2	–	**The only correct answer is C** ***A*** *is not correct because this is a government failure* ***B*** *is not correct because diminishing marginal utility occurs in any normally functioning market* ***D*** *is not correct because this is a government failure*	**(1)**

Question Number	Answer	Mark
8	**Knowledge 2, Application 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 2 marks for defining 'external costs of production' • Negative impacts **(1)** on third parties **(1)** • Negative **(1)** spillover effects **(1)** • Where social marginal costs/MSC are greater than **(1)** private marginal costs/MPC **(1)** - May be shown diagrammatically • Where production leads to a cost **(1)** to third parties **(1)** **Application** 2 marks for applying to the data in the table e.g.: • Producing 1kg of lamb causes 24kg of greenhouse gas emissions/producing 1kg of poultry causes 6kg of greenhouse gas emissions/producing 1kg of beef causes 60kg of greenhouse gas emissions **(1)** • which will contribute to global warming/climate change **(1)**	**(4)**

Question		Mark
	<table><tr><td>Country</td><td>External cost of pollution per capita ($)</td></tr><tr><td>Germany</td><td>950</td></tr><tr><td>USA</td><td>1200</td></tr><tr><td>South Africa</td><td>1300</td></tr><tr><td>Brazil</td><td>1500</td></tr></table> With reference to the table, explain one reason why the external costs of pollution might be different between these countries. **Answer**	
9	**Knowledge 1, Application 1 Analysis 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for definition of external costs: • Negative impact on third parties/where social costs exceed private costs **(1)** **Application** 1 mark for reference to data: • External cost of pollution per capita: USA $1 200/Germany $950/Brazil $1 500/ South Africa $1 300 **(1)** **Analysis** Up to 2 marks for linked analysis e.g.: • Greater use of green energy in Germany than in South Africa **(1)** so less use of fossil fuels **(1)** • Higher income/GDP in USA than in South Africa **(1)** so greater ability to spend more on home/business insulation **(1)**	**(4)**

	• Higher indirect taxes in Germany than in Brazil **(1)** reducing supply from polluting firms in Germany **(1)** • EU tradable pollution permit scheme **(1)** reducing the production of carbon emissions in Germany **(1)** • Higher government subsidies to promote the use of green energy/electric cars in USA than in Brazil **(1)** so more incentive for consumers and businesses to use green energy/buy electric cars **(1)** • Difference in government policies to combat pollution **(1)** help disincentivise firms/ individuals from polluting **(1)** • Stricter environmental regulations **(1)** reducing the production of carbon emissions in Germany **(1)**	