Multiple Choice Answers

Q7: B

Q11: D

1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.
0	No creditable response.

A-Level Economics: **w25 22**

1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.
0	No creditable response.

1(a)(i)	**Identify one possible reason for the value of price elasticity of demand (PED) for chocolate.** • The value shows that PED is relatively inelastic and a reason may be the addictive nature of chocolate, the relatively low price in relation to income, few substitutes etc. • For a recognition that it is inelastic plus identification of a reason **(1)**
1(a)(ii)	**Calculate the percentage change in the value of global sales of chocolate between 2017 and 2026, as shown in Table 1.1.** • If the answer given as 58.8, 58.82 or 59 (with or without the % sign) award 1 mark. If the answer is shown as a negative figure e.g., -59(%) or the calculation is incorrect, 0 marks
1(b)	**With the help of a demand and supply diagram, demonstrate why cocoa bean prices have continued to fall in 2023.** • For an accurately drawn and labelled supply and demand diagram **(1)** that shows supply shifting to the right **or** further to the right than demand and showing the resulting decrease in price which can be shown by an arrow or P1 and P2 or an accompanying explanation **(1)** **Guidance: a diagram alone with the appropriate annotation is enough for the 2 marks.**

A-Level Economics: **w25 22**

1(c)	**Consider whether a buffer stock system controlled by the government of Ivory Coast would be likely to prevent fluctuations in the price of cocoa beans.** • A buffer stock system combines both maximum price and minimum price controls / is designed to **minimise** price fluctuations / price falls **(1)** • If the price falls below a certain fixed point / minimum price the government will purchase and store cocoa beans therefore reducing supply/controlling demand to raise the price of cocoa beans **(1).** If the price rises beyond a certain point / maximum price, this buffer stock is released thus increasing supply and reducing the price of cocoa beans **(1).** **Guidance** • A response that **only** refers to governments buying stocks of cocoa beans in times of a surplus and selling them in times of a shortage to **minimise price fluctuations** is worth 1 additional mark maximum for analysis. **Reserve 1 mark for valid evaluation e.g.,** • Cocoa beans may be difficult/expensive to store / perishable/ may be an illegal market set up so it may not prevent fluctuations in the price of cocoa beans / the government do not have the budget to buy any surplus. **(1)** **Guidance** • The eval mark can be awarded even without any analysis marks being given **PROVIDED** there is a reasonable understanding that a buffer stock scheme only works when stocks can be held/released.

1(d)	**Assess the extent to which the use of a minimum pricing policy would be the best way to ensure 'cocoa bean farmers get paid a living wage'.** **Up to 3 marks for an explanation / analysis of the reasons why the use of a minimum pricing policy would be the best way to ensure cocoa bean farmers get paid a living wage e.g.:** • It ensures that farmers receive a guaranteed price above the equilibrium market price enabling them to receive a higher income • It encourages farmers to maintain / increase production as there is more financial security again leading to a living wage • It reduces the instability caused by fluctuations in the global price of cocoa beans leading to a more stable income for farmers. **Up to 3 marks for an explanation / analysis of the reasons why the use of a minimum pricing policy may not be the best way to ensure cocoa bean farmers get paid a living wage e.g.:** • It may not be set at an appropriate level / may not be enforceable e.g., due to the costs of enforcement • It may lead to a surplus due to increased supply and reduced demand for e.g. chocolate products meaning this surplus may fail to be sold • Budget constraints for the government may make it impossible for them to buy the surplus and this makes the scheme collapse • May make farmers complacent therefore failing to invest and in the LR incomes fall. **Guidance:** • Allow any reasonable point for either perspective, BUT it must be linked how it affects farmer's incomes. • Candidates may choose to compare the advantages and disadvantages of an alternative method e.g., transfer payments / subsidies to farmers. Provided this is clear that **a comparison to a minimum pricing policy** has been attempted, this approach can also gain full marks. • Do not allow answers that refer to minimum wages as the policy or as an alternative. **Note: 4 marks maximum for analysis** • Evaluation that clearly assesses **both** sides **(1)** and comes to a justified conclusion whether it is the best way **(1).**

1(e)	**Assess the advantages and disadvantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans.** **Up to 3 marks for an explanation / analysis of the advantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans e.g.:** • It allows producers to benefit from comparative advantage and become even more efficient, which will reduce costs and prices further and increase output • It allows producers to further benefit from the increasing worldwide demand for cocoa beans and increase sales • This can encourage / lead to economic growth as exports increase. **Up to 3 marks for an explanation / analysis of the disadvantages of the government of Ivory Coast continuing to specialise in the production and export of cocoa beans e.g.:** • Dependence on cocoa beans may make the economy vulnerable to global reductions in demand / crop failures • It may mean less land is available for other essential food crops leading to an overreliance on imports • A lack of diversification may hinder economic growth and also make the economy more at risk of external shocks • It may exhaust the supply of cocoa beans and other natural resources leading to unemployment in Ivory Coast. **Note: 4 marks maximum for analysis** • Evaluation that clearly assesses **both** sides **(1)** and comes to a justified conclusion. **(1)**

1	• A small number of relevant knowledge points are included and the response is limited by significant errors or omissions. • The response has little relevance to the question. • Analysis where provided is largely descriptive. Use of analytical tools such as diagrams and formulae, where necessary, may contain significant errors or be omitted completely. • Responses show limited organisation of economic ideas.
0	No creditable response.

1	• Provides a vague or general conclusion or judgement in relation to the question. • Makes simple evaluative comment(s) with no development and little supporting evidence.
0	No creditable response.

1(a)	**Compare the forecast rates of economic growth for the US and Eurozone between 2023 and 2024.** • The forecasts for both the US and Eurozone have shown real economic growth between 2023 and 2024 • The forecast for the US has shown higher real economic growth than the Eurozone in both periods. • The forecast for the US has shown a fall in the rate of growth between 2023 and 2024 whereas the forecast for the Eurozone has shown an increase. **Guidance:** Only award marks for a valid **comparison** between the two years and the two economies. **Note: answers which suggest GDP in the US has fallen between 2023 and 2024 must <u>not</u> be credited as it is the rate of growth that has fallen.**
1(b)	**Explain <u>one</u> reason why the IMF uses percentage change in real GDP and not percentage change in nominal GDP when measuring economic growth.** • Nominal GDP growth shows the growth without taking into account inflation whereas real GDP growth removes the effects of inflation. **(1)** • It allows for a better / more meaningful comparison between years. **(1)** **Note:** do not award the 2nd mark without some understanding of the two terms in the question.
1(c)	**Explain, with the help of a diagram, why an increase in productivity in US firms may reduce the price of their products and consider whether this will always be the outcome.** • An increase in productivity suggests production is more efficient and will reduce costs. **(1)** • This should have the effect of shifting the supply curve to the right as shown on an accurately labeled diagram. **(1)** • The fall in price should be shown on the diagram, e.g., by an arrow or P1 P2, and linked to the increase in productivity. **(1)** For **evaluation 1 mark maximum:** An assessment why the price may not fall, e.g., because businesses decide not to pass the fall in potential price on to consumers and include the extra profit in their costs meaning the supply curve does not shift to the right or other costs increase to offset the improvement in productivity; due to perfectly elastic demand. **(1)**

1(d)	**Assess whether the costs of inflation are always likely to be greater than the benefits of inflation for the US.** **Up to 4 marks MAX for analysis of both benefits and costs** **Up to 3 marks for analysis of** the possible benefits of inflation, e.g., it may be a sign of economic growth and may encourage businesses to produce more and therefore reduce levels of unemployment etc. if the inflation rate is low and stable. Also, borrowers may gain. **Up to 3 marks for analysis of** the possible costs of inflation, e.g., menu and shoe leather costs, lenders may lose, fiscal drag, reduced international competitiveness etc., if the inflation rate is high or becomes prolonged. This may result in reduced investment due to uncertainty. **Up to 2 marks for evaluation of positive and negative effects**, e.g., it will depend on the level of inflation and whether it is likely to be prolonged. It also may depend on the rate of inflation in other countries. **Reserve 1 mark for a justified conclusion.** **Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less due to rising costs of production. Any valid evaluation must reflect this.
1(e)	**Assess the extent to which maintaining interest rates at a high level will be the best policy for the US to control inflation.** **Up to 4 marks MAX for analysis of both advantages and disadvantages** **Up to 3 marks for analysis of** the possible advantages of maintaining interest rates at a high level, e.g., it is a contractionary demand policy that will reduce AD by reducing consumer expenditure and investment. This should lower inflationary pressure and keep inflation rates lower. **Up to 3 marks for analysis** of the possible disadvantages, e.g., it may reduce economic growth and increase unemployment if the policy is maintained for a long period of time. It may reduce international competitiveness if it leads to an increase in exchange rates. It may also not be appropriate if the cause of inflation is due to cost push factors, **Up to 2 marks for evaluation of the** advantages and disadvantages of maintaining interest rates at a high level to control inflation in the US. This may also include an assessment (although this is not essential) of other policies such as supply-side policy may be less damaging and fiscal policy. It also depends on the timescale. **Reserve 1 mark for a justified conclusion.** **Note:** evaluation should be in the context of the US to gain any credit. For example, the data suggests that inflation in the US is largely the result of rising AD and less rising costs of production. Any valid evaluation must reflect this.

Multiple Choice Answers

Q29: C

Multiple Choice Answers

Q7: C