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AQA

General Certificate of Education
June 2011

ECONOMICS   ECON1

Unit 1 :   Markets and Market Failure

Final

Mark Scheme

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.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of candidates' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this Mark Scheme are available to download from the AQA Website: www.aqa.org.uk

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June 2011   **ECON1/1**

Advance Subsidiary Economics Unit 1

Section A: Objective Test (ECON1/1)

The following list indicates the correct answers used in marking the candidates' responses.

KEY LIST

1.	**B**	**9.**	**A**	**17.**	**C**
2.	**D**	**10.**	**C**	**18.**	**B**
3.	**B**	**11.**	**D**	**19.**	**C**
4.	**D**	**12.**	**A**	**20.**	**C**
5.	**D**	**13.**	**A**	**21.**	**C**
6.	**B**	**14.**	**B**	**22.**	**B**
7.	**B**	**15.**	**D**	**23.**	**D**
8.	**A**	**16.**	**A**	**24.**	**C**
				25.	**A**

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Advanced Subsidiary Economics

June 2011   **ECON1/2**

Mark Scheme

Section B: Data Response

General Instructions

Marks awarded to candidates should be in accordance with the following mark scheme and examiners should be prepared to use the full range of marks available. The mark scheme for most questions is flexible, permitting the candidate to score full marks in a variety of ways. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required for full marks. But conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation, **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, you must in the first instance telephone your team leader to discuss how to proceed.

Two approaches have been used in the construction of the mark scheme:

(i)   **An issue based approach.** The mark scheme for questions **01**, **02**, **03**, **05**, **06** and **07** of the data response questions adopts this approach. The mark scheme lists the marks that can be awarded for particular issues (and associated development) that the candidate might include in the answer.

(ii)   **A levels approach.** This approach is used for marking questions **04** and **08** of the data response questions. The Levels Of Response Mark Scheme on the next page identifies five levels representing differences in the quality of work. A range of marks is allocated at each level. First decide the level into which an answer falls. The level chosen should be the one which **best fits** the answer provided by the candidate. It is **not** intended that the answer should satisfy every statement in the level description. Then think in terms of awarding the mid-point mark which has been identified for that level (eg 13 marks for Level 3). Move up and down from this notional mark by considering the extent to which the answer meets the level description overall. Strength in one skill can outweigh weakness in another. When using the Levels Mark Scheme the marker **must** identify where a particular skill is being demonstrated. The **key** to be used to identify the skill is given after the levels descriptions. The question-specific mark scheme summarises the information which could be used to answer the question, but without attaching marks to particular issues.

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LEVES OF RESPONSE MARK SCHEME: QUESTIONS 04 AND 08 ONLY

AS LEVELS OF RESPONSE	AO1 KNOWLEDGE and UNDERSTANDING of theories, concepts and terminology	AO2 APPLICATION of theories, concepts and terminology	AO3 ANALYSIS of economic problems and issues	AO4 EVALUATION of economic arguments and evidence, making informed judgements
Level 5 22-25 marks (mid-point 24) **Good analysis <u>and</u> good evaluation**	Good throughout the answer with few errors and weaknesses	Good application to issues Good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning	Good with a clear final judgement
Level 4 17-21 marks (mid-point 19) **Good analysis <u>but</u> limited evaluation** **OR**	Good throughout the answer with few errors and weaknesses	Good application to issues Good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning	Limited but showing some appreciation of alternative points of view
Reasonable analysis <u>and</u> reasonable evaluation	Good throughout much of the answer with few errors and weaknesses	Some good application to issues. Some good use of data to support answer	Largely relevant and well organised with reasonable logic and coherence	Reasonable, showing an appreciation of alternative points of view
Level 3 10-16 marks (mid-point 13) **Reasonable answer, including some correct analysis but very limited evaluation**	Satisfactory but some weaknesses shown	Reasonable application to issues Reasonable use of data to support answer	Reasonably clear but may not be fully developed and is perhaps confused in places with a few errors present	Superficial, perhaps with some attempt to consider both sides of the issue(s)
Level 2 4-9 marks (mid-point 7) **Weak with some understanding**	Limited and some errors are made	Partial application to issues with some errors Limited use of data to support answer	Partial but confused at times, lacking focus and development Limited logic and coherence	A very basic and simplistic attempt is made which is unsupported by analysis
Level 1 0-3 marks (mid-point 2) **Very weak**	Weak with a number of errors	Little, if any, application to issues No use of data to support answer	Poor and lacking clarity and focus	No relevant evaluation

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THE KEY TO BE USED WHEN USING THE LEVELS MARK SCHEME

D   Where a particular economic term is correctly **DEFINED** in order to help the candidate to answer the question properly.

I   Where a relevant **ISSUE** is raised by the candidate.

K   Where the candidate demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the candidate's response to the question. This should also be used where the candidate quotes relevant examples.

Ap   Where the candidate demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.

An   Where the candidate demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.

E   Where the candidate **EVALUATES** and makes judgements about the significance of various issues and arguments.

QUALITY OF WRITTEN COMMUNICATION

Quality of Written Communication (QWC) will be assessed in Questions 04 and 08.

Candidates will be assessed according to their ability to:

- ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear
- select and use a form and style of writing appropriate to purpose and complex subject matter
- organise information clearly and coherently, using specialist vocabulary when appropriate.

No specific marks are awarded for QWC, however examiners should take into account QWC when determining the mark within the level to which a candidate's answer best fits.

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EITHER

Context 1   **Total for this Context: 50 marks**

01	Define the term 'price elasticity of supply' (**Extract B**, lines 10 - 11).	*(5 marks)*

For an acceptable definition, eg correct formula, or a sentence stating the price elasticity of supply measures the proportionate or percentage change in quantity supplied following a change in price, or a sentence stating that price elasticity of supply measures the responsiveness of supply following a change in price:	**5 marks**

Correct formula is:

price elasticity of supply = $\dfrac{\text{proportionate or percentage change in quantity supplied}}{\text{proportionate or percentage change in price}}$

Full marks should be awarded to a candidate who demonstrates a clear understanding of the term 'price elasticity of supply' even if the definition is not exactly the same as the acceptable examples quoted above.

If the definition is inaccurate or incomplete, maximum of 4 marks which may be broken down, for example as follows:

Giving an accurate calculation of price elasticity of supply from an example chosen by the candidate without a definition:	**4 marks**
Formula correct **except** refers to absolute rather than percentage (proportionate) changes in supply and price:	**2 marks**
Relationship between price and quantity supplied	**2 marks**
For an accurate relevant diagram correctly illustrating a particular price elasticity of supply, but without an explicit definition of the term:	**2 marks**
For stating that price elasticity of supply is positive	**1 mark**
For stating that a numerical value is elastic, inelastic or unit elastic	**1 mark**

Maximum of 4 marks if definition is incomplete or inaccurate

MAXIMUM FOR PART 01: 5 MARKS

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| **02** | Using **Extract A**, identify **two** significant features of the UK house price affordability indicator over the period shown. *(8 marks)* |

Award up to 4 marks each for <u>each</u> point made:

Identifies a significant feature of the data Makes accurate use of the data to support the identification For this question, candidates should not be penalised for failing to specify units of measurement	**4 marks**
Identifies a significant feature of the data Makes partially inaccurate use of the data to support the feature identified	**3 marks**
Identifies a significant feature of the data No use of correct data to support the identified feature	**2 marks**
The candidate trawls through the data in a vague and/or descriptive way, without identifying a significant feature	**1 mark**

If a candidate identifies more than two significant features of the UK house price affordability indicator, reward the best two ('significant' such as peaks, troughs or major changes/trends over a period of time).

The valid points include:

- The house price affordability indicator fell significantly from around 12.5 in 1989 to around 7.2 late in 1995.

- The house price affordability indicator increased significantly from around 7.0 in 2000 to around 11.8 at the beginning of 2007.

- The house price affordability indicator was relatively stable between 1995 and the end of 2000, ranging between about 7.2 and just under 7.0.

- The house price affordability indicator was at its lowest/most affordable between 1995 and the end of 2000, when the indicator ranged between about 7.2 and just under 7.0.

- The point(s) in time at which the house price affordability indicator was at its peak/least affordable was/were at the beginning of 1984 when the index was about 12.5 and/or in early 1989, also just about 12.5.

- The house price affordability indicator fell over the whole period 1983-2009 from 12.5 to 9.6.

- The house price affordability indicator was volatile/fluctuating over the whole period 1983-2009, ranging from 12.5 in 1984/1989 to just below 7.0 in 1998/2000.

Allow a margin of error of +/- 0.3% when judging the accuracy of statistics.

MAXIMUM FOR PART 02: 8 MARKS

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03	With the help of an appropriate diagram, explain how **two** of the factors mentioned in **Extract B** may have caused UK house prices generally to rise in recent years.
	(12 marks)

When awarding marks for the diagram, it is important to reward candidates who produce an economically valid response even if it is not the one shown below (for example the diagram might show a completely inelastic vertical supply curve).

The anticipated response for the diagram:
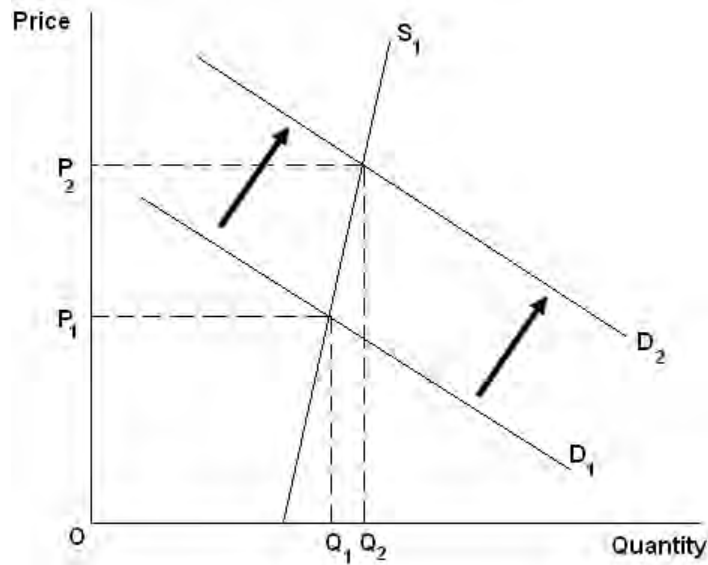
Breakdown of the marks for the diagram:

For labelling all the axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1	**1 mark only**
An accurately-drawn shift of the demand curve to the right:	**2 marks**
Co-ordinates drawn in at the new equilibrium and labels such as P_2 and Q_2.	**1 mark**
Any other relevant feature of the diagram (e.g. the amount of excess demand at the original equilibrium).	**1 mark per feature up to a maximum of 2 marks**

Note:
    (i)   **To earn the first mark in the grids, all the three listed tasks must have been attempted and been completed**

    (ii)   **For the task of labelling axes, price and quantity, P and Q, a monetary symbol such as the £ sign on the vertical axis and physical units of measurement such as number of houses are all valid, though the labels 'output' and 'price level' are not valid**

Candidates who draw a diagram which is inconsistent with their written explanation can only be awarded 1 mark for axes, supply and demand curves and initial equilibrium.

                                      Up to a MAXIMUM of 4 marks for diagram.

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The anticipated written response:

Extract B mentions five factors that have contributed to rising house prices. These are: changes in population size; changes in household size, changes in income, the ease or difficulty of borrowing money; and demand being affected by people regarding housing as a form of wealth. Marks are only available for developing/explaining **two** of these prompts.

Defining demand and/or supply or any other relevant term apart from Price Elasticity of Supply:	**Up to 1 mark per definition, Maximum of 2 marks for definitions**

For each of the following explanations, award 2 marks for each logical link in the chain of reasoning. Award 'this increases the demand for housing' only once, not for each factor.

For changes in population size: Population has grown **(2 marks)**, a particular cause of population growth, e.g. natural growth **(2 marks)**, immigration **(2 marks)**; population growth means that more houses are needed for housing the extra people **(2 marks)**; *this increases the demand for housing* **(2 marks).**	**Up to 6 marks**
For changes in the number of households: The number of households has increased **(2 marks)**, a particular cause of the growth in the number of households, e.g. more young people forming new households **(2 marks),** a fall in household size **(2 marks)**, this means that more houses are needed to house the greater number of households **(2 marks)**, *this increases the demand for housing* **(2 marks).**	**Up to 6 marks**
For changes in income: Incomes have generally grown **(2 marks),** a cause of income growth, e.g. economic growth **(2 marks)**, higher labour productivity **(2 marks)**, housing functioning as a normal good **(2 marks)**, interpretation of the income elasticity statistic **(2 marks)**, *this increases the demand for housing* **(2 marks**).	**Up to 6 marks**
For changes in the ease of borrowing money to finance house purchase: Most houses are purchased by taking out a mortgage **(2 marks)**, a cut in interest rates increases the ease of borrowing money **(2 marks)**, a relaxation of banks' lending criteria increases the ease of borrowing money **(2 marks)**, linking the ease of borrowing money to the growth in mortgage borrowing **(2 marks)**, *this increases the demand for housing* **(2 marks).**	**Up to 6 marks**
For explaining how people's views of wealth assets affects the demand for housing One of the reasons for house purchase stems from the fact that people view houses as a form of wealth (investment goods) **(2 marks)**, when house prices are rising, people who own houses generally feel wealthier **(2 marks)**; linking the demand for houses to the hope of making capital gains (speculative gains) by selling later at a higher price **(2 marks)**, the effect of some other reason why wealth increases, e.g. rising share prices **(2 marks),** *hence in each case the demand for housing increases* **(2 marks).**	**Up to 6 marks**

Award 2 marks also for any of the following points (but for each point award the marks only once) relating to the adjustment process:

The rightward shift of demand along the supply curve creates excess demand for housing: **(2 marks)**; the price of houses rises to relieve the excess demand: **(2 marks)** the greater the inelasticity of supply the greater the price rise, ceteris paribus: **(2 marks)**; an increase in demand followed by an extension of supply **(2 marks)**.	**Up to 6 marks**

Up to a MAXIMUM of 10 marks for a written explanation

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Note: Do not award marks for simply describing what a diagram shows, for example a shift to the right of the demand curve.

Award a maximum of 10 marks, including the diagram, if only ONE factor is referred to.

MAXIMUM FOR PART 03: 12 MARKS

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04	'. . . the division between the 'haves', who own houses, and the 'have-nots', who do not, has been one of the most prominent market failures in the UK housing market ' (**Extract C**, lines 10-12).
	In the light of this statement, evaluate the case **for** and the case **against** government intervention in the housing market in order to correct or to reduce market failures in such a market. *(25 marks)*

Candidates will need to demonstrate that they are able to evaluate issues and arguments to support a conclusion, if they are to be awarded **more than 13 marks**.

A maximum of **21 marks** should be awarded if there is no **explicit** reference to the prompt to the question which has been extracted from the data.

Level 5	**Good analysis <u>and</u> good evaluation**	**22 to 25 marks** *Mid-Point 24 marks*
Level 4	**Good analysis <u>but</u> limited evaluation** **OR** **Reasonable analysis <u>and</u> reasonable evaluation**	**17 to 21 marks** *Mid-Point 19 marks*
Level 3	**Reasonable answer, including some correct analysis <u>but</u> very limited evaluation**	**10 to 16 marks** *Mid-Point 13 marks*
Level 2	**Weak with some understanding**	**4 to 9 marks** *Mid-Point 7 marks*
Level 1	**Very weak**	**0 to 3 marks** *Mid-Point 2 marks*

Candidates who only consider policies rather than evaluating whether or not the government should intervene to correct market failures in the housing market are unlikely to get beyond top Level 3.

This question is about the possible link between ownership of housing (by landlords as well as owner-occupiers) and market failure in housing markets. The prompt to the question suggests that a growing inequality in the distribution of wealth results from the nature of house ownership and tenancy in the UK, but other forms of market failure can relevantly be discussed, e.g. poor quality housing as a form of demerit good. Three examples of possible government intervention in housing markets are mentioned in Extract C. Most candidates will probably refer to one or more of these examples, but some candidates may use examples other than those mentioned in the Extracts.

Issues and areas for discussion include:

Introduction	• Definitions: the housing market or housing markets, living standards, inequality, market failure • Different types of government intervention in the housing market
Developing the response to the question: **(Application)**	• Drawing on the prompts provided in **Extract C** which suggest why owner-occupiers of houses and landlords renting property can be considered as 'haves' • Drawing on the prompts provided in **Extract C** which suggest why tenants renting property can be considered as 'have-nots' • Drawing on knowledge of other market failures in housing markets in the context of the question

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Developing the response to the question: (Analysis)	• developing a chain of reasoning as to why market failure occurs in housing markets
	• developing a chain of reasoning as to why a particular form of government intervention may reduce or eliminate a market failure occurring in housing markets
	• developing a chain of reasoning to explain why a particular form or particular forms of government intervention might be ineffective and/or damaging, lead to forms of government failure
	• developing a chain of reasoning to explain how the market mechanism allocates resources in the housing market with reference to the signalling, rationing and incentive functions of price
	• using relevant diagrams to support the analysis
	• use of the evidence in the Extracts.
Evaluation	• the case for and against government intervention replacing the market with public provision of housing, for example through building and then renting council houses
	• the issue of whether correction of the alleged market failures is greater or lesser than the possibility of new government failures
	• the opportunity cost of government intervention
	• a comparison of the consequences of UK provision of housing with alternative systems, for example in continental European countries with much more important rented sectors
	• the argument that subsidising the purchase of housing may have the adverse effect of raising house prices and making them less affordable
	• the argument that subsidising rents may lead to landlords raising the rents they charge to the tenants receiving the rent subsidy
	• the argument that rent controls may reduce the supply of rented properties and lead to housing shortages
	• the effects of increasing taxes on property ownership, e.g. stamp duty, wealth taxes
	• discussing whether a requirement that construction companies build affordable housing may increase or reduce the rate at which new houses are built and added to the national housing stock
	• the argument that direct government provision of housing (e.g. council housing) may, via a ghetto effect, have the unintended effect of reducing the economic opportunities of council house tenants
	• the case for free market provision on the basis that in housing markets
	• free markets perform better than regulated markets or alternative provision.

**USE THE DETAILED LEVELS MARK SCHEME ON PAGES 5 & 6
FOR FURTHER CLARIFICATION**

MAXIMUM FOR PART 04: 25 MARKS

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OR

Context 2   **Total for this Context: 50 marks**

05 Define the term 'market mechanism' (**Extract E**, line 2).	*(5 marks)*

For an acceptable definition, e.g. The process through which markets (or a market) solve (or solves) the problem allocating scarce resources between competing uses; means by which demand and supply determine the price and quantity of a good or service in a market (or determine prices and quantities of goods or services in markets); a mechanism for solving the fundamental economic problem (or the problem of allocating scarce resources between competing uses.	**5 marks**

Full marks should be awarded to a candidate who demonstrates a clear understanding of the term 'market mechanism' even if the definition is not exactly the same as the acceptable examples quoted above.

If the definition is inaccurate or incomplete, maximum of 4 marks which may be broken down, for example as follows:

When price or quantity (but **not** both) is determined in a market without government intervention	**4 marks**
For accurately defining a market without mentioning the market mechanism.	**2 marks**
For an accurate relevant diagram of the mechanism operating, but without an explicit definition.	**2 marks**
If only reference to demand (or consumers) **OR** if only reference to supply (or producers/firms).	**2 marks**
For a basic, accurately labelled, demand and supply diagram that goes no further than illustrating market equilibrium.	**1 mark**
For defining the market mechanism as the price mechanism.	**1 mark**

Maximum of 4 marks if definition is incomplete or inaccurate

MAXIMUM FOR PART 05: 5 MARKS

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| **06** | Identify **two** significant points of comparison between the alcohol consumption of the different age groups shown in **Extract D**. *(8 marks)* |

Award up to 4 marks each for <u>each</u> point made:

Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison. Unit of measurement given accurately.	**4 marks**
Identifies a significant point of comparison. Makes use of the data to support the point of comparison. However, only one piece of data is given when two are needed to make a valid comparison **and/or** no unit of measurement is given **and/or** the unit of measurement is used/applied inaccurately.	**3 marks**
Identifies a significant point of comparison. No use of correct data to support the comparison identified.	**2 marks**
Identifies a significant feature of the data but no comparison is made Makes use of the data to support the feature identified Unit of measurement given accurately	**1 mark**

If a candidate identifies more than two significant points of comparison, reward the best two ('significant' such as highest/lowest, major changes/trends over a range of age-groups).

The valid points include:

- The age group with the highest proportion of its members consuming alcoholic drinks (approximately 68%) was the 21 to 25 age group,
- The age group with the lowest proportion of its members consuming alcoholic drinks (approximately 4%) was the 12 to 13 age group.
- The proportion of the members of each age group consuming alcoholic drink rose up until the age group 21 to 25 (from about 4% to about 68%)
- The proportion of the members of each age group consuming alcoholic drink generally fell through all older age groups (from about 68% to about 38%)
- In the age groups with the lowest and highest percentages of individuals indulging in light drinking, the figures ranged from about 3% of the 12 to 13 age group to about 40% of the 55 to 59 age group.
- In the age groups with the lowest and highest percentages of individuals indulging in moderate drinking, the figures ranged from about 2% of the 12 to 13 age group to about 30% of the 21 to 25 age group.
- In the age groups with the lowest and highest percentages of individuals indulging in heavy drinking, the figures ranged from about 0% of the 12 to 13 age group to about 17% of the 21 to 25 age group.

Allow a margin of error of +/- 4% when judging the accuracy of statistics.

For candidates who misread the horizontal axis by quoting the adjacent age-group by mistake, award a maximum of **3 marks** for each point of comparison.

MAXIMUM FOR PART 06: 8 MARKS

07	'The Scottish Government also intends to advertise widely the health consequences of drinking' (**Extract F**, lines 10-11).
	With the help of an appropriate diagram, explain why, if left to the market, too much alcohol is consumed. *(12 marks)*

When awarding marks for the diagram, it is important to reward candidates who produce an economically valid response even if it is not one of the two shown below. For example, a diagram might show the effect of information failure suffered by consumers.

The anticipated response for the diagram:

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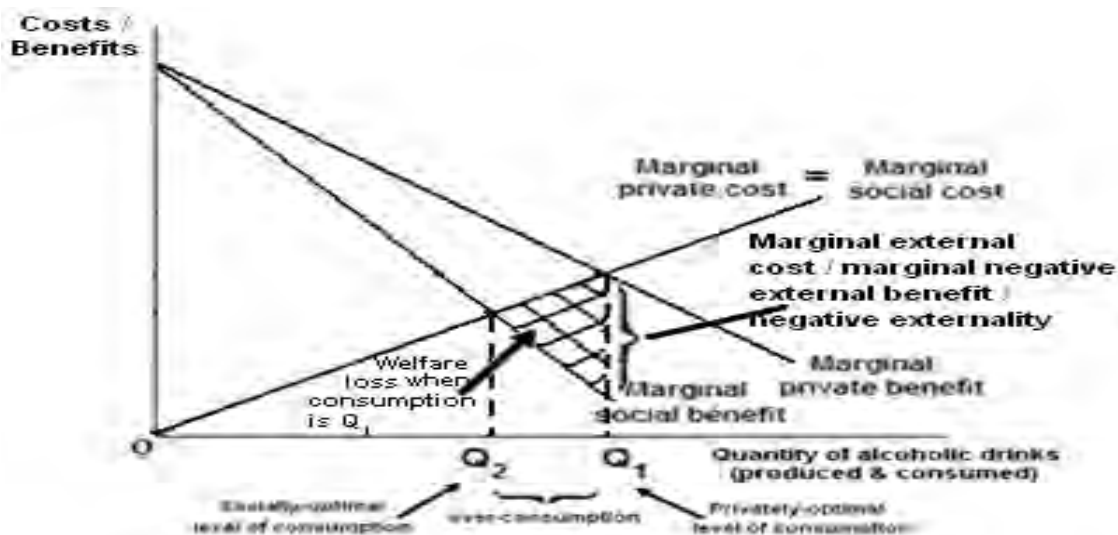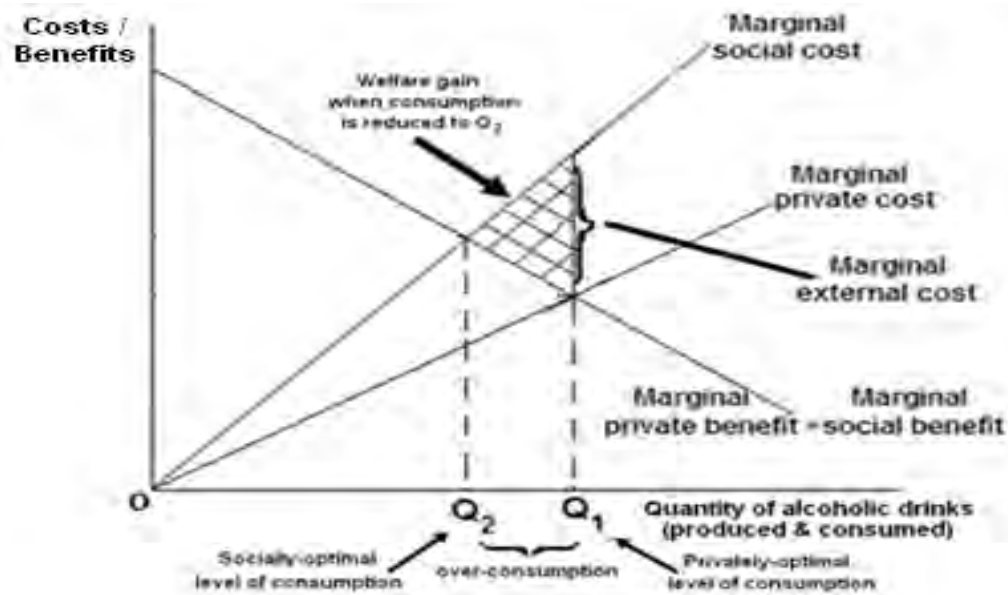
Breakdown of the marks for the diagram:

For labelling all the axes, the private cost and benefit curves, and the coordinate, labelled for example Q_1 or Q_2, to show the level of alcohol before negative externalities are taken into account.	**1 mark only**
For depicting social cost relative to private cost accurately on the diagram.	**1 mark**
For depicting social benefit relative to private benefit accurately on the diagram.	**1 mark**
Coordinate accurately drawn after taking account of the negative externalities.	**1 mark**
Any other relevant feature of the diagram, e.g. marginal external cost explicitly shown, over-consumption of alcohol shown on the horizontal axis, the deadweight/welfare gain.	**1 mark per feature up to a maximum of 3 marks**

Note:
  (i) Reward also a relevant diagram based on supply and demand or based on the information problem
  (ii) To earn the first mark in the grids, all the three listed tasks must have been attempted and been completed.
  (iii) For the task of labelling axes, costs and benefits, c/b or a monetary symbol such as the £ sign and/or price on the vertical axis and quantity or units of alcoholic drink consumed or output are all valid.

Up to a MAXIMUM of 4 marks for diagrams

The anticipated written response:

Define a relevant concept such as a demerit good, marginal private, external and social costs and benefits, an information gap:	**1 marks per definition Maximum of 2 marks for definitions**
For each of the following explanations, award 2 marks for each logical link in the chain of reasoning. Award 2 marks for an example but credit one example only.	
Because negative (consumption) externalities are not taken into account (**2 marks**), such as the effect of drinkers' behaviour on other people (**2 marks**), the marginal private benefit is higher than the marginal social benefit (**2 marks**) and so alcohol is a demerit good (**2 marks**) and the level of consumption ends up above the socially optimal level (**2 marks**).	**Up to 10 marks**
For a demerit good (**2 marks**) a market produces where MPB = MPC (**2 marks**) which, for alcohol, is above where MSB = MSC (**2 marks**) because negative (consumption) externalities, such as the effect of drinkers' behaviour on other people (**2 marks**), are not taken into account (**2 marks**).	**Up to 10 marks**
Consumers possess imperfect information (**2 marks**) of private costs and/or benefits (**2 marks**) about the long-term consequences (**2 marks**) choosing to consume more than they would in conditions of perfect information (**2 marks**) leading to market failure (**2 marks**).	**Up to 10 marks**

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Note: Do not award marks for simply describing what a diagram shows.

Candidates who draw a diagram which is inconsistent with their written explanation can only be awarded 1 mark for axes, curves and initial equilibrium.

Up to a MAXIMUM of 10 marks for a written explanation

MAXIMUM FOR PART 07: 12 MARKS

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> **08** Using the data and your economic knowledge, assess the view that a minimum price
> law provides the best way of tackling the problem of over-consumption of alcohol.
>
> *(25 marks)*

Candidates will need to demonstrate that they are able to evaluate issues and arguments to
support a conclusion, if they are to be awarded **more than 13 marks.**

A maximum of **21 marks** should be awarded if there is no **explicit** reference to the prompt to
the question which has been extracted from the data

Level 5	**Good analysis <u>and</u> good evaluation**	**22 to 25 marks** *Mid-Point 24 marks*
Level 4	**Good analysis <u>but</u> limited evaluation** **OR** **Reasonable analysis <u>and</u> reasonable evaluation**	**17 to 21 marks** *Mid-Point 19 marks*
Level 3	**Reasonable including some correct analysis <u>but</u> very limited evaluation**	**10 to 16 marks** *Mid-Point 13 marks*
Level 2	**Weak with some understanding**	**4 to 9 marks** *Mid-Point 7 marks*
Level 1	**Very weak**	**0 to 3 marks** *Mid-Point 2 marks*

Extract F contains a number of prompts, besides imposing a minimum legal price on alcohol.
These are: banning 'happy hours'; banning 'buy one, get one free' offers; advertising widely the
health consequences of drinking; restricting the display and marketing of drink to specific areas
within supermarkets; and introducing alcohol-only checkouts in supermarkets and shops. These
may be viewed as alternative or complementary approaches that could be used to try to reduce
consumption of alcoholic drinks. **Extract E** provides a considerable prompt on the issue of
whether free market provision leads to over-consumption of alcoholic drinks.

The wording of the question requires that at least one other way of tackling the problem of over-
consumption of alcoholic drink must be discussed and evaluated, besides a minimum price law.

Issues and areas for discussion include:

Introduction	Defining: • Free market provision • Over-consumption • Private, social and external costs and benefits • Minimum price law
Developing the response to the question: **(Application)**	• Drawing on the prompts provided in **Extract E** which suggest why alcohol might be considered to be a demerit good • Drawing on the prompts provided in **Extract E** which suggest why consumption of alcohol leads to the production of negative consumption externalities • Drawing on the prompt provided in **Extract E** which suggests why some of the private costs of consumption may be suffered in future years • Drawing on the prompts provided in **Extract E** which suggest why consumers do not take account of the negative externalities they impose on other people or the long-term private costs they will eventually suffer

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	• Drawing on the policy approaches in addition to imposing a minimum price law, which are set out in **Extract F**: banning 'happy hours' and special offers, providing information about health costs, restricting the display and marketing of alcoholic drink, introducing alcohol-only checkouts.
Developing the response to the question: **(Analysis)**	• Developing a chain of reasoning as to why market failure occurs in the market for alcoholic drinks • Developing a chain of reasoning as to why a particular form of government intervention may reduce or eliminate a market failure occurring in the market for alcoholic drinks • Developing a chain of reasoning to explain why a particular form or particular forms of government intervention might be ineffective and/or damaging, lead to forms of government failure • Using relevant diagrams to support the analysis • Use of the evidence in the Extracts.
Evaluation	• Discussing whether the costs of alcohol consumption exceed any benefits • Market failure and/or government failure arguments • the issue of whether correction of the alleged market failure is greater or lesser than the possibility of new government failures • Possible unintended consequences of a minimum price law • The problem of deciding at what level to set a minimum price • The incentive effects of different methods of intervention in the market • Problems resulting from policing and enforcing a minimum price law • Whether other methods of intervention should be regarded as alternative or complementary • the opportunity cost of government intervention • Assessing the evidence, including reasons for any recent decisions made by the Scottish or UK governments to try to reduce alcohol consumption.

USE THE DETAILED LEVELS MARK SCHEME ON PAGES 5 & 6
FOR FURTHER CLARIFICATION

MAXIMUM FOR PART 08: 25 MARKS

UMS conversion calculator: www.aqa.org.uk/umsconversion