



GCE MARKING SCHEME

**ECONOMICS
AS/Advanced**

SUMMER 2012

INTRODUCTION

The marking schemes which follow were those used by WJEC for the Summer 2012 examination in GCE ECONOMICS. They were finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conferences were held shortly after the papers were taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conferences was to ensure that the marking schemes were interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conferences, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about these marking schemes.

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EC1**GENERAL MARKING GUIDANCE****Positive Marking**

It should be remembered that candidates are writing under examination conditions and credit should be given for what the candidate writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good candidate to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

GCE ECONOMICS – EC1**Summer 2012**

Q.1 Use the above information to explain the concept of opportunity cost. [2]

Definition of opportunity cost (1) application to the data (1)

Q.2 The price of crisps in a school canteen rose from 40p per bag to 50p and, as a result, sales fell from 200 bags to 180 bags per day. Calculate the price elasticity of demand for crisps at the school. [2]

Equation/definition (1) -0.4 (2)

Q.3 With reference to the data and using a diagram, explain why petrol retailers are able to shift a large proportion of the tax on petrol onto consumers. [6]

Candidate correctly draws and labels a diagram shifting the supply curve to the left (parallel or divergent) showing price inelastic demand (3)

Candidate explains the diagram using the data (3)
No use of data maximum 5.

Q.4 Define external costs and, using the data, explain why there are external costs resulting from excessive alcohol and food consumption. [4]

Definition of external costs (2)

Linkage of alcohol/obesity to higher NHS spending (2)
No explicit use of the data maximum 3.

Q.5 To what extent are these government grants an example of government failure? [6]

Candidate explains the meaning of government failure (2) and uses the data to show why potentially this is an example of government failure (2)

Evaluation: it may have been even worse without the grants to farmers, report may be inaccurate, data shows rate of bird decline is slowing, data only goes up to 2005 (2)

Max 4 without evaluation

Q.6 The diagram shows the average wage of bricklayers in the UK economy.

Using the diagram, evaluate the likely effects of a rise in mortgage interest rates and the arrival of bricklayers from Eastern Europe seeking employment in the UK. [8]

Correct adaptation of the diagram (shift to the left of demand and to the right of supply, causing wage rates to fall). (3)

Explanation (3)

Evaluation: depends on extent of the rise in interest rates, other factors affect the demand for houses (incomes/expectations), depends on number of migrants, other factors affect the wages of bricklayers (trade union action), elasticity of demand and supply of labour, minimum wage will prevent wages falling too much. (2)

Q.7 (a) Using an aggregate demand and aggregate supply diagram, explain why, according to the data, inflation has been above target in recent years. [4]

Demand showing leftward shift of the AS curve (2) or shift of SRAS curve. (2)
Reward plausible AD shift to the right resulting from the fall in the value of the pound boosting exports. (3)

Explanation with use of the data (2)

(b) Using an aggregate demand and aggregate supply diagram, explain why, according to the data, inflation is predicted to come down in 2012. [4]

Diagram showing leftward shift of the AD curve (2)

Explanation with use of the data (2)

Q.8 Discuss the view that the abolition of the 50% tax rate would be beneficial to the UK economy. [6]

Beneficial: increased incentives, will promote entrepreneurship, prevent exit of top executives, tax revenue might increase (use of the Laffer Curve), creation of employment, cutting tax will increase AD. (4)

BUT

Possible loss of tax revenue, increased post-tax inequality, etc.
AD might not rise significantly.

Max 4 without evaluation.
Reversible answer.

Q.9 In recent years, the UK's trade deficit in goods has continued to worsen despite a fall in the value of the pound since 2007.

To what extent can a fall in the value of a currency such as the pound be expected to improve the trade balance?

[8]

Falling pound will make exports cheaper and imports more expensive (2) thus demand for exports rises and demand for imports falls(1), improving the trade balance (1)

BUT

Time lags.

Non-price factors affect demand for goods.

Loss of comparative advantage.

Price inelastic demand for exports/imports.

Depends how big the fall in the currency.

Depends which currencies the pound falls against.

Depends on the state of demand in overseas markets.

Explicit use of the data. (2)

2x2 marks for evaluation

Maximum 4 without evaluation.