

# INTERNATIONAL AS **ECONOMICS** **EC01**

Unit 1 The Operation of Markets, Market Failure and the Role of  
Government

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Mark scheme

June 2024

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Version: 1.0 Final



Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' 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.

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## International AS Economics mark scheme

### How to mark

#### Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

#### Approach

It is important to be **open-minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

#### Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

#### The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

## Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

### Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

### Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the assessment objectives and be careful not to over/under credit a particular skill. For example, in question 21 more weight should be given to AO4 than to AO1, AO2 and AO3. This will be exemplified and reinforced as part of examiner training.

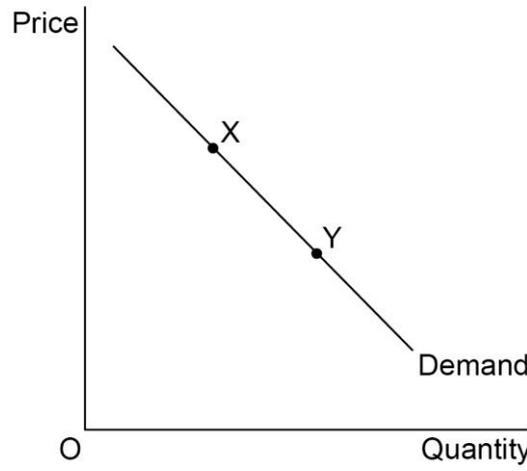
## Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 15 marks

Question	Part	Marking guidance	Total marks
01		Which one of the following is a normative statement?  Answer: <b>B</b> (Firms should always aim to increase profit)	1  AO1 = 1

Question	Part	Marking guidance	Total marks
02		 <p>A decrease in which one of the following would cause a movement from point X to point Y?</p> <p>Answer: <b>A</b> (The level of indirect tax paid by firms)</p>	1  AO2 = 1

Question	Part	Marking guidance	Total marks									
03		<table border="1" data-bbox="367 1456 1276 1724"> <thead> <tr> <th>Price of good X (€)</th> <th>Quantity demanded of good X</th> <th>Quantity demanded of good Y</th> </tr> </thead> <tbody> <tr> <td>20</td> <td>40</td> <td>60</td> </tr> <tr> <td>18</td> <td>48</td> <td>84</td> </tr> </tbody> </table> <p>The price of good X falls from €20 to €18. What is the cross elasticity of demand for good Y with respect to the price of good X?</p> <p>Answer: <b>A</b> (-4)</p>	Price of good X (€)	Quantity demanded of good X	Quantity demanded of good Y	20	40	60	18	48	84	1  AO3 = 1
Price of good X (€)	Quantity demanded of good X	Quantity demanded of good Y										
20	40	60										
18	48	84										

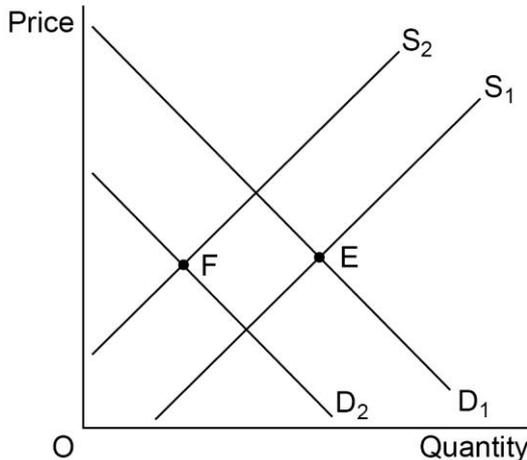
Question	Part	Marking guidance	Total marks
04		<p>Which one of the following combinations includes a correct reason for that type of market failure?</p> <p>Answer: <b>D</b> (Public goods, Firms cannot prevent non-payers from using the good)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks												
05		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Output</th> <th>Total cost (£)</th> <th>Profit (£)</th> </tr> </thead> <tbody> <tr> <td>100</td> <td>2000</td> <td>2200</td> </tr> <tr> <td>200</td> <td>3600</td> <td>4400</td> </tr> <tr> <td>300</td> <td>5300</td> <td>5200</td> </tr> </tbody> </table> <p>Which one of the following is correct?</p> <p>When the firm increases its output</p> <p>Answer: <b>D</b> (from 200 to 300, the price falls by £5.)</p>	Output	Total cost (£)	Profit (£)	100	2000	2200	200	3600	4400	300	5300	5200	<p>1</p> <p>AO3 = 1</p>
Output	Total cost (£)	Profit (£)													
100	2000	2200													
200	3600	4400													
300	5300	5200													

Question	Part	Marking guidance	Total marks
06		<p>Which one of the following explains why the natural environment is a scarce resource?</p> <p>Answer: <b>C</b> (The natural environment is limited in supply and cannot satisfy all our wants.)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks								
07		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Private cost (\$m)</th> <th>Social cost (\$m)</th> <th>Private benefit (\$m)</th> <th>External benefit (\$m)</th> </tr> </thead> <tbody> <tr> <td>60</td> <td>80</td> <td>65</td> <td>90</td> </tr> </tbody> </table> <p>What is the net social benefit of the project?</p> <p>Answer: <b>D</b> (\$75m)</p>	Private cost (\$m)	Social cost (\$m)	Private benefit (\$m)	External benefit (\$m)	60	80	65	90	<p>1</p> <p>AO3 = 1</p>
Private cost (\$m)	Social cost (\$m)	Private benefit (\$m)	External benefit (\$m)								
60	80	65	90								

Question	Part	Marking guidance	Total marks
08		Which one of the following is most likely to be a benefit of a monopoly to consumers?  Answer: <b>C</b> (Profits may be spent on innovation)	1  AO1 = 1

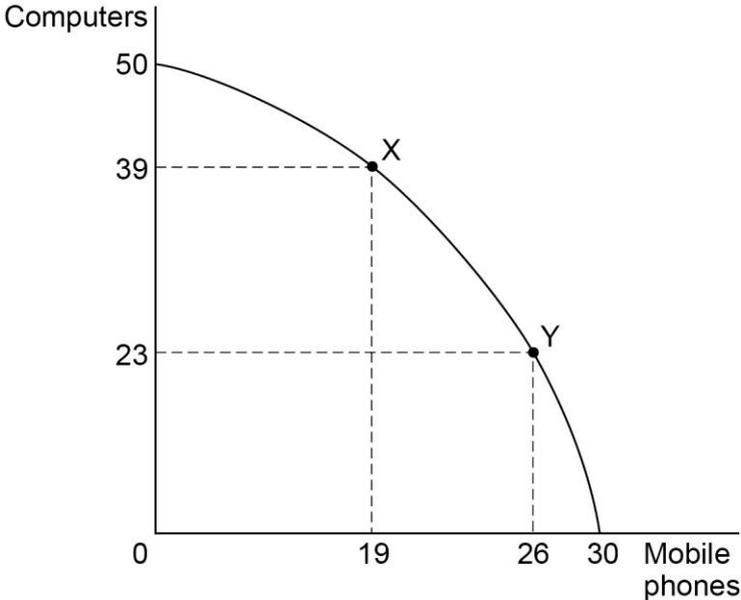
Question	Part	Marking guidance	Total marks
09		 <p>Which one of the following would result in the market equilibrium moving from point E to point F?  Answer: <b>D</b> (A rise in raw material prices and an increase in income)</p>	1  AO2 = 1

Question	Part	Marking guidance	Total marks
10		Which one of the following best describes why a demand curve usually slopes down to the right?  Answer: <b>B</b> (A lower price results in higher demand)	1  AO1 = 1

Question	Part	Marking guidance	Total marks						
11		<table border="1" data-bbox="367 1680 1276 1859"> <thead> <tr> <th>Total fixed costs (¥)</th> <th>Average variable costs (¥)</th> <th>Average total costs (¥)</th> </tr> </thead> <tbody> <tr> <td>7200</td> <td>20</td> <td>100</td> </tr> </tbody> </table> <p>Which one of the following is the output of the firm?  Answer: <b>C</b> (90)</p>	Total fixed costs (¥)	Average variable costs (¥)	Average total costs (¥)	7200	20	100	1  AO3 = 1
Total fixed costs (¥)	Average variable costs (¥)	Average total costs (¥)							
7200	20	100							

Question	Part	Marking guidance	Total marks
12		Which one of the following combinations of characteristics is most likely to occur in a competitive market?  Answer: <b>C</b> (Low, High)	<b>1</b>  <b>AO1 = 1</b>

Question	Part	Marking guidance	Total marks
13		Which one of the following could be an example of an internal economy of scale?  Answer: <b>A</b> (Access to a cheaper loan from a bank after a firm expands)	<b>1</b>  <b>AO1 = 1</b>

Question	Part	Marking guidance	Total marks
14		 <p>If a firm is originally producing at point X, the opportunity cost of moving to point Y is</p> <p>Answer: <b>C</b> (16 computers.)</p>	<b>1</b>  <b>AO2 = 1</b>

Question	Part	Marking guidance	Total marks												
15		<table border="1" data-bbox="370 338 1267 566"> <thead> <tr> <th data-bbox="370 338 592 412">Year</th> <th data-bbox="595 338 810 412">Income (\$bn)</th> <th data-bbox="813 338 1029 412">Wealth (\$bn)</th> <th data-bbox="1032 338 1267 412">Population (m)</th> </tr> </thead> <tbody> <tr> <td data-bbox="370 416 592 490">2020</td> <td data-bbox="595 416 810 490">270</td> <td data-bbox="813 416 1029 490">500</td> <td data-bbox="1032 416 1267 490">30</td> </tr> <tr> <td data-bbox="370 495 592 566">2023</td> <td data-bbox="595 495 810 566">300</td> <td data-bbox="813 495 1029 566">530</td> <td data-bbox="1032 495 1267 566">34</td> </tr> </tbody> </table> <p data-bbox="370 613 1187 645">It can be concluded from <b>Table 5</b> that between 2020 and 2023</p> <p data-bbox="370 680 1222 745">Answer: <b>A</b> (income per person decreased and wealth per person decreased.)</p>	Year	Income (\$bn)	Wealth (\$bn)	Population (m)	2020	270	500	30	2023	300	530	34	<p data-bbox="1313 304 1334 336"><b>1</b></p> <p data-bbox="1313 383 1426 414"><b>AO2 = 1</b></p>
Year	Income (\$bn)	Wealth (\$bn)	Population (m)												
2020	270	500	30												
2023	300	530	34												

Section B

Total for this section: 65 marks

Question	Part	Marking guidance	Total marks
16	1	<p>Define 'Income elasticity of demand' (<b>Extract C</b>, line 3).</p> <p><b>A full and precise definition is given (3 marks)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• measure of the percentage change in quantity demanded as a result of a given percentage change in income</li> <li>• the size of the proportional change in demand for a good in response to the size of the proportional change in income</li> <li>• the responsiveness of quantity demanded to a change in income.</li> </ul> <p><b>The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (2 marks)</b></p> <p><b>Writing the equation without explanation achieves two marks. If the definition does not clearly show an appreciation of relative proportionate change it should be 2 marks or below.</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• how much demand changes compared to the change in income</li> <li>• % change in QD / % change in income.</li> </ul> <p><b>Fragmented points only (1 mark)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• change in quantity demanded divided by a change in income</li> <li>• relationship between demand and income.</li> </ul>	<p><b>3</b></p> <p><b>AO1 = 3</b></p>

Question	Part	Marking guidance	Total marks
16	2	<p>Define 'labour productivity' (<b>Extract C</b>, line 1).</p> <p><b>A full and precise definition is given (3 marks)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• how much a worker produces in a given time</li> <li>• output per worker over a period of time</li> <li>• units produced divided by worker hours.</li> </ul> <p><b>The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (2 marks)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• how much a worker produces</li> <li>• output per worker</li> <li>• output per hour.</li> </ul> <p><b>Fragmented points only (1 mark)</b></p> <p>Examples:</p> <ul style="list-style-type: none"> <li>• how efficient workers are</li> <li>• how much is produced.</li> </ul>	<p><b>3</b></p> <p><b>AO1 = 3</b></p>

**MAXIMUM FOR QUESTION 16: 6 MARKS**

Question	Part	Marking guidance	Total marks								
17	1	<p>Use <b>Extract A (i)</b> to calculate the median health expenditure per person in the six countries shown.</p> <p>Calculation:</p> <p>Arrange values in order (Mexico: 1227, Costa Rica: 1618, Bulgaria: 2123, Japan: 4666, Germany: 6939, US: 11859)</p> <p>Select middle two countries</p> <p>Japan = 4666</p> <p>Bulgaria = 2123</p> $\frac{4666 + 2123}{2} = \frac{6789}{2} = \$3394.5$ <table border="1" data-bbox="368 871 1283 1715"> <thead> <tr> <th data-bbox="373 878 1129 969">Response</th> <th data-bbox="1134 878 1278 969">Max 3 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="373 976 1129 1090">For the correct answer: \$3394.5 (with or without working shown)</td> <td data-bbox="1134 976 1278 1090">3 marks</td> </tr> <tr> <td data-bbox="373 1097 1129 1312">For the correct answer but rounded to the nearest whole number: \$3394 or \$3395 <b>OR</b> For the correct answer but with missing/incorrect unit: eg 3394.5</td> <td data-bbox="1134 1097 1278 1312">2 marks</td> </tr> <tr> <td data-bbox="373 1319 1129 1709">For the correct method but the wrong answer <b>OR</b> For missing/incorrect unit <u>and</u> rounded to the nearest whole number: eg 3395 <b>OR</b> Arranging values in the correct order (either ascending or descending) <b>OR</b> For calculating 6789 (4666+2123) but not dividing by 2</td> <td data-bbox="1134 1319 1278 1709">1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: \$3394.5 (with or without working shown)	3 marks	For the correct answer but rounded to the nearest whole number: \$3394 or \$3395 <b>OR</b> For the correct answer but with missing/incorrect unit: eg 3394.5	2 marks	For the correct method but the wrong answer <b>OR</b> For missing/incorrect unit <u>and</u> rounded to the nearest whole number: eg 3395 <b>OR</b> Arranging values in the correct order (either ascending or descending) <b>OR</b> For calculating 6789 (4666+2123) but not dividing by 2	1 mark	<p>3</p> <p>AO1 = 1 AO2 = 2</p>
Response	Max 3 marks										
For the correct answer: \$3394.5 (with or without working shown)	3 marks										
For the correct answer but rounded to the nearest whole number: \$3394 or \$3395 <b>OR</b> For the correct answer but with missing/incorrect unit: eg 3394.5	2 marks										
For the correct method but the wrong answer <b>OR</b> For missing/incorrect unit <u>and</u> rounded to the nearest whole number: eg 3395 <b>OR</b> Arranging values in the correct order (either ascending or descending) <b>OR</b> For calculating 6789 (4666+2123) but not dividing by 2	1 mark										

Question	Part	Marking guidance	Total marks								
17	2	Use <b>Extract A (ii)</b> to calculate how much <b>higher</b> life expectancy is in Japan compared to life expectancy in Mexico.	3  AO1 = 1 AO2 = 2								
		Give your answer as a percentage to <b>two</b> decimal places.									
		Calculation:  $\frac{85 - 70}{70} \times 100 = 21.42857\%$									
		Answer: 21.43% (2dp)									
		<table border="1"> <thead> <tr> <th>Response</th> <th>Max 3 marks</th> </tr> </thead> <tbody> <tr> <td>For the correct answer: 21.43%  (with or without working shown)</td> <td>3 marks</td> </tr> <tr> <td>For the correct answer but missing/incorrect unit: eg 21.43 <b>OR</b> For the correct answer but not to two decimal places: eg 21.4% <b>OR</b> For the correct answer but rounded the wrong way: 21.42%</td> <td>2 marks</td> </tr> <tr> <td>For the correct method but the wrong answer <b>OR</b> For missing/incorrect unit <u>and</u> not rounded to two decimal places: eg 21.4 <b>OR</b> For the correct method but dividing by the incorrect life expectancy: <math>\frac{85-70}{85} \times 100 = 17.65\%</math>  (must include the correct unit and rounded to two decimal places)</td> <td>1 mark</td> </tr> </tbody> </table>	Response	Max 3 marks	For the correct answer: 21.43%  (with or without working shown)	3 marks	For the correct answer but missing/incorrect unit: eg 21.43 <b>OR</b> For the correct answer but not to two decimal places: eg 21.4% <b>OR</b> For the correct answer but rounded the wrong way: 21.42%	2 marks	For the correct method but the wrong answer <b>OR</b> For missing/incorrect unit <u>and</u> not rounded to two decimal places: eg 21.4 <b>OR</b> For the correct method but dividing by the incorrect life expectancy: $\frac{85-70}{85} \times 100 = 17.65\%$  (must include the correct unit and rounded to two decimal places)	1 mark	
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For the correct method but the wrong answer <b>OR</b> For missing/incorrect unit <u>and</u> not rounded to two decimal places: eg 21.4 <b>OR</b> For the correct method but dividing by the incorrect life expectancy: $\frac{85-70}{85} \times 100 = 17.65\%$  (must include the correct unit and rounded to two decimal places)	1 mark										

**MAXIMUM FOR QUESTION 17: 6 MARKS**

Question	Part	Marking guidance	Total marks
18	1	<p><b>Extract A</b> shows health expenditure per person and life expectancy in selected countries in 2020.</p> <p>Explain why the amount of health expenditure per person might affect life expectancy.</p>	<p><b>6</b></p> <p><b>AO1 = 2</b>  <b>AO2 = 2</b>  <b>AO3 = 2</b></p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes good application of relevant economic principles to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> </ul>
2	3–4	<ul style="list-style-type: none"> <li>Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>Includes reasonable application of relevant economic principles to the question.</li> <li>Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> </ul>
1	1–2	<ul style="list-style-type: none"> <li>Shows limited knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes limited application of relevant economic principles to the question.</li> <li>May include some limited analysis but the analysis lacks focus and/or becomes confused.</li> </ul>
	0	No creditworthy material

#### Indicative content:

- identifies that higher health expenditure per person will help people to live longer, increasing life expectancy and/or lower health expenditure per person is likely to mean a lower life expectancy
- recognises that health expenditure could be by the government or directly by the person
- explain why higher health expenditure per person is likely to mean better medicines, and better hospital treatment extending life expectancy
- how demand for health care has been rising (according to the extracts) and this may increase average life expectancy
- explain why higher health expenditure per person is likely to lead to more preventative treatments which allows people to earn more and live in better housing, helping them to live longer
- explain why higher health expenditure per person is likely to lead to more frequent visits to the doctor and higher levels of health insurance is likely to mean earlier diagnosis of illnesses, increasing life expectancy
- identifies the concept of positive externalities and the social benefits associated with consumption of health care (such as improved productivity and higher attendance at work).

**Note:** Some students may support their answer with a diagram/diagrams but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
18	2	<p>To what extent do the data suggest that the amount of health expenditure per person affects life expectancy?</p> <p>Use the data in <b>Extract A</b> to support your answer.</p>	<p>6</p> <p>AO2 = 1 AO3 = 1 AO4 = 4</p>

Examiners are reminded that AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	5–6	<ul style="list-style-type: none"> <li>Includes sound evidence that indicates the extent to which health expenditure per person affects life expectancy.</li> <li>Includes a supported overall judgement concerning the extent to which health expenditure per person affects life expectancy.</li> </ul>
2	3–4	<ul style="list-style-type: none"> <li>Includes limited evidence that indicates the extent to which health expenditure per person affects life expectancy.</li> <li>Attempts a judgement concerning the extent to which health expenditure per person affects life expectancy.</li> </ul>
1	1–2	<ul style="list-style-type: none"> <li>Includes evidence that does not clearly indicate the extent to which health expenditure per person affects life expectancy.</li> <li>May include an unsupported judgement concerning the extent to which health expenditure per person affects life expectancy.</li> </ul>
	0	No creditworthy material

#### Indicative content:

- Mexico has the lowest health expenditure per person (\$1227) and the lowest life expectancy (70)
- Germany has the second highest health expenditure per person (\$6939) and the second highest life expectancy (81)
- Bulgaria has the third lowest health expenditure per person (\$2123) and the second lowest life expectancy (74)
- data using rank order for Mexico, Germany and Bulgaria suggest a direct relationship between health expenditure per person and life expectancy
- however, Costa Rica has the second lowest health expenditure per person (\$1618) but the third highest life expectancy (79)
- also, USA has the highest health expenditure per person (\$11 859) but the fourth highest life expectancy (77)
- meanwhile, Japan has the third highest health expenditure per person (\$4666) but the highest life expectancy (85)
- there is more variation in health expenditure per person than life expectancy, weakening the relationship, eg the highest life expectancy in Japan is 21% higher than the lowest in Mexico but the highest health expenditure per person in USA is 867% higher than the lowest in Mexico
- USA life expectancy figure suggests a less healthy population than Germany or Japan, which means they may have to spend more on health care
- identification of other factors influencing life expectancy such as diet, nutrition and exercise
- identification that higher life expectancy may be associated with higher incomes, enabling people to spend more money on health care, so the relationship may work the other way
- identification of a link between the data sets does not necessarily imply causality between the two
- the likely conclusion is that higher health expenditure per person will lead to higher average life expectancy but it is not the only factor.

Credit valid alternative content.

**MAXIMUM FOR QUESTION 18: 12 MARKS**

Question	Part	Marking guidance	Total marks
19		<p><b>Extract C</b> (lines 6–8) states: ‘when governments provide health care for free or at low prices, supply is determined by how much governments are willing to spend. This often leads to excess demand’.</p> <p>With the help of a diagram, explain why there is likely to be excess demand when governments provide health care for free.</p>	<p><b>9</b></p> <p><b>AO1 = 2</b> <b>AO2 = 4</b> <b>AO3 = 3</b></p>

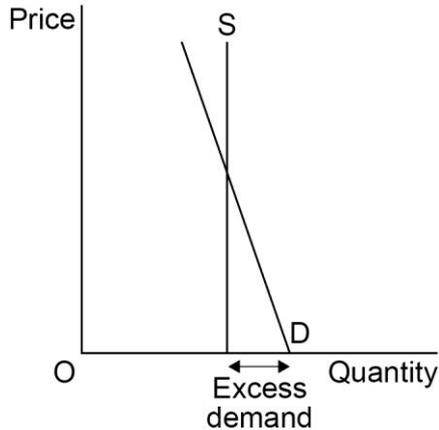
Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
3	7–9	<ul style="list-style-type: none"> <li>• Is well organised and develops one or more of the key issues that are relevant to the question.</li> <li>• Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>• Includes good application of relevant economic principles and/or good use of data to support the response.</li> <li>• Includes well-focused analysis with a clear, logical chain of reasoning.</li> <li>• Includes a relevant diagram, that will, at the top of this level, be accurate and used appropriately to support their explanation.</li> </ul>
2	4–6	<ul style="list-style-type: none"> <li>• Includes one or more issues that are relevant to the question.</li> <li>• Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>• Includes reasonable application of relevant economic principles and/or data to the question.</li> <li>• Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> <li>• May include a relevant diagram to support their explanation.</li> </ul>
1	1–3	<ul style="list-style-type: none"> <li>• Is very brief and/or lacks coherence.</li> <li>• Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely.</li> <li>• Demonstrates very limited ability to apply relevant economic principles and/or data to the question.</li> <li>• May include some very limited analysis but the analysis lacks focus and/or becomes confused.</li> <li>• May include a diagram but the diagram is likely to be inappropriate or inaccurate in some respects, or not used.</li> </ul>
	0	No creditworthy material

**Indicative content**

The expected diagram involves a perfectly inelastic supply curve and a downward-sloping demand curve, showing excess demand at zero price.

Alternative valid diagrams should be credited.



**Relevant issues include:**

- meaning of excess demand
- explanation of why free government health care will be limited in supply and potentially perfectly inelastic
- reasons why the supply of health care may be limited, eg higher medicine prices and other priorities
- explanation of why a price below the equilibrium will lead to excess demand
- explanation of why the price mechanism does not respond to the excess demand
- explanation of why this may be made worse by rising demand for health care
- reasons for rising demand, eg ageing populations, increased consumption of unhealthy foods and a lack of exercise
- opportunity cost of health care for government and individual.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
20		<p><b>Extract B</b> (lines 17–18) states: ‘people are offered a range of ways to improve their health in the long term. This includes subsidised gym sessions’.</p> <p>Analyse the effects that subsidised gym sessions could have on the market for health care.</p>	<p><b>12</b></p> <p><b>AO1 = 3</b>  <b>AO2 = 4</b>  <b>AO3 = 5</b></p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives.

Level	Marks	Descriptor
3	9–12	<ul style="list-style-type: none"> <li>Is well organised and develops one or more of the key issues that are relevant to the question.</li> <li>Shows sound knowledge and understanding of relevant economic terminology, concepts and principles.</li> <li>Includes good application of relevant economic principles and/or good use of data to support the response.</li> <li>Includes well-focused analysis with a clear, logical chain of reasoning.</li> <li>May include a relevant diagram that is accurate and used appropriately to support their explanation.</li> </ul>
2	5–8	<ul style="list-style-type: none"> <li>Includes one or more issues that are relevant to the question.</li> <li>Shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present.</li> <li>Includes reasonable application of relevant economic principles and/or data to the question.</li> <li>Includes some reasonable analysis but it might not be adequately developed and may be confused in places.</li> <li>May include a relevant diagram to support their explanation.</li> </ul>
1	1–4	<ul style="list-style-type: none"> <li>Is very brief and/or lacks coherence.</li> <li>Shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely.</li> <li>Demonstrates very limited ability to apply relevant economic principles and/or data to the question.</li> <li>May include some very limited analysis but the analysis lacks focus and/or becomes confused.</li> <li>May include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.</li> </ul>
	0	No creditworthy material

#### Indicative content:

- meaning of subsidies
- possible reasons for subsidies for gym sessions
- effect on costs and consequent effects on supply and price
- analysis of the impact this may have on the demand for health care
- analysis of the price elasticity of demand for gym sessions and how demand responds to lower prices
- analysis of the relative benefits from the subsidy to firms and consumers, including impact on different income groups
- possible short-run and long-run impacts on the market for health care.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
21		<p><b>Extract C</b> (line 6) states: ‘In a free market, scarce resources are allocated by price.’</p> <p>Use the extracts and your knowledge of economics to assess whether health care should be left to market forces.</p>	<p><b>20</b></p> <p><b>AO1 = 3</b>  <b>AO2 = 4</b>  <b>AO3 = 5</b>  <b>AO4 = 8</b></p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best-fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 than AO1, AO2 and AO3.

Level	Marks	Descriptor
5	17–20	<p><b>Sound, focused analysis and well-supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>• is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors</li> <li>• includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response</li> <li>• includes well-focused analysis with clear, logical chains of reasoning</li> <li>• includes supported evaluation throughout the response and in a final conclusion.</li> </ul>
4	13–16	<p><b>Sound, focused analysis and some supported evaluation that:</b></p> <ul style="list-style-type: none"> <li>• is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present</li> <li>• includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response</li> <li>• includes some well-focused analysis with clear, logical chains of reasoning</li> <li>• includes some reasonable, supported evaluation.</li> </ul>
3	9–12	<p><b>Some reasonable analysis but generally unsupported evaluation that:</b></p> <ul style="list-style-type: none"> <li>• focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present</li> <li>• includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response</li> <li>• includes some reasonable analysis but which might not be adequately developed or becomes confused in places</li> <li>• includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren’t well-supported by arguments and/or data.</li> </ul>
2	5–8	<p><b>A fairly weak response with some understanding that:</b></p> <ul style="list-style-type: none"> <li>• includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely</li> <li>• includes some limited application of relevant economic principles to the given context and/or data to the question</li> <li>• includes some limited analysis but it may lack focus and/or become confused</li> <li>• includes some evaluation which is weak and unsupported.</li> </ul>
1	1–4	<p><b>A very weak response that:</b></p> <ul style="list-style-type: none"> <li>• includes little relevant knowledge and understanding of economic terminology, concepts and principles</li> <li>• includes application to the given context which is, at best, very weak</li> <li>• includes attempted analysis which is weak and unsupported.</li> </ul>
	0	No creditworthy material

**Indicative content:**

- knowledge of different markets for health care systems
- how markets and prices allocate resources
- the determinants of demand and supply of health care
- analysis of the significance of elasticity of demand and supply for health care
- analysis and evaluation of possible market failures – positive externalities in consumption, monopoly power in some markets, equality of access, information failure and health care as a merit good
- analysis and evaluation of alternative forms of government intervention – subsidies, maximum prices, state provision, regulation and information
- the significance of other data included in the extracts, eg health care spending and life expectancy, charging individuals, health insurance, state provision, price of private health care, information failures and competition in the health care market
- opportunity cost of intervention in health care
- analysis and evaluation of possible problems with health insurance eg cost and those without cover
- how value judgements influence economic decision making
- market failure versus government failure
- different situations and priorities of different countries
- examples from particular countries
- an overall assessment of whether the provision of health care should be left to market forces.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Credit valid alternative content.

**Assessment Objectives Grid**

	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	<b>Total</b>
<b>Section A</b>					
01	1				1
02		1			1
03			1		1
04		1			1
05			1		1
06	1				1
07			1		1
08	1				1
09		1			1
10	1				1
11			1		1
12	1				1
13	1				1
14		1			1
15		1			1
<b>Section B</b>					
16.1	3				3
16.2	3				3
17.1	1	2			3
17.2	1	2			3
18.1	2	2	2		6
18.2		1	1	4	6
19	2	4	3		9
20	3	4	5		12
21	3	4	5	8	20
<b>Unit total</b>	<b>24</b>	<b>24</b>	<b>20</b>	<b>12</b>	<b>80</b>