singers such as Rocky Starr receive much higher incomes than workers in jobs such as nursing? Give reasons for your answer.**

**Target: to evaluate whether some workers should be paid more than others.**

Candidate can argue from both the demand side and the supply side that singers should be paid more, although they may not use these terms.

**Level 2 (5-8 marks)**

Candidate makes a judgement and justifies it. E.g. some singers are very popular and have special skills which other people do not have. Consumers are prepared to pay a lot (e.g. for concert tickets). (Demand is high). Nursing is important but a lot of people become nurses (supply is high) so high wages are not needed.

They may argue from the other viewpoint, e.g. that nurses are valuable to the community (with reasons) and it is not fair that they are paid a lot less. The pop singer would still do that job even if s/he was paid a lot less so such a high income is not necessary.

Award marks for relevant diagram.

Max 5 marks where neither demand and supply factors are discussed.

Max 7 marks where only demand and supply factors are discussed.

**Level 1 (1-4 marks)**

An argument is presented, e.g. nurses should be paid more because they train a long time.

(8)

**(Total 29)**

**Question 3**

- (a) From Fig.3, name the country in which cigarettes are the most expensive.

**Target: to select from data.**

UK.

(1)

- (b) Calculate how many times more expensive cigarettes are in the UK than in Poland. Show your working.

**Target: to use economic data to calculate relative prices.**

£4.60 divided by £0.92 = 5 times more expensive (1 mark for method).

(1 mark for stating £3.68 more expensive).

(2)

- (c) (i) Name one tax on cigarettes in the UK.

(i) **Target: to name a tax on cigarettes.**

VAT or excise duties (accept duty). (Not Import tax)

(1)

(ii) Circle the two words below which best describe the features of a tax on cigarettes.

(ii) **Target: to identify features of a tax on cigarettes.**

1 mark each for Indirect and Regressive.

(2)

(iii) Explain two reasons why the UK government puts high taxation on cigarettes.

(iii) **Target: to explain two reasons for high tax on cigarettes.**

Up to 4 marks per reason explained.

E.g. they raise a lot of revenue (1). This is because as tax and price rise, people do not cut down consumption much (+2). Demand is inelastic (1).

E.g. they are demerit goods (1). This means they are bad for people as a whole and the government taxes highly to discourage consuming them (+2). (max. 6 marks). (6)

(iv) Explain one possible argument against high taxation of cigarettes in the UK.

(iv) **Target: to give an argument against high indirect taxation.**

1 mark for a reason given plus 1 mark for explanation.

E.g. it hurts poor people (1).

Unfair to addicts (1)

This means a poorer person pays a larger % in tax (+1).

Could lead to the growth of illegal markets/ smuggling,

(2)

(v) Would a ban on smoking in public places be more effective than higher taxation in reducing smoking? Give reasons for your answer.

(v) **Target: to compare effectiveness of measures to reduce consumption of a demerit good.**

Candidates can argue either way as long as the decision is justified.

Two reasons explained can gain full marks, providing the two measures are compared.

E.g. People are addicted to smoking so the tax will have little effect (demand is inelastic).

The ban may be more effective because people will still go out to work, pubs, etc. but will be unable to smoke. (4 marks).

OR The tax hits them in their pockets and acts as an incentive to stop smoking. The ban would just alter where smoking takes place, not reduce it. (4 marks).

Max of 2 marks where there is no comparison

(4)

- (d) Most food in the UK is not taxed. Is there a case for taxing food in order to raise more money for services such as hospitals and schools? Give reasons for your answer.**

**Target: to evaluate whether taxes on food are justified.**

Arguments for, include having a broader tax base to raise revenue, and the arguments for government provision of merit goods. Accept reasons why more spending is needed in these areas (e.g. hospital waiting lists).

Arguments against include the equity issue (fairness / hardship).

**Level 2 (5-8 marks)**

Draws conclusions based on reasoned argument. The issue is in the context of extra spending on state services and candidates are expected to weigh up the arguments for a level 2 mark.

**Level 1 (1-4 marks)**

Arguments for / against food taxation are analysed, e.g. provides a lot of revenue for increasing health care needs, but causes hardship for lower income groups. (8)

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Candidate fails to reach the threshold standard in all respects.	0

(2)

**(Total 28)**

**Question 4**

- (a) Calculate the balance of trade in travel and tourism. Show your working.

**Target: to calculate a balance of trade.**

£29.4bn - £13.9bn = £15.5bn deficit or accept -£15.5bn. (3 marks). (Accept -3.6bn for 2 marks) 1 mark for method.

2 marks for correct figure but deficit ignored or bn missing; 1 mark only if both missing. (3)

- (b) (i) If the £ falls in value against the euro, explain how this will affect UK tourists who visit Spain.

(i) **Target: to understand the effect of a fall in the exchange rate on imports.**

1 mark for stating the holidays will be dearer, 1 mark for development, e.g. UK tourists will need to spend more £s to buy euros, can buy less abroad, less take holidays, they are imported services (2)

- (ii) If the £ falls in value against the euro, explain how this will affect Italian tourists who visit the UK.

(ii) **Target: to understand the effect of a fall in the exchange rate on exports.**

1 mark for stating the visit will be cheaper, 1 mark for development, e.g. Italians will get more £s for their euros. (2)

- (c) Name two countries, other than Spain and Italy, which use the euro as their currency.

**Target: to identify two countries which use the euro.**

Any two from France, Germany, Austria, Holland, Belgium, Luxemburg, Portugal, Greece, Ireland, Finland, Slovenia. (2)

- (d) Would it help tourists visiting the UK if the UK adopts the euro as its currency? Give reasons for your answer.

**Target: to evaluate the effect of adopting the euro on tourists.**

There would be no transaction / money changing costs to tourists from euro countries.

There would be no time costs in changing money (it is easier),

They would be able to compare prices with their own country easily.

Tourists from non euro countries may not be affected much, they still have to change their money. However, it is easier for them if they are visiting other euro countries also.

**Level 2 (3-4 marks)**

Candidate makes a judgement and justifies it, using some of the above arguments.

**Level 1 (1-2 marks)**

An argument is presented, e.g. tourists would not have the hassle (1 mark) or cost (1 mark) of changing money. (4)

- (e) **Tourists visiting the UK bring both benefits and costs to the economy. Do you agree that the benefits are greater than the costs? Give reasons for your answer.**

**Target: to evaluate the costs and benefits of tourism.**

Candidate can refer to any of the benefits in Fig 4 relating to exports, spending, jobs, and output (GDP), plus any other benefits e.g. knock-on effects.

There are no costs in Fig 4 although it is shown that UK spends more abroad on tourism than it receives (allow this).

Costs of tourism which may be explained include external costs such as congestion and noise pollution (planes etc.); increased prices (e.g. hotels), etc.

**Level 3 (6-8 marks)**

Draws conclusions based on reasoned argument, considering some of the above costs and benefits.

**Level 2 (3-5 marks)**

Benefits or costs to the UK are analysed, max. 5 marks if only one side considered.

**Level 1 (1-2 marks)** Benefits and/or costs of tourism are applied to the UK, e.g. jobs can be created in the UK such as in hotels and catering. (8)

**(Total 21)**





**Mark Scheme 1985/02**  
**June 2007**

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- 1 (a) Compare the changes in house prices between 1990 and 2004 in Greater London to those in the North. [2]**

**Target: To interpret graph of price behaviour.**

Both rose (1), Greater London rose more absolutely (1), detailed statistics (1), to (2) max

- 1 (b) Explain one factor which influences the demand for housing in the UK.[2]**

**Target: To explain a demand influence.**

Identification e.g. population size, population distribution, income levels, interest rates, immigration, buy to let or alternative (1), nature of influence (1)

- 1 (c) With the help of a demand and supply diagram, explain why the average house price in Greater London differs from the average house price in the North. [6]**

**Target: To explain regional price differences with support of diagram.**

Comparisons of level of demand or supply or both are acceptable. A diagram showing higher demand, lower supply or both for Greater London gains up to (4): Labels (1), original D and S (1), different D and/or S (candidate must distinguish between a demand/supply curve for north and one for London this can either be on the diagram or within the explanation) (1), new price (1) + explanation e.g. incomes, jobs, restricted supply up to (2)

- 2. Do you agree that housing is the main reason why unemployed workers in the North do not move to London for work?**

**Give reasons for your answer.**

**[6]+[2]**

**Target: To judge the importance of influences on mobility.**

Family links are the single most important influence (30%), however combined elements of housing costs make housing most important (32%). This is still far from a majority influence. Other combinations e.g. family + children might be aggregated to dispute housing predominance.

**Level 2 (4-6 marks)**

Candidate gives a reasoned judgement on relative importance. No data used maximum of 4 marks.

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

Candidate analyses data recognising different importance

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Candidate fails to reach the threshold standard in all respects.	0

- 3 (a) Explain two reasons why a first-time buyer might be unlikely to have savings of £30,000. [4]**

**Target: to analyse influences on spending power.**

First time buyers are relatively young so will have less time to save, student debt, smaller incomes to save from and other spending priorities (opportunity cost).

Identification of point (1), explanation (1) up to 4 max.

- 3 (b) Do you agree with the comment in Fig. 3 that ‘the price of houses is too high’? Give reasons for your answer. [4]**

**Target: to consider implications of price levels.**

Price levels may keep certain people out of the housing market and may contribute to inflationary pressure. The price is however the result of market forces and creates confidence.

**Level 2 (3-4 marks)**

Candidate gives reasoned judgement including possible benefit.

**Level 1 (1-2 marks)**

Candidate understands effects of high price level.

- 4 (a) Describe what happened to the rate of inflation between 1992 and 2004.[2]**

**Target: To interpret graph of inflation.**

Inflation fell (1), + fell steadily (1) or more than halved (1) use of figures (1)

- 4 (b) Discuss the good and bad effects for homeowners of a sharp increase in the rate of inflation. [6]**

**Target: To consider the impact of inflation on a particular group.**

Homeowners may benefit from the rising price of their house and a reduction in the real value of their mortgage. Rising interest rates may increase their mortgage outgoings and the costs of running their house will increase.

**Level 2 (3-6 marks)**

Candidate discusses two sides to position of homeowner. Must relate to the homeowner.

**Level 1 (1-2 marks)**

Candidate analyses possible effects.

- 5 (a) How did the percentage of owner-occupied housing and rented housing change between 1971 and 2001? [3]**

**Target: To interpret data on different housing provision.**

Rented provision declined (1), owner-occupied provision grew (1), move from equality to clear owner-occupier majority (1). Credit analysis of differential rented change (1), statistics used (max 1).

- 5 (b) Explain two methods the seller of Updown Court might use to encourage the sale of the property. [4]**

**Target: To examine actions to increase demand.**

Advertising, direct sales techniques, indirect publicity, price and quality adjustment.  
(1) per method to max of 2 marks, (1) per explanation of working to max of 2 marks

- 5 (c) Explain why Updown Court is most likely to be sold to a foreign buyer. [2]**

**Target: To analyse potential market.**

Extreme wealth needed (1), more billionaires abroad than in UK (1), Vague idea (1) Any other valid point up to 2 marks.

- 6. With the help of a demand and supply diagram, discuss whether the introduction of Styrostone UK's building methods would be good for the housing market. [6]**

**Target: To judge the impact of new technology on a market.**

The method should increase supply through increased efficiency which will lower price. This should increase the prospect of buying a house and allow greater sales for builders. It might have an adverse effect on current building firms.

**Level 3 (5-6 marks)**

Candidate discusses impact with reference to new price and quantity. Maximum of 5 marks if only good points.

**Level 2 (3-4 marks)**

Candidate analyses change with shift in S curve. No diagram maximum of top of level 2

**Level 1 (1-2 marks)**

Candidate identifies some effects on the market. Just diagram maximum of level 1

- 7. Discuss whether it is always good to build as many houses as possible. [6]**

**Target: To consider the economic impact of extensive house building.**

More houses will improve accommodation and reduce homelessness. It may make homes more affordable and increase property ownership. It will also cause external costs involving harm to the environment and traffic problems.

**Level 2 (4-6 marks)**

Candidate discusses both benefits and drawbacks.

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

Candidate analyses only benefits or drawbacks.

8. How might the changes in the Bank of England base interest rate between 2001 and 2004 have affected the average percentage costs of running a house? [3]

**Target: To analyse interest rate effect.**

Mortgage interest rates affected directly (1), smaller proportion when falling (1), greater proportion when rising (1), credit reference to other interest influenced expenditures (2)

- 9 (a) Why do local councils need a council tax? [2]

**Target: To explain reason for tax.**

To provide income (need money) (1), to cover council spending (1), vague idea (1)

- 9(b) State two qualities of a good tax [2]

**Target: To show knowledge of tax criteria**

From fairness, efficiency, cheap to collect, easy to understand, no harmful side effects.  
1 mark per identification

- 9(c) Is council tax a good tax? Give reasons for your answer. [4]

**Target; To judge the desirability of a particular tax.**

Council tax is local, gives councils independence and is hard to evade. However, it is regressive, complicated to understand and relatively expensive.

**Level 2 (3-4 marks)**

Candidate discusses both benefits and drawbacks and reaches a conclusion on desirability of tax. Must have a conclusion to achieve 4 marks.

**Level 1 (1-2 marks)**

Candidate analyses only benefits or drawbacks.

10. Discuss the possible economic benefits and costs of owning your own home. [12+2]

**Target: To judge the economic implications of home ownership for the individual.**

Individuals can benefit from an appreciating asset, certainty of accommodation, sense of property ownership and value from status. This amounts to feeling of greater well-being. Costs can be financial, (purchase, interest and maintenance payments), will involve opportunity cost of the decision, may involve unsustainable indebtedness and cause anxiety.

**Level 4 (7-12 marks)**

Candidate discusses benefits and drawbacks and reaches conclusion on desirability of home ownership. No conclusion maximum of 10 marks.

**Level 3 (5-6 marks)**

Candidate analyses benefits or drawbacks of home ownership.

**Level 2 (3-4 marks)**

Candidate applies effects showing the outcome to owner's position,

**Level 1 (1-2 marks)**

Candidate names effects of home ownership without detail.

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**June 2007**

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- the use of specific words or phrases as agreed at standardisation and as contained in the final mark scheme either to confirm why a mark has been earned or indicate why a mark has not been earned (e.g. indicate an omission);
- the use of standard abbreviations e.g. for follow through, special case etc.

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## Question 1

- (a) To what extent do supermarkets operate in a competitive market? Use Fig. 1 to help explain your answer.

**Target: to evaluate the extent that a market is competitive.**

### Level 2 (3-4 marks)

Candidate makes a judgement and justifies it e.g. they could argue that the big 4 having 74% of the market indicates a degree of monopoly power. There may not be much competition in some areas, e.g. specific towns.

### Level 1 (1-2 marks)

An argument is presented, e.g. that there is plenty of competition with 4 big players plus lots of other food retailers. No reference to Fig 1, then max 2 marks. A simple statement of the data, then max 2 marks

(4)

- (b) Do consumers benefit from competitive markets? Give reasons for your answer. You should refer to the food retailing market, or any other market with which you are familiar, in your answer.

**Target: to evaluate the extent to which consumers benefit from competitive markets.**

Candidates can refer to any argument which is relevant to the stated market; such as price competition, and non-price competition: variety and choice on offer within the stores, quality of products sold, quality of the service provided, opening times, location of stores, etc. Award marks for application to other markets. Award marks for non-benefit arguments, e.g. advertising raises costs, lack of scale economies, natural monopoly argument.

### Level 3 (6-8 marks)

Candidate develops an overview of issues (such as those above) applied to the markets and begins to develop a valid conclusion based on the arguments made.

### Level 2 (3-5 marks)

Candidate provides some explanation of the issues applied to these markets, e.g. specific benefits to customers of supermarkets competing are explained. Max 5 marks where no application to markets.

### Level 1 (1-2 marks)

Up to two reasons stated or one reason explained, e.g. low prices, more variety. (8)

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Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

(2)

- (c) Explain the advantages and disadvantages to firms, such as those in Fig. 1, of operating on a large scale.

**Target: to explain the advantages and disadvantages of operating on a large scale.**

Award 1 mark for identification of each advantage (such as technical, purchasing, marketing, risk-bearing, managerial, financial economies) or disadvantage, and up to 2 further marks for explanation. 1 Mark each for definitions of economies and diseconomies of scale.

Maximum 6 marks where either advantages or disadvantages ignored.

Maximum 4 marks for identification with no explanation.

(8)

(Total 22)

## Question 2

- (a) Using the information in Fig. 2, draw and label the demand curve for tickets, and label the axes.

**Target: to plot a demand curve from data.**

1 mark for each axis labelled.

1 mark for correct demand curve labelled.

(3)

- (b) There are 30 000 tickets available for the concert at Asten arena. On your graph:

(i) draw and label the supply curve for tickets;

(ii) label the equilibrium price.

**Target: to plot a supply curve from data and identify equilibrium price.**

1 mark for correct supply curve labelled.

1 mark for correct equilibrium price.

(2)

- (c) What term would economists use to describe the supply of tickets for this concert?

**Target: to identify the nature of supply from data.**

Perfectly inelastic.

Allow one mark for inelastic or fixed or totally inelastic.

(2)

- (d) The promoters of Rocky Starr's concert at the Asten arena have fixed the official price of tickets at £20. Using Fig. 2, explain how this would affect the market for tickets.

**Target: to explain the effect of a maximum price being imposed in a market.**

1 mark for stating 40 000 tickets would be demanded.

1 mark for stating 30 000 tickets would be supplied.

OR 2 marks for showing this on their diagram.

1 mark for identifying excess demand or shortage.

1 mark for stating this is 10 000 tickets.

Award marks for further development, e.g. a black market would occur, the promoters would have earned more revenue at £30.

(4)

- (e) Using Fig. 2, calculate the price elasticity of demand if the ticket price increases from £20 to £30. Show your working.

**Target: to calculate price elasticity of demand.**

$5000/40000 \times 20/10 = \frac{1}{4}$  or 0.25 (1 mark for method/formula).

(2)

- (f) **Concerts, films and TV programmes are all available on DVDs. Explain what would cause the demand for, and supply of, DVDs to change over time. With the help of diagrams, explain how these changes would affect the price and quantity of DVDs sold.**

**Target: to explain, with graphical representations, the relationship between changes in demand and supply and equilibrium price and quantity, applied to a specific market.**

Demand factors include incomes, population (age structure), prices of complements (DVD players), availability of substitutes (cinema etc), tastes and preferences (versus other forms of entertainment), etc.

Supply factors include all types of costs of production, technological changes and indirect taxation.

**Level 3 (9-12 marks)**

A range of demand and supply factors are explained with clear argument, applied well to the DVD market, and illustrated with accurate, fully labelled and clearly explained diagrams.

**Level 2 (5-8 marks)**

Distinction made between demand and supply factors in the context and diagrams are used. The diagrams may not be fully labelled and explained.

Max. 8 marks where price/sales changes are shown in diagrams but ignored in the text.

Max. 8 marks where only the demand side **or** the supply side is considered.

Max. 5 marks where price/sales changes are not shown or incorrectly shown in diagrams and ignored in the text.

Max 5 marks for basic analysis but no reasons for demand/supply changes.

**Level 1 (1-4 marks)**

Reasons stated for price/quantity changes but with little distinction between demand and supply factors. Diagrams may be lacking in key respects. (12)

- (g) **Should some pop and rock singers such as Rocky Starr receive much higher incomes than workers in jobs such as nursing? Give reasons for your answer.**

**Target: to evaluate whether some workers should be paid more than others.**

Candidate can argue from both the demand side and the supply side that singers should be paid more, although they may not use these terms.

**Level 2 (5-8 marks)**

Candidate makes a judgement and justifies it. E.g. some singers are very popular and have special skills which other people do not have. Consumers are prepared to pay a lot (e.g. for concert tickets). (Demand is high). Nursing is important but a lot of people become nurses (supply is high) so high wages are not needed.

They may argue from the other viewpoint, e.g. that nurses are valuable to the community (with reasons) and it is not fair that they are paid a lot less. The pop singer would still do that job even if s/he was paid a lot less so such a high income is not necessary.

Award marks for relevant diagram. Max 7 marks where only demand or supply factors are discussed. Max 5 marks where neither demand or supply factors are discussed.

**Level 1 (1-4 marks)**

An argument is presented, e.g. nurses should be paid more because they train a long time. (8)

**(Total 33)**

### Question 3

- (a) Explain why the tax on cigarettes is both regressive and indirect.

**Target: to explain regressive and indirect taxation.**

Up to 3 marks for explanation of each term, e.g. regressive tax takes a lump sum (1), takes more from poorer people (1), as a % of their income (1). The tax burden falls as the income rises (2). As income rises the proportion paid in tax falls (3). (max. 3 marks). Indirect is on spending (1) on consumption (1) on goods and services (1) included in the price (1) it is passed from producer to consumer (1). Consumer has a choice to pay (1)(max. 3 marks). (Overall max.5 marks). (5)

- (b) Do you think that the UK government is justified in putting high taxation on cigarettes? Give reasons for your answer.

**Target: to evaluate whether high taxation on cigarettes is justified.**

#### Level 3 (8-10 marks)

Draws conclusions based on reasoned argument which includes both sides of the issue.

Arguments for include:

The revenue argument, which can be expanded to include why it is a good revenue raiser (inelastic demand) and what the revenue might be used for.

The demerit good argument – a tax to discourage consumption.

Lower tobacco tax could mean higher taxes elsewhere e.g. income tax – problems this may cause.

Arguments against include:

The equity argument: Unfair on lower income groups.

The effect on employment in the industry.

May encourage illegal market/smuggling.

#### Level 2 (5-7 marks)

Arguments for or against high taxation are analysed, e.g. why it is unfair to lower income groups is explained; e.g. why it raises a lot of revenue is explained.

Maximum 7 marks where only one side of the argument is given.

#### Level 1 (1-4 marks)

Arguments for or against high taxation are applied to cigarettes, e.g. it is unfair to lower income groups, it raises a lot of revenue.

Candidates will be awarded marks for the quality of their written communication according to the following criteria.

**(Total 15)**

#### Question 4

- (a) Calculate the balance of trade in travel and tourism. Show your working.

**Target: to calculate a balance of trade.**

£29.4bn - £13.9bn = £15.5bn deficit or accept -£15.5bn. (3 marks) (accept -£3.6bn for 2 marks) (3 marks). 1 mark for method.

2 marks for correct figure but deficit ignored or bn missing; 1 mark only if both missing. (3)

- (b) (i) If the £ falls in value against the Euro, explain how this will affect UK tourists who visit Spain;

(i) **Target: to understand the effect of a fall in the exchange rate on service imports.**

1 mark for stating the holidays will be dearer, 1 mark for development, e.g. UK tourists will need to spend more £s to buy euros/ can buy less abroad/ less take holidays/they are imported services. (2)

- (ii) If the £ falls in value against the euro, explain how this will affect Italian tourists who visit the UK;

(ii) **Target: to understand the effect of a fall in the exchange rate on service exports.**

1 mark for stating the visit will be cheaper, 1 mark for development, e.g. Italians will get more £s for their euros/ can buy more in the UK/more take holidays/they are exported services (2)

- (iii) If the £ falls in value against the euro, explain how this will affect the UK balance of payments on current account.

(iii) **Target: to understand the effect of a fall in the exchange rate on the balance of payments on current account.**

1 mark for stating (imports are dearer so) less imports will be bought

1 mark for stating (exports are cheaper so) more exports will be bought

1 mark for likely surplus as a result (or reduced deficit)/ impaired current account. (3)

- (c) Tourists visiting the UK bring both benefits and costs to the economy. Do you agree that the benefits are greater than the costs? Give reasons for your answer.

**Target: to evaluate the costs and benefits of tourism**

Candidate can refer to any of the benefits in Fig. 4 relating to exports, spending, jobs, and output (GDP), plus any other benefits e.g. knock-on effects.

There are no costs in Fig.4 although it is shown that UK spends more abroad on tourism than it receives (allow this).

Costs of tourism which may be explained include external costs such as congestion and noise pollution (planes etc); increased prices (e.g. hotels), etc.

#### Level 3 (6-8 marks)

Draws conclusions based on reasoned argument, considering some of the above costs and benefits.

#### Level 2 (3-5 marks)

Benefits or costs to the UK are analysed, max. 5 marks if only one side considered (Max 4 marks for lists).



**Level 1 (1-2 marks)** Benefits and/or costs of tourism are applied to the UK, e.g. jobs can be created in the UK such as in hotels and catering. (8)

**(d) The case for the UK adopting the Euro is stronger than the case against. Do you agree? Give reasons for your answer. In your answer you could refer to particular groups in the economy such as:**

- consumers;
- tourists;
- firms.

**Target: to evaluate the case for and against UK adoption of the Euro.**

**Level 3 (8-10 marks)**

Draws conclusions based on reasoned argument.

Arguments for include:

Lower transaction costs. Cheaper for firms to export to and import from other Euro countries.

Cheaper for tourists. Less time wasted.

Easier to compare prices, make commercial decisions. More certainty for firms.

All the problems of exchange rate changes (against Euro countries) no longer apply (these could be detailed).

Consumers and tourists can compare prices more easily (Transparency), enhances competition.

Arguments against include:

High changeover costs (these could be detailed e.g. menu, rounding up costs).

Difficulties for some of understanding a new currency.

Loss of sovereignty over monetary / interest rate policy (implications of this).

Award marks for any relevant argument and referral to benefits or problems experienced by current euro countries.

**Level 2 (5-7 marks)**

Benefits and costs to the UK of adopting the euro are analysed, e.g. why control over monetary policy is lost, why costs fall for exporters and importers.

Max 7 marks where only costs or benefits considered.

**Level 1 (1-4 marks)**

Benefits and/or costs of adopting the euro are recognised, e.g. less hassle (1) and costs (1) of changing money. (10)

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(2)

**(Total 30)**



**Mark Scheme 1985/04**  
**June 2007**

## INSTRUCTIONS ON MARKING SCRIPTS

*Excerpts from the Instructions for Examiners booklet.*

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- 1 (a) Compare the changes in house prices between 1990 and 2004 in Greater London to those in the North. [2]

**Target: To interpret graph of price behaviour.**

Both rose (1), Greater London rose more absolutely (1), detailed statistics (1), up to (2) max

- 1 (b) Explain one factor which influences the demand for housing in the UK. [2]

**Target: To explain a demand influence.**

Identification e.g. population size, population distribution, income levels, interest rates, immigration, buy to let or alternative (1), nature of influence (1)

- 1 (c) With the help of a demand and supply diagram, explain why the average house price in Greater London differs from the average house price in the North. [6]

**Target: To explain regional price differences with support of diagram.**

Comparisons of level of demand or supply or both are acceptable. A diagram showing higher demand, lower supply or both for Greater London gains up to (4): Labels (1), original D and S (1), different D and/or S (candidate must distinguish between a demand/supply curve for north and one for London this can either be on the diagram or within the explanation) (1), new price (1) + explanation e.g. incomes, jobs, restricted supply up to (2)

- 2 (a) Explain two reasons why a first-time buyer might be unlikely to have savings of £30,000. [4]

**Target: To analyse influences on spending power.**

First time buyers are relatively young so will have less time to save, student debt, smaller incomes to save from and other spending priorities (opportunity cost). Identification of reason (1), explanation (1), two reasons up to 4 max.

- 2 (b) Do you agree with the comment in Fig. 3 that 'the price of houses is too high?' Give reasons for your answer. [4]

**Target: To consider implications of price levels.**

Price levels may keep certain people out of the housing market and may contribute to inflationary pressure. The price is however the result of market forces and creates confidence.

**Level 2 (3-4 marks)**

Candidate gives reasoned judgement including possible benefit.

**Level 1 (1-2 marks)**

Candidate understands effects of high price level.

**2 (c) Discuss how the government might help first -time homebuyers to afford a home. [8]+[2]**

**Target: To evaluate government micro economic policy measures.**

Policies may include tax concessions, income supplements, subsidised housing (private and public sector), removal of restrictions on house purchase (e.g. National Parks), action to increase total supply of housing, increased supply of first time homes etc. Policies can be judged against costs, distortions and effectiveness.

**Level 3 (5-8 marks)**

Candidate evaluates impact of policies in light of their strengths and weaknesses.

**Level 2 (3-4 marks)**

Candidate analyses operation of policies on first time buyer.

**Level 1 (1-2 marks)**

Candidate identifies relevant policies.

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Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

**3 (a) Describe the trend in the real price of houses between 1992 and 2004. [2]**

**Target: To apply concept of real value.**

Real price fell to mid 1996 (1), real price rose after 1996 (1), use of statistics from graph (1), overall rise (1)

**3 (b) Discuss whether a high rate of inflation is more harmful to house buyers or mortgage lenders. [5]**

**Target: To consider differential impact of inflation.**

Borrowers (house buyers) gain, lenders (banks) lose. House owners have appreciating asset and possible fall in value of debt, while lenders (depending on rates) have depreciating loan. The respective level of inflation and interest rate is relevant. Suggests that house owners are better placed, although they may face rising costs and have paid off loan.

**Level 2 (3-5 marks)**

Candidate evaluates different impact and concludes on relative harm. Maximum of 4 with no conclusion

**Level 1 (1-2 marks)**

Candidate analyses elements affecting impact on different groups.

- 4 (a) How did the percentage of owner-occupied housing and rented housing change between 1971 and 2001? [3]

**Target: To interpret data on different housing provision.**

Rented provision declined (1), owner-occupied provision grew (1), move from equality to clear owner-occupier majority (1). Credit analysis of differential rented change (1) statistics used (max 1).

- 4 (b) Explain how the market would ensure the sale of Updown Court. [3]

**Target: To show market operation at extreme prices.**

Should the house not sell at the asking price, price will fall (1), or non price elements will be improved (1), interest (quantity demanded) will rise(1), process will continue until sale (equilibrium is achieved) (1).

5. With the help of a demand and supply diagram, discuss whether the introduction of Styrostone UK's building methods would be good for the housing market. [6]

**Target: To judge the impact of new technology on a market.**

The method should increase supply through increased efficiency which will lower price. This should increase the prospect of buying a house and allow greater sales for builders. It might have an adverse impact on current building firms.

**Level 3 (5-6 marks)**

Candidate discusses impact with reference to new price and quantity. Maximum of 5 marks if only good points.

**Level 2 (3-4 marks)**

Candidate analyses change with shift in S curve. No diagram maximum of top of level 2

**Level 1 (1-2 marks)**

Candidate identifies some effects on the market. Just diagram maximum of level 1

6. Discuss the extent to which house building might create external costs. [6]

**Target: To judge external effects of an economic action.**

New houses may destroy countryside, cause visual intrusion and create traffic problems. This is a cost to rural dwellers, tourists and other motorists. However the locations may replace former residential or industrial sites, (as shown in data), which may produce an external benefit.

**Level 3 (4-6 marks)**

Candidate evaluates the scale of effect and possible improvement to environment

**Level 2 (2-3 marks)**

Candidate analyses external costs in context of building industry.

**Level 1 (1 mark)**

Candidate gives meaning of external cost.



7. How might the changes in the Bank of England base interest rate between 2001 and 2004 have affected the average percentage costs of running a house? [3]

**Target: To analyse interest rate effect.**

Mortgage interest rates affected directly (1), smaller proportion when falling (1), greater proportion when rising (1), credit reference to other interest influenced expenditures (2)

- 8 (a) Why do local councils need a council tax? [2]

**Target: To explain reason for tax.**

To provide income (need money) (1), to cover council spending (1).

- 8 (b) Discuss the extent to which council tax is a progressive tax. [6]

**Target: To judge the extent of progression of a tax.**

Progressive taxes take a greater proportion of income as income rises. While council tax charges more on larger houses, this is not directly linked to income and the data shows a falling proportion of income taken, despite concessions. The impact is regressive.

**Level 3 (5-6 marks)**

Candidate reaches reasoned conclusion on progression based on use of data.

**Level 2 (3-4 marks)**

Candidate analyses relevance of data to judge progression.

**Level 1 (1-2 marks)**

Candidate explains meaning of progressive.

9. Discuss the possible economic benefits and costs to the individual and economy of an increase in home ownership. [14]+[2]

**Target: To consider micro and macro effects of economic trend.**

Individual may benefit from security, financial gains and higher standard of living.

Costs may include initial and on-going expenditure, opportunity cost and indebtedness.

For the economy, benefits include greater stability, higher demand levels and more stake-holding.

Costs may include reduced mobility, speculative activity and inflationary expectations.

**Level 4 (9-14 marks)**

Candidate discusses overall impact of trend on individual and economy. Candidate must discuss benefits and costs for both individual and economy to achieve this level

**Level 3 (5-8 marks)**

Candidate either analyses benefits or costs of trend in both cases or analyses costs and benefits of one case

**Level 2 (3-4 marks)**

Candidate applies trend to effects in both individual and economy context

**Level 1 (1-2 marks)**

Candidate recognises some effects of trend.

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Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1
Candidate fails to reach the threshold standard in all respects.	0

## General Certificate of Secondary Education

### Economics (1985) June 2007 Assessment Series

#### Component Threshold Marks

Component	Max Mark	A	B	C	D	E	F	G
1	100	n/a	n/a	62	55	49	42	36
2	100	n/a	n/a	41	34	28	22	16
3	100	71	54	38	26	n/a	n/a	n/a
4	100	53	45	37	28	n/a	n/a	n/a

#### Specification Options

##### Foundation Tier

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	200	n/a	n/a	n/a	112	98	84	70	56
Percentage in Grade	200	n/a	n/a	n/a	22.10	24.64	22.10	14.49	9.42
Cumulative Percentage in Grade	200	n/a	n/a	n/a	22.70	18.0	70.60	85.1	94.8

The total entry for the examination was

##### Higher Tier

	Max Mark	A*	A	B	C	D	E	F	G
Overall Threshold Marks	200	158	137	110	84	61	49	n/a	n/a
Percentage in Grade	200	7.50	18.66	30.50	27.84	11.65	1.78	n/a	n/a
Cumulative Percentage in Grade	200	7.90	27.30	57.50	84.80	96.20	97.90	n/a	n/a

The total entry for the examination was

##### Overall

	A*	A	B	C	D	E	F	G
Percentage in Grade	5.90	14.66	23.97	26.61	14.43	6.13	3.10	2.02
Cumulative Percentage in Grade	6.20	21.30	45.00	71.20	85.7	92.0	95.10	97.20

The total entry for the examination was 1302  
Statistics are correct at the time of publication.



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