



GCE MARKING SCHEME

**ECONOMICS
AS/Advanced**

SUMMER 2013

INTRODUCTION

The marking schemes which follow were those used by WJEC for the Summer 2013 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 2013

Question	Answer	Mark allocation	Assessment objective
Q.1	With reference to the data, explain one factor that could explain the change in manufacturing productivity over the period shown. Definition of productivity (1). Productivity has increased (1). Plausible reason explained: mechanisation, technology, working practices (3).	3	AO1 1 AO2 2
Q.2 (a)	Adapt the above diagram to discuss whether the policy changes are likely to increase or reduce the price of cycle helmets. Demand shifts right (2) Supply shifts divergently right (2) New price and quantity not shown (-1). Parallel supply shift (1). Evaluation: Candidate explains how the price could rise or fall relating to degree of each shift (2). Extent of the VAT cut (2). Price elasticity of demand and supply of cycle helmets (2). Firms don't pass on the VAT cut (2).	6	AO1 2 AO2 2 AO4 2
Q.2 (b)	Explain how the policies outlined above may help to correct market failure. Definition of market failure (2). Reduction in external costs: Fewer NHS accidents (2). Fewer employees off work due to injuries (2). Less effect on productivity (2).	4	AO1 1 AO2 1 AO3 2
Q.3	Calculate the price elasticity of demand for this football club and explain why the club's revenue has been affected by the price change. Understanding of the formula/concept (1). Calculation (1) Explanation of why revenue rises (2).	4	AO1 1 AO2 1 AO3 2
Q.4	Using the above passage explain the concept of asymmetry of information. Definition of asymmetry of information (2). Application to the passage (2).	4	AO1 2 AO2 2
Q.5	Complete the circular flow diagram by identifying flows 1 to 5. Flow 1= Factors of production/factor services/labour/employment/capital (1). Flows 2-5 2/3 correctly identified (1) 4 correctly identified (2). Flows 2 and 3 exports/government spending/subsidies. Flows 4 and 5 imports/taxation.	3	AO1 2 AO2 1

Question	Answer	Mark allocation	Assessment objective
Q.6 (a)	<p>In the above diagram explain the shape of both the aggregate demand and aggregate supply curves.</p> <p>AD: Real balance effect/ interest rate effect/ exchange rate effect (2). A fall in the price level increases the purchasing power of incomes thus AD rises (2). AS: Explanation of the relationship between the price level and GDP in the elastic and inelastic sections.</p>	4	AO2 2 AO3 2
Q.6 (b)	<p>Explain how fiscal policy can shift both the aggregate demand and aggregate supply curves to the right.</p> <p>Rise in government spending/cuts in taxation will increase injections and via the multiplier raise GDP (3). Increase in capital spending (infrastructure) or training etc will increase potential output shifting AS to the right (3).</p>	6	AO1 2 AO2 2 AO3 2
Q.7	<p>With reference to the data, discuss how successful this plan seems to have been.</p> <p>Inflation above target, current account deficit, rising unemployment and low economic growth explained. Maximum 4. (two objectives well explained)</p> <p>Evaluation: Some of the problems are outside government control; inflation returning to target, other data might be needed to pass judgement, there is still two years to go. Maximum 4. (two marks for each point made)</p>	8	AO1 2 AO2 1 AO3 1 AO4 4
Q.8	<p>To what extent might Russia expect to benefit as a result of freer international trade?</p> <p>Greater choice/lower prices/competition/better quality goods and services/increased productivity and efficiency/LRAS shifts right/pressure to innovate. 2 x 2.</p> <p>BUT.</p> <p>Lower priced imports cause job losses/possible trade deficit/lower economic growth/depends on the competitiveness of the Russian economy/reduction in tariff revenue/time lags/no change in the trading relationships with countries not in the WTO. 2 x 2.</p> <p>Max 4 without evaluation.</p>	8	AO1 2 AO2 1 AO3 1 AO4 4