Multiple Choice Answers

Q13: C

Q21: D

Use this table to give marks for each candidate response for AO3 Evaluation for **Questions 2** **4(b)** and **5(b)**.

Level	Description
2	• Provides a justified conclusion or judgement that addresses the specific requirements of the question. • Makes developed, reasoned and well-supported evaluative comment(s).
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.

Question	Answer
1(c)	**Consider the extent to which direct provision of electricity in Mexico through state-owned companies may be advantageous to consumers.** **Potential advantages**: • State-owned companies seen as more likely to be drivers of growth, possibly leading to higher living standards. • The government may have more financial resources to support the state-owned companies than the private sector, which could lead to lower prices and a more efficient supply to consumers. • State-owned companies might be more likely to operate in the national interest than private companies, potentially benefitting. **(Up to 2 marks)** **Potential disadvantages**: • Operating costs of the state-owned electricity producers are significantly higher than in private companies, which could lead to higher prices for consumers. • State-owned companies have old and inefficient plants that are expensive to maintain, which could lead to a less efficient supply to consumers. • There will be less investment in renewable energy because the government has little interest in this. **(Up to 2 marks)** **Max 3 marks** **Note:** The focus of the question is **consumers**. **Evaluation** Offers a valid judgement on the extent to which direct provision of electricity in Mexico through state-owned companies may be more advantageous to consumers **Max 1 mark**

Question	Answer
1(d)	**With the help of a diagram, assess whether the potential advantages of providing a subsidy to keep down the price of electricity in Mexico will outweigh the potential disadvantages.** **Up to 4 marks for explanation/analysis:** An accurate diagram of a subsidy: • Axes correctly labelled and demand and supply curves correctly drawn and labelled. • Supply curve shifts to the right leading to a new equilibrium position. **(1)** Explanation of the potential **advantages** of a subsidy, including a lower price and a higher quantity. **(Up to 2 marks)** Explanation of the potential **disadvantages** of a subsidy, including the fact that it will need to be financed by the government, it could lead to inefficiencies and there would be an opportunity cost. **(Up to 2 marks)** **Up to 2 marks for evaluation:** Relevant evaluation of whether the potential advantages of providing a subsidy to keep down the price of electricity in Mexico will outweigh the potential disadvantages **(1)** to reach a conclusion. **(1)**
1(e)	**Assess the potential benefits and limitations of Mexico keeping its oil to generate the country's electricity.** **Up to 4 marks for explanation/analysis:** • Explanation/analysis of the potential **benefits** of Mexico keeping more of its oil to generate the country's electricity, such as in relation to a shift towards greater energy self-sufficiency. **(Up to 3 marks)** • Explanation/analysis of the potential **limitations** of Mexico keeping more of its oil to generate the country's electricity, such as whether Mexico has the capacity to produce enough electricity for its population of about 130 million or the possible impact of such a policy on its balance of trade (2022 data shown in Fig. 1.1) given that its crude oil will now be kept in the country rather than exported. **(Up to 3 marks)** **Up to 2 marks for evaluation:** • Relevant evaluation which weighs up the potential benefits and limitations of Mexico keeping its oil to generate the country's electricity **(1)** to reach a conclusion. **(1)**

Question	Answer
EITHER	
2(a)	**With the help of a formula, explain what is meant by price elasticity of demand for a product and consider the importance of time in determining whether demand for the product is likely to be relatively price elastic or relatively price inelastic.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding, up to 3 marks for AO2 Analysis, up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • A knowledge and understanding of the formula for calculating price elasticity of demand: percentage change in the quantity demanded of a product divided by percentage change in the price of the product. **(1)** • If the PED value is greater than one, the demand is price elastic, which means that percentage change in demand is greater than percentage change in price. **(1)** • if the PED value is between zero and one, the demand is price inelastic, which means that percentage change in demand is less than percentage change in price. **(1)** **AO2 Analysis (max 3 marks)** An analysis of the importance of **time** in determining PED: • Demand for a product is likely to be more inelastic in the short run than in the long run. **(1)** • In the long run, consumers have more time to think about possible alternatives to a product. **(1)** • Habit is more likely to influence the short-run pattern of consumption, making demand less likely to be affected by price changes. **(1)** **AO3 Evaluation (max 2 marks)** Offers a valid judgement on the importance of time in determining whether demand for the product was likely to be relatively price elastic or relatively price inelastic **(1)** to reach a conclusion. **(1)**
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

Question	Answer
2(b)	**Assess whether knowledge of a product's income elasticity of demand is more important to a firm producing it than knowledge of its cross elasticity of demand.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • A knowledge and understanding and analysis of **income elasticity of demand** (YED), such as in relation to whether a product is a normal good, where YED will be positive, or an inferior good, where YED will be negative and an analysis of the importance of it to a firm, i.e. the extent of its importance. • A knowledge and understanding and analysis of **cross elasticity of demand** (XED), such as in relation to whether two goods are substitutes, where XED will be positive, or complements, where XED will be negative and an analysis of the importance of it to a firm, i.e. the extent of its importance **(Up to 8 marks)** **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question. **AO3 Evaluation** Evaluation of whether YED or XED is likely to be more important for a firm producing a product to reach a conclusion. Accept all valid responses. A one-sided response cannot gain any marks for evaluation. **(Up to 4 marks)**

A-Level Economics: **w25 21**

Question	Answer
2(b)	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

Question	Answer
OR	
3(a)	**With the help of examples, explain the nature and characteristics of free goods and private goods (economic goods) and consider the significance of the distinction between these two types of good.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis and up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** Free goods: • A free good is one which is consumed by people without a situation of scarcity arising, i.e. there is enough of the good to satisfy everybody and it has no opportunity cost, such as sunlight. **(1)** Private goods (economic goods): • A private or economic good is one which is consumed by an individual for their own private benefit, such as clothing. **(1)** Use of appropriate examples of each type of good to support the explanations. **(1)** **AO2 Analysis (max 3 marks)** Free goods: • As a free good is not scarce, it does not require a market. The supply of the good equals the demand for it at zero price. It takes no factors of production to produce a free good and so there is no opportunity cost involved; analysis of the significance of there being no opportunity cost. Private (economic) goods: • Excludability: people can be excluded from consuming it if they do not pay the required price for it. • Rivalry: the consumption of a private good by one person reduces its availability for other people, i.e. there is rivalry in such a situation because consumers are in competition with other consumers to consume a particular product. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on the significance of the distinction between the two types of good **(1)** to reach a conclusion. **(1)**
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

Question	Answer
3(b)	**Assess whether education should be classified as a public good or a merit good.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** **Public good:** • In contrast to private goods, public goods are provided by society as a whole so that everyone can benefit from them. • Non-excludability: once a public good has been provided for one person, it is not possible to stop other people from benefiting from such a good (i.e. no one is excluded) (this would not apply to education). • Non-rivalry: as more people consumer the public good, the benefit to those already consuming it is not reduced (i.e. consumption by one person does not prevent others from consuming it). • Non-rejectability: even if a person does not want the public good, they are not actually able to reject it. • Free rider issue: it is impossible to exclude a person who has not paid. **Merit good:** • A merit good is a particular type of private good. • Like other private goods, a merit good is both rival and excludable. • What distinguishes a merit good is under-consumption if provided through the private sector as a result of imperfect information in the market, such as **education (there has to be a clear focus on education throughout the answer)**. **(Up to 8 marks)** **Level 1 responses** will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question. **Level 2 responses** may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question. **Level 3 responses** will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.

Question	Answer
3(b)	**AO3 Evaluation** • Evaluation of the distinction between the features and characteristics of a public good and a merit good. • In conclusion, education is provided through both the public sector and the private sector and so should be considered as a merit good rather than a public good. Accept all valid responses. A one-sided response cannot gain any marks for evaluation. **(Up to 4 marks)**
	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

4(a)	**Explain the possible causes of frictional unemployment and technological unemployment and consider whether some element of frictional unemployment is inevitable in an economy.** Follow the point-based marking guidance at the top of this mark scheme and award: up to 3 marks for AO1 Knowledge and understanding up to 3 marks for AO2 Analysis, up to 2 marks for AO3 Evaluation. **AO1 Knowledge and understanding (max 3 marks)** • A knowledge and understanding of what unemployment means in general. **(1)** • **One** cause of **frictional unemployment**: it is temporary and at any point in time, there will be workers transferring between jobs; this could occur simply because an individual wishes to improve their job prospects and needs to spend time searching for a new job; there will be some unemployment while the transfer between jobs takes place. Searching may take some time if information about the availability of jobs is not very good. Frictional unemployment can include not only search unemployment, but also casual unemployment and seasonal unemployment. **(1)** • **One** cause of **technological unemployment** is a type of structural unemployment that arises from the introduction of technology, when existing workers do not have the skills to operate the new technology; This is caused when developments in technology and working practices cause some workers to lose their jobs as they are replaced by capital investment. **(1)** **AO2 Analysis (max 3 marks)** An analysis of whether some element of **frictional unemployment** is inevitable, e.g. it would depend on the quality of information available about vacancies and the extent to which workers would be keen to change from one job to another. Is it always likely to occur? Candidates need to analyse the extent to which it is or is not inevitable. **AO3 Evaluation (max 2 marks)** Offers a valid judgement on whether some element of frictional unemployment is inevitable in an economy **(1)** to reach a conclusion. **(1)**
	AO1 Knowledge and understanding
	AO2 Analysis
	AO3 Evaluation

<table>
<tr><td>4(b)</td><td>

Assess whether the consequences of technological unemployment are likely to be more serious than those of cyclical unemployment.

Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question.
AO1 and AO2 out of 8 marks. AO3 out of 4 marks.

Indicative content
Responses may include:

AO1 Knowledge and understanding and AO2 Analysis

Technological unemployment:
- Workers are unemployed as a result of a change in the pattern of production when machines replace labour in the productive process.
- New skills are required to use the capital equipment.
- Such unemployment is due to technical progress; if workers cannot move from one industry to another because of a lack of the required skills, they will become technologically unemployed.

Cyclical unemployment:
- Workers are unemployed because of a deficiency in aggregate demand, i.e. there are insufficient jobs in an economy.
- Whereas technological unemployment affects workers in particular industries, cyclical or demand-deficient unemployment affects the whole economy with job losses across a number of industries as firms reduce their output.

Focus of analysis should be the relative seriousness of the two types of unemployment. i.e. which is more serious and why.

(Up to 8 marks)

Level 1 responses will be assertive and lacking in explanations/mainly descriptive and/or mainly lacking in relevance to the question.

Level 2 responses may contain some inaccuracies and will be one-sided. Analysis will be explained at least in part and will be largely relevant to the question.

Level 3 responses will consider alternative policies/concepts etc. and will be balanced. Explanations of points raised will be offered and will be accurate and relevant to the question.

AO3 Evaluation

- Consideration of whether the consequences of technological unemployment are likely to be more serious than those of cyclical unemployment to reach a conclusion.

Accept all valid responses.
A one-sided response cannot gain any marks for evaluation. **(Up to 4 marks)**

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4(b)	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation

Multiple Choice Answers

Q23: C

Multiple Choice Answers

Q12: D

Q18: D

<table>
<tr><td>4(a)</td><td>

Compare the causes of structural unemployment and cyclical unemployment <u>and</u> consider which of these types of unemployment is likely to be more harmful to an economy.

Follow the point-based marking guidance at the top of this mark scheme and award:
up to 3 marks for AO1 Knowledge and understanding
up to 3 marks for AO2 Analysis
up to 2 marks for AO3 Evaluation.

AO1 Knowledge and understanding (max 3 marks)

A clear understanding of what is meant by structural unemployment **(1)** and a clear understanding of what is meant by cyclical unemployment **(1)** and a clear recognition of the difference between the two. **(1)**

AO2 Analysis (max 3 marks)

The reasons why both types of unemployment might arise.
- explanation of **one** reason why structural unemployment might arise **(1)**
- explanation of **a second** reason why structural unemployment might arise **(1)**
- explanation of **one** reason why cyclical unemployment might arise **(1)**
- explanation of **a second** reason why cyclical unemployment might arise **(1)**

AO3 Evaluation (max 2 marks)

Offers a valid judgement on which type of unemployment is likely to be more serious for an economy **(1)** to reach a conclusion. **(1)**

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<tr><td></td><td>AO1 Knowledge and understanding</td></tr>
<tr><td></td><td>AO2 Analysis</td></tr>
<tr><td></td><td>AO3 Evaluation</td></tr>
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4(b)	**Assess whether expansionary monetary policy is likely to be successful in reducing <u>all</u> types of unemployment.** Use Table A: AO1 Knowledge and understanding and AO2 Analysis and Table B: AO3 Evaluation to mark candidate responses to this question. AO1 and AO2 out of 8 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding and AO2 Analysis** • The meaning of expansionary monetary policy. • The tools of monetary policy appropriate to an expansionary monetary policy; increases in the money supply and/or a reduction in the rate of interest. **Guidance:** Credit mention of devaluation of the exchange rate, but it is not required at AS Level. • An explanation of the way in which these tools of monetary policy will operate to reduce unemployment – the impact of an increase in the money supply and/or a reduction in the rate of interest; the impact of a depreciation of the exchange rate. • An explanation of the strengths and weaknesses of each measure. **AO3 Evaluation** • Consideration of whether each measure is appropriate for all types of unemployment. • To arrive at a conclusion on whether expansionary monetary policy is likely to be successful in reducing all types of unemployment. Accept all valid responses.
	AO1 Knowledge and understanding and AO2 Analysis
	AO3 Evaluation