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AQA A-LEVEL ECONOMICS: QUESTIONS BY TOPIC

Economic Methodology and the Economic Problem

AQA A-level Economics 7136 — Topic 4.1.1

26 questions · 145 marks · Mark schemes included

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest mark tariff to the highest within each one.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme.

Diagrams, graphs, tables and data are printed exactly as they appeared in the original papers.

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4.1.1.1 ECONOMIC METHODOLOGY		5 Qs · 29 marks	3
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QUESTIONS

26 questions · 145 marks · 5 sub-topics



SUB-TOPIC 4.1.1.1

ECONOMIC METHODOLOGY

Sub-topic 4.1.1.1 · 5 questions · 29 marks · lowest tariff first



2

Section AAnswer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1**

A positive statement

[1 mark]**A** does not take into account irrational behaviour.☐**B** enables accurate forecasts to be made.☐**C** includes a value judgement.☐**D** may be true or false.☐**0 2**

Which one of the following is a nudge technique that could be used to encourage healthy eating?

[1 mark]**A** Banning supermarkets from selling high-calorie energy drinks☐**B** Increasing taxes on high-fat products to raise their price☐**C** Moving products with a high sugar content away from supermarket checkouts☐**D** Subsidising fruit and vegetables to reduce their prices☐

0 2

IB/M/Jun22/7136/3

4

0 3

Which one of the following best describes how a social scientist would develop an economic theory?

[1 mark]

- A** Apply logic to make connections between normative and positive economic concepts
- B** Create a hypothesis and test whether it can predict the behaviour of economic agents
- C** Develop a number of policies and test whether they are successful in the real world
- D** Form a set of value judgements and test whether they are supported by statistical data

☐☐☐☐

*Do not write
outside the
box*



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2

Section AAnswer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.

**0 1** Economics is a social science because**A** all economic hypotheses are based on value judgements.☐**B** economic policies can only be based on positive analysis.☐**C** it involves the study of human behaviour and economic decision making☐**D** quantitative data cannot be used to test economic theories.☐**[1 mark]****0 2** All other things being equal, the demand for labour is more likely to be wage elastic if**A** it is difficult to substitute capital for labour.☐**B** the cost of labour is a low percentage of total costs.☐**C** the final product has a high price elasticity of demand.☐**D** the supply curve for labour is wage elastic.☐**[1 mark]**

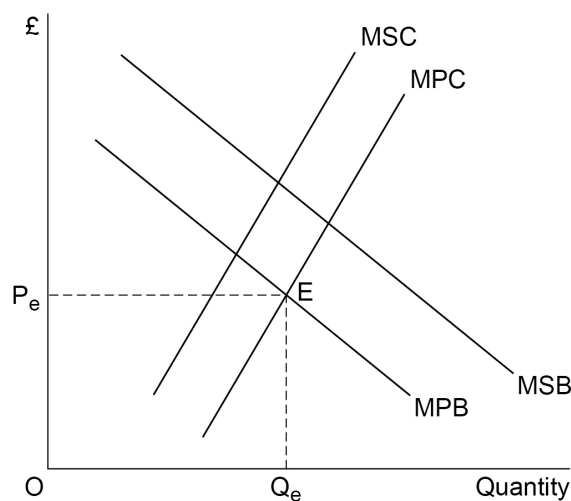
0 2

IB/M/Jun20/7136/3

3

0 3

Figure 1 shows the marginal private benefit and marginal social benefit (MPB and MSB) curves and the marginal private cost and marginal social cost (MPC and MSC) curves in the market for a good.

Figure 1

The diagram represents a good with

- A** negative externalities in production and consumption.
- B** negative externalities in production and positive externalities in consumption.
- C** positive externalities in production and consumption.
- D** positive externalities in production and negative externalities in consumption.

☐
☐
☐
☐

[1 mark]

Turn over for the next question

Turn over ►



0 3

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Section B

Answer **one** essay from this section.

Each essay carries 40 marks.

EITHER**Essay 1**

Price comparison websites were used to purchase 53% of car insurance policies in 2017, improving competition and reducing prices for consumers. In other sectors, dominant firms such as Amazon have used innovation to capture market share. In the UK, 70% of online consumers say that Amazon is the first online retailer they visit when buying goods.

0	9
---	---

 Explain how perfect competition should lead to outcomes which are **both** productively and allocatively efficient. **[15 marks]**

1	0
---	---

 Evaluate the view that technological change tends to bring industries closer to the market structure of perfect competition. **[25 marks]**

OR**Essay 2**

Vaping, the use of e-cigarettes, is argued by many UK health experts to be a much less harmful substitute than smoking tobacco cigarettes. E-cigarettes contain fewer harmful chemicals such as tar, but they still contain addictive nicotine. The industry has been attacked for promoting sales amongst teenagers. This has led to San Francisco banning the sale of e-cigarettes.

1	1
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 Explain how the concept of cross elasticity of demand can be used to understand the relationship between markets. **[15 marks]**

1	2
---	---

 Discuss the view that individual economic agents will always act as rational decision makers so as to maximise their utility. **[25 marks]**

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SUB-TOPIC 4.1.1.2

THE NATURE AND PURPOSE OF ECONOMIC ACTIVITY

Sub-topic 4.1.1.2 · 1 question · 25 marks · lowest tariff first



6

Section BAnswer **one** essay from this section.Each essay carries 40 marks.

EITHER**Essay 1**

Critics of the world's five most valuable multinational technology firms (Google, Amazon, Apple, Facebook and Microsoft) argue that there ought to be greater government intervention to protect consumers' interests. Several European governments are considering imposing new taxes on the revenues of such firms, rather than their profits.

0	9
---	---

Explain how the imposition of a tax on a good or service affects both consumer surplus **and** producer surplus.

[15 marks]

1	0
---	---

Discuss whether governments should consider increasing the regulation and taxation of technology firms which have acquired significant global monopoly power.

[25 marks]**OR****Essay 2**

The economist Greg Mankiw has written that 'society faces a trade-off between efficiency and equity. Efficiency means that society is getting the maximum benefits from its scarce resources. Equity means that those benefits are distributed fairly among society's members. Often, when government policies are designed, these two goals conflict.'

1	1
---	---

Explain how a production possibility diagram can be used to illustrate some features of the fundamental economic problem.

[15 marks]

1	2
---	---

Evaluate the view that government intervention to reduce inequality will lead to an improvement in economic welfare.

[25 marks]

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SUB-TOPIC 4.1.1.3

ECONOMIC RESOURCES

Sub-topic 4.1.1.3 · 8 questions · 33 marks · lowest tariff first



15

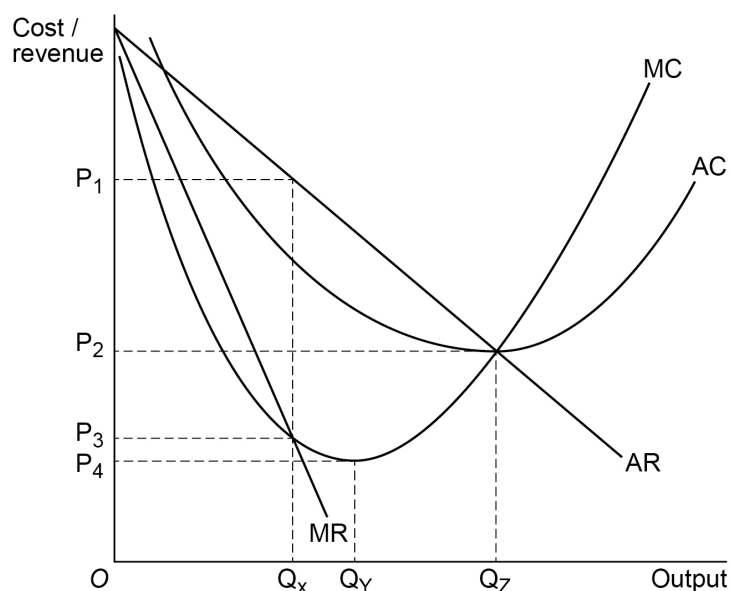
2 | 6

All other things being equal, which one of the following is most likely to cause the marginal revenue product of labour curve in the shoe manufacturing industry to shift to the right?

- A** A decrease in money wage rates in the shoe industry. ☐
- B** A decrease in the number of workers employed in the shoe industry. ☐
- C** An increase in the market demand for shoes. ☐
- D** An increase in the number of firms competing in the shoe industry. ☐

[1 mark]**2 | 7**

The diagram below shows the average revenue and marginal revenue (AR and MR) curves, and the average cost and marginal cost (AC and MC) curves, for the only firm in an industry.



If the market is highly contestable, in the long run, the firm is most likely to set its price at

- A** OP_1 ☐
- B** OP_2 ☐
- C** OP_3 ☐
- D** OP_4 ☐

[1 mark]**Turn over ►**

1 5

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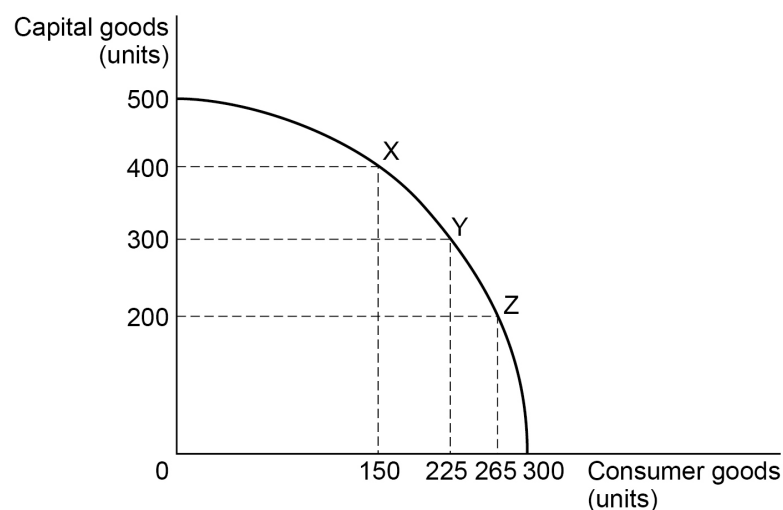
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0 3

Figure 1 shows the production possibility diagram for an economy producing capital goods and consumer goods.

Do not write
outside the
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Figure 1



The opportunity cost of producing an additional unit of capital goods is

[1 mark]

- A greater at X than Y.
- B greater at Z than Y.
- C the same at X, Y and Z.
- D zero when 300 units of consumer goods are produced.

☐
☐
☐
☐

Turn over for the next question

Turn over ►



0 3

IB/M/Jun22/7136/3

7

1 2

The quantity theory of money can be explained using Irving Fisher's equation of exchange, $MV=PQ$. Monetarist economists believe that the theory helps to explain inflation because some parts of the equation are normally stable.

Which parts of the equation do monetarist economists normally consider to be stable?

[1 mark]

A M and P

☐

B M and V

☐

C P and Q

☐

D V and Q

☐

1 3

Table 2 shows the relationship between the number of workers employed by a firm and the total output of a product. The amount of other factors of production employed remains the same.

Table 2

Number of workers	Total output
1	8
2	28
3	54
4	82
5	103
6	103
7	99

For this firm, diminishing marginal returns to labour occur when the

[1 mark]

A 4th worker is employed.

☐

B 5th worker is employed.

☐

C 6th worker is employed.

☐

D 7th worker is employed.

☐

Turn over ►



0 7

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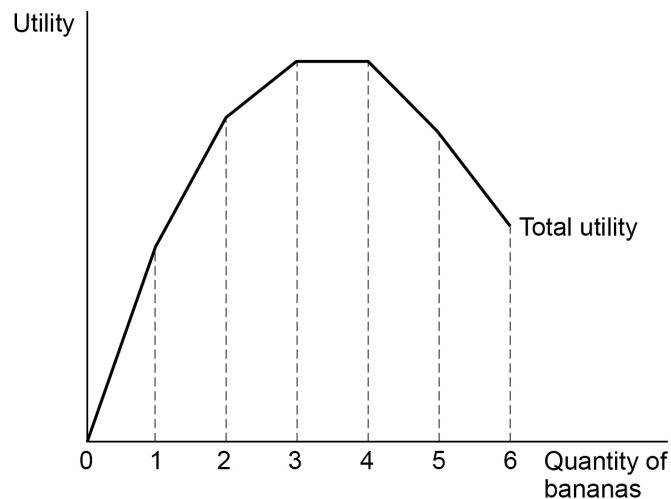
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0 8

Figure 2 shows the total utility that a consumer derives from their daily consumption of bananas.

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Figure 2



Based on the information in **Figure 2**, which one of the following statements is correct?

[1 mark]

- A A rational consumer will choose to consume 3 bananas each day
- B Diminishing marginal utility sets in with the consumption of the 4th banana
- C Marginal utility is maximised with the consumption of the 3rd banana
- D Marginal utility from consuming the 3rd banana is less than the 2nd

☐
☐
☐
☐


0 6

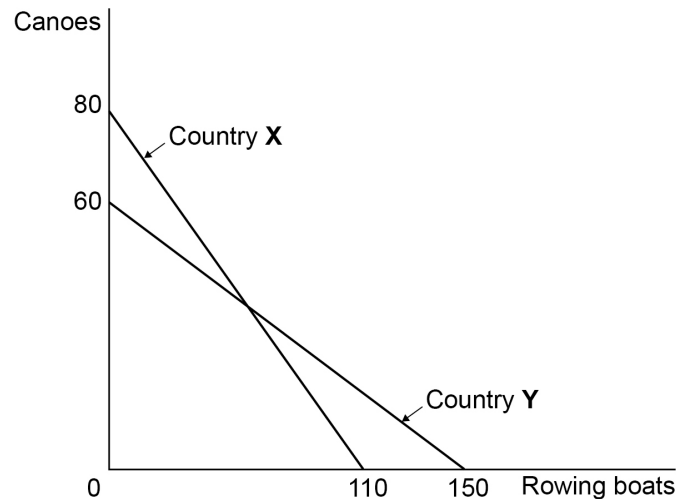
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21

2 4

Country **X** and Country **Y** have identical amounts of the factors of production that can be used to produce either canoes or rowing boats. **Figure 7** shows the production possibility frontiers (PPFs) for the two countries.

Do not write
outside the
box

Figure 7

Which one of the following is supported by the data in **Figure 7**?

[1 mark]

- A** Country **X** has both an absolute advantage and a comparative advantage in producing canoes
- B** In Country **Y**, the production of rowing boats requires two and a half times as many resources as the production of canoes
- C** The maximum number of canoes and rowing boats that Country **X** and Country **Y** can produce between them is 400
- D** The opportunity cost of producing a canoe in Country **Y** is 25% lower than it is in Country **X**

☐
☐
☐
☐

Turn over for the next question

Turn over ►



2 1

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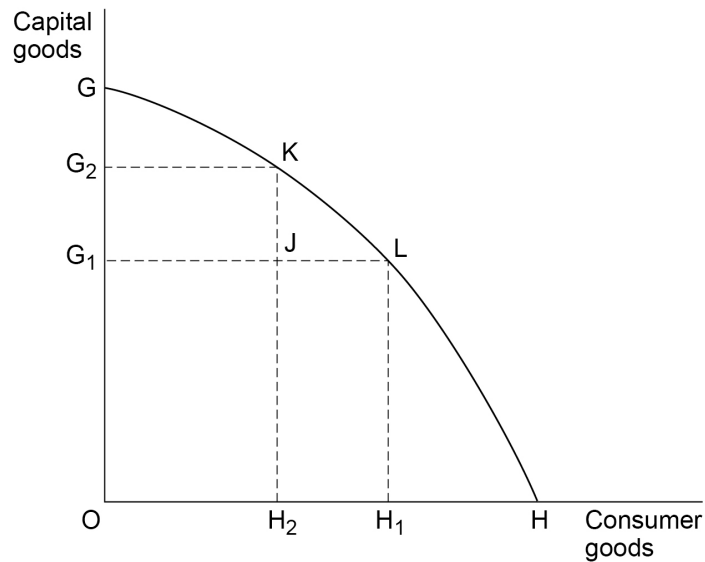
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0 6

Figure 2 shows the production possibility curve for an economy producing capital and consumer goods.

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box

Figure 2



The opportunity cost of increasing the output of capital goods from G_1 to G_2 is shown by

- A** $H - H_2$
- B** H_2KLH_1
- C** $G_2 - G_1$
- D** $H_1 - H_2$

☐
☐
☐
☐

[1 mark]

Turn over for the next question

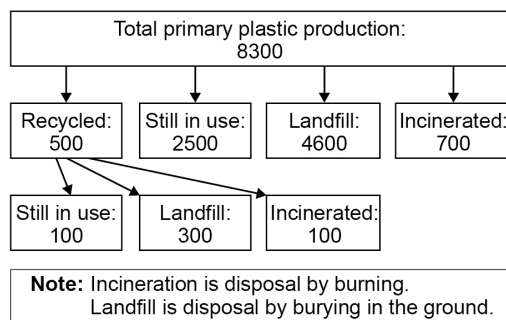
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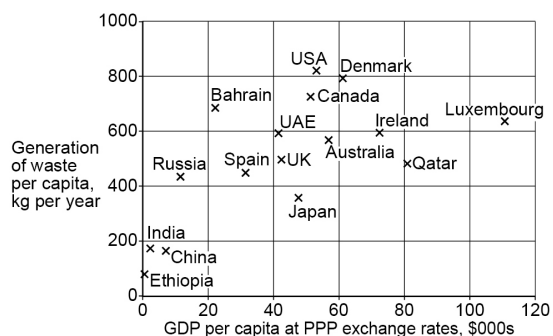
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2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****The circular economy**Study **Extracts A, B and C**, and then answer **all** parts of Context 1 which follow.**Extract A****Figure 1: Global plastic production and disposal, 1950–2015, million tonnes**

Source: Data from ourworldindata.org, 2018

Figure 2: Generation of waste and GDP per capita, 2016, selected countries

Source: World Bank, 2018

Extract B: The global economy needs to become more circular

Of the 84 billion tonnes of materials produced each year by the global economy, barely 9% are reused. The United Nations (UN) suggests that better use of resources could add \$2 trillion to the global economy by 2050. 1

Environmental groups argue for a 'circular' economy, an economic system aimed at minimising waste, making the most of scarce resources and reusing precious raw materials. However, if products last longer, it may seriously damage demand in sectors such as fossil fuels, minerals and agriculture. Manufacturers' sales would fall, as would the need for shipping and other transport. Currently, many companies intentionally make it difficult to repair their products in order to increase sales. This is both economically inefficient and environmentally foolish; it imposes costs on the environment even though it may make sense for individual companies. 5 10

Would a circular economy result in workers losing their jobs? Manufacturing jobs are likely to come under pressure, but new jobs would be created. According to one study, waste disposal generates just 0.1 jobs per 1000 tonnes, compared with two jobs from recycling the same amount. The environment would benefit, with fewer mines, more trees and less need for landfill and incineration. Recycling aluminium saves 95% of energy compared with creating new metal. The comparable savings are 88% for plastic, 60% for steel and paper, and 38% for glass. 15

By 2035, all European Union (EU) states will be required by law to recycle 65% of their waste, compared to an average of 40% today. But populations grow. By 2050, the world will have 2 billion more consumers, increasing the pressure on the environment.

Source: News reports, 2018

Extract C: China bans imports of waste

While rich countries are cleaning up at home, they are exporting their 'disposable' lifestyle around the world, by sending their waste to developing countries. Many developing countries are now beginning to resist this. In 2018, a huge shock hit the global recycling industry. China, the world's biggest waste importer, stopped accepting recycled plastic and paper from abroad, and limited imports of cardboard. Previously, over 50% of such waste was transported to China each year. China plans to introduce bans on most other waste imports.

The Chinese ban removed the third part of the 'collect, sort, export' system on which developed economies rely. Alternatives are scarce. Incinerators and landfill will take some of the surplus waste, but the capacity of both is limited. Landfill is gradually being regulated out of existence in many places, including the EU. High labour costs make hiring enough human sorters to deal with waste volumes very expensive.

Automation could, in time, sort some of the surplus waste, but innovation has been slow. Although China has disrupted the whole global waste trade, many experts see some benefits in forcing rich countries to rethink. The ban has given a boost to some entrepreneurs. Online marketplaces for recycled plastics, metal and paper have grown rapidly. Recycled materials now flow to the highest bidder and hence to the highest-value use. However, such operations cannot compensate quickly for the Chinese ban. Many environmental economists suggest that making firms pay for the costs of landfill associated with their products, or taxing raw material inputs, will be necessary to ensure a sustainable future for all.

Source: The Economist, 2018

0 1 Using the data in **Extract A** (Figure 1) calculate the percentage of all plastics produced in the period 1950–2015 which have either been sent to landfill or incinerated. Give your answer to **one** decimal place.

[2 marks]

0 2 Explain how the data in **Extract A** (Figure 2) show that higher living standards lead to greater volumes of waste per capita being produced.

[4 marks]

0 3 **Extract B** (lines 8–10) states: 'many companies intentionally make it difficult to repair their products in order to increase sales. This is both economically inefficient and environmentally foolish; it imposes costs on the environment even though it may make sense for individual companies.'

With the help of a diagram, explain how the production of goods which are designed not to last long may result in market failure.

[9 marks]

0 4 **Extract C** (lines 17–19) states: 'Many environmental economists suggest that making firms pay for the costs of landfill associated with their products, or taxing raw material inputs, will be necessary to ensure a sustainable future for all.'

Using the extracts and your knowledge of economics, evaluate policies, if any, that governments in developed countries should pursue to reduce waste and encourage the recycling of waste products.

[25 marks]**Turn over ►**

3

10 million inhabitants (up from 31 in 2016), which means more housing and infrastructure will need to be built. Also, sea levels will continue to rise and so sand will only become more sought after. But why is there a shortage when sand seems so abundant? Desert sand is too smooth, and so cannot be used for most commercial purposes. Australian sand was shipped to a faraway desert to build Dubai's Burj Khalifa tower, made possible by cheaper transportation. Most countries have rules in place about where, and how much, sand can be mined. However, surging demand has sparked a lucrative illegal trade in many rapidly developing countries which is damaging the environment, causing pollution and harming local biodiversity.

Source: News reports, February 2018

Extract C: The need for international action

There are currently no international conventions to regulate sand extraction, trade and use. Critics argue that the international community needs to treat sand like a resource on a par with clean air, biodiversity and other natural endowments that nations seek to manage for the future.

In the developed world, concerns have led to restrictions on where sand can be mined. In the USA, for example, mining it offshore or near large residential areas is restricted. Regulations are also in place in many developing countries. Indonesia, Malaysia and Cambodia have all placed restrictions on exports, although the rules are not always enforced. There is a particular problem of ineffective enforcement in India, with organised criminal networks ignoring rules and conducting unregulated sand mining.

Substitutes for sand do exist. Mud can be used for land reclamation, straw and wood for building houses, and crushed rock for making concrete. In some rich countries a shift towards these alternative production processes is already under way as sand prices rise. In the UK, sand demand is 25% less than in 2007, and 28% of building materials used in the UK in 2014 had been recycled. Rising prices will eventually also force builders in developing countries to explore alternatives to sand. But without better law enforcement, high sand prices also make illegal mining more profitable.

Source: News reports, February 2018

0 1

Using the data in **Extract A** (Figure 1), calculate the percentage change in the price of construction sand between January 2014 and January 2018. Give your answer correct to **one** decimal place.

[2 marks]**0 2**

Explain how the data in **Extract A** (Figures 1 and 2) show that expansion in the global sand market is leading to prices of construction sand rising in real terms.

[4 marks]**0 3**

Extract B (line 18) states that the global trade in sand has been 'made possible by cheaper transportation'.

With the help of a diagram, explain how cheaper transportation **and** a construction boom in East Asia have led to growth in the market for sand.

[9 marks]**0 4**

Extract C (lines 14–15) states that 'Rising prices will eventually also force builders in developing countries to explore alternatives to sand.'

Use the extracts and your knowledge of economics to assess the view that the increasing scarcity of sand is a problem best solved by market forces, rather than through government intervention.

[25 marks]**Turn over ►**

4

Do **NOT** answer Context 2 if you have answered Context 1.

OR

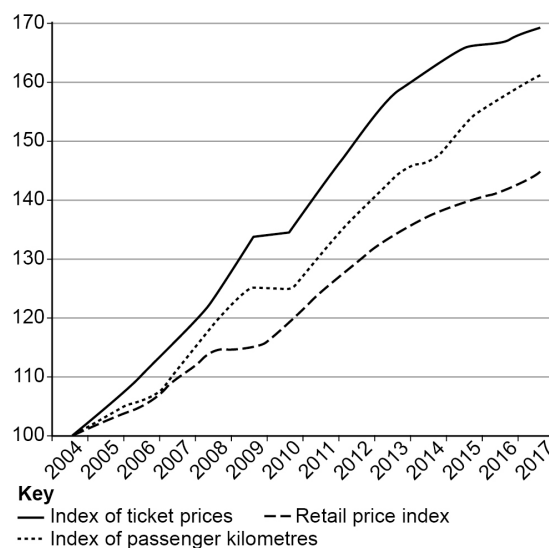
Context 2

Total for this context: 40 marks

The British railway systemStudy **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.**Extract D****Figure 3: UK (excluding Northern Ireland) rail industry income, 2010–2016**

£ millions	2010–11	2015–16
Passenger income	7 588	9 160
Government funding	6 182	6 697
Network Rail income	2 565	2 300
Other income	793	833
Total	17 128	18 990

Passenger income as % of total	44%	48%
--------------------------------	-----	-----

Figure 4: Indices of UK rail ticket prices and passenger kilometres, 2004–2017 (2004=100)

Source: Office of Rail and Road, Feb 2017

Extract E: Privatisation of British Rail

'More competition, greater efficiency and a wider choice of services', proclaimed the 1992 Government white paper that advocated the privatisation of British Rail. Two decades on, passenger journeys have more than doubled from 735 million in 1994–5, to 1.7bn in 2016–17. But how much of this is due to the benefits of privatisation, rather than factors such as increasing urban congestion and a rising population? The UK's trains and tracks are more intensively used than in any other European market except the Netherlands. Investment is up, at around four times (in real terms) the £1.6bn a year it averaged in the late 1980s. The data on service quality are mixed. The UK performs well in terms of punctuality and reliability, but many journeys are uncomfortable. At peak hours 23% of London commuters have to stand.

5

Instead of pushing British Rail into the private sector as a natural monopoly, the Government split it up and sold it in no less than 100 pieces between 1995 and 1997. Privatisation was supposed to unleash efficiencies that would justify the returns private operators demand for their services. However, a recent study shows that the cost of running the UK's railways is 40% higher than in the rest of Europe. "The train you catch is owned by a bank, leased to a private company, which has a franchise from the Department for Transport to run it on track owned by

10

15

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SUB-TOPIC 4.1.1.4

SCARCITY, CHOICE AND THE ALLOCATION OF RESOURCES

Sub-topic 4.1.1.4 · 11 questions · 43 marks · lowest tariff first



14

Do not write
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box**2 3**

The table below shows the marginal income tax rates in an economy for 2016.

Table: Marginal income tax rates for every \$1 of income

Taxable Income	Income tax rates 2016
From \$0 to \$10 000	0%
From \$10 001 to \$30 000	10%
From \$30 001 to \$50 000	30%
\$50 001 and above	45%

How much income tax would be payable by someone earning \$40 000 in 2016?

- A** \$5 000
- B** \$5 500
- C** \$10 000
- D** \$12 000

☐☐☐☐**[1 mark]****2 4**

The national debt is the

- A** annual budget deficit plus the external trade deficit.
- B** amount by which the budget deficit increases each year.
- C** annual difference between government spending and tax receipts.
- D** the cumulative stock of outstanding central government borrowing.

☐☐☐☐**[1 mark]**

1 4

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11

1 | 6

A person eats six biscuits a day to maximise their total utility from the consumption of biscuits.

The price of biscuits increases by 50%, leading to a change in the individual's daily consumption of biscuits.

Which one of the following combinations, **A**, **B**, **C** or **D**, shows the most likely changes in the individual's total utility and marginal utility?

	Total utility derived from their daily consumption of biscuits	Marginal utility derived from the last biscuit consumed each day	
A	Decrease	Decrease	☐
B	Increase	Decrease	☐
C	Decrease	Increase	☐
D	Increase	Increase	☐

[1 mark]**1 | 7**

A large, unexpected decline in house prices could lead to a systemic crisis in the financial system.

This is most likely to happen if, following the fall in house prices, commercial banks and building societies

- A** have a low ratio of capital to their total assets. ☐
- B** have followed Prudential Regulation Authority (PRA) guidance to reduce the amount they lend to high-risk borrowers. ☐
- C** have the option to use the Bank of England as the lender of last resort. ☐
- D** hold a high proportion of liquid assets on their balance sheets. ☐

[1 mark]

Turn over for the next question



1 1

Turn over ►

IB/G/Jun18/7136/3

Do not write
outside the
box

8

1 1

The table below shows how a firm's total cost of producing handbags changes as output increases.

Output (handbags per month)	Total cost per month (£)
0	45 000
1 000	165 000
2 000	250 000
3 000	360 000

What is the average fixed cost of producing 3 000 handbags per month?

A £15

☐

B £105

☐

C £110

☐

D £120

☐

[1 mark]

1 2

The existence of negative externalities in consumption results in a misallocation of resources. This is because at the free market level of output the

A marginal private benefit is greater than the marginal private cost.

☐

B marginal private cost is greater than the marginal social cost.

☐

C marginal social benefit is less than the marginal social cost.

☐

D marginal social cost is less than the marginal private benefit.

☐

[1 mark]



0 8

IB/M/Jun19/7136/3

Do not write
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box

14

Do not write
outside the
box**2 | 3**

The table below shows different combinations of changes in a commercial bank's liquidity and capital ratios. All other things being equal, which one of the following combinations, **A**, **B**, **C** or **D**, is most likely to improve the bank's financial stability?

	Liquidity ratio	Capital ratio	
A	Increase	Decrease	☐
B	Increase	Increase	☐
C	Decrease	Increase	☐
D	Decrease	Decrease	☐

[1 mark]**2 | 4**

An economy had a 3% increase in its real GDP over a one year period. In the same period its population grew by 5% and its rate of inflation was 2.5%. From these data it can be inferred that

A its Human Development Index decreased by 2%.

☐

B nominal GDP per capita increased.

☐

C real wages fell due to inflation.

☐

D the number of unemployed people increased.

☐**[1 mark]****2 | 5**

The marginal propensity to consume (MPC) in an economy is 0.5. If the MPC increases by 20% the new value of its multiplier will be

A 2.0

☐

B 2.5

☐

C 5.0

☐

D 10.0

☐**[1 mark]**

1 4

IB/M/Jun19/7136/3

13

2 0

There is a reduction in the market demand for the product supplied by firms operating in a perfectly competitive industry.

All other things being equal, which one of the following will happen to firms' average and marginal revenue as a result of this change?

[1 mark]

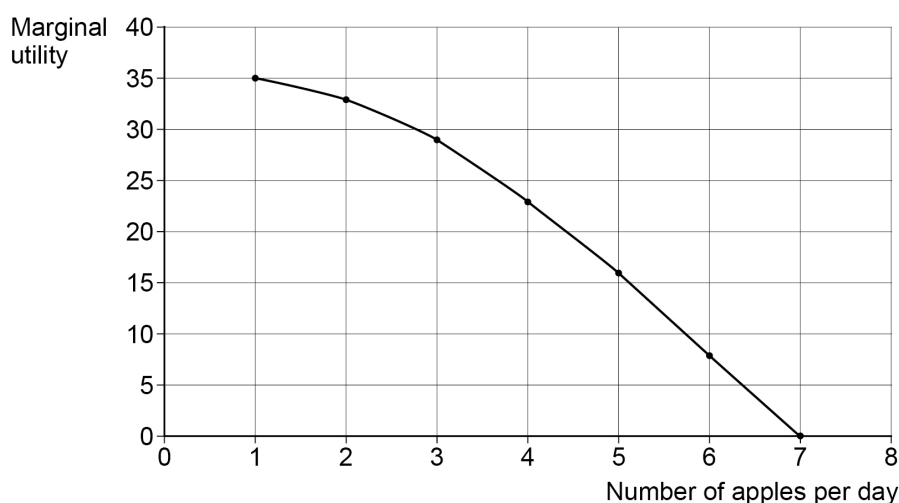
- A** Average revenue and marginal revenue will both fall.
- B** Average revenue and marginal revenue will not change.
- C** Average revenue will fall and marginal revenue will increase.
- D** Average revenue will increase and marginal revenue will fall.

☐☐☐☐

Do not write
outside the
box

2 1

Figure 6 shows the marginal utility that a consumer gains from eating apples.

Figure 6

When 7 apples per day are consumed

[1 mark]

- A** average utility is maximised.
- B** marginal utility is maximised.
- C** opportunity cost is minimised.
- D** total utility is maximised.

☐☐☐☐**Turn over ►**

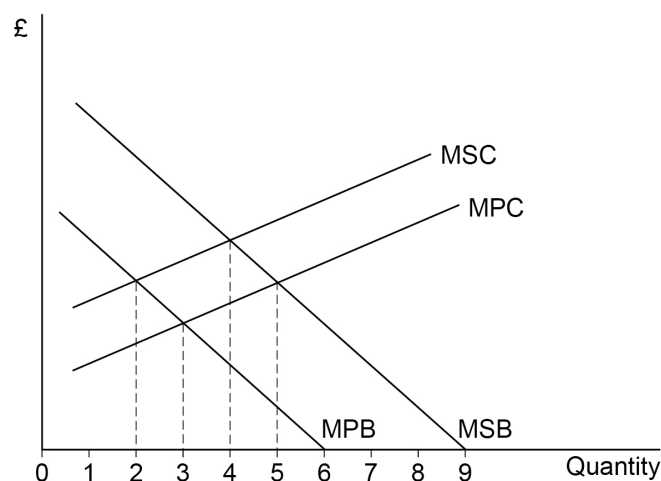
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12

2 | 0

Figure 5 shows the marginal private and social benefit (MPB and MSB) curves and the marginal private and social cost (MPC and MSC) curves for a product.

Do not write
outside the
box

Figure 5

The socially optimal level of output for this product is

[1 mark]**A** 2 units☐**B** 3 units☐**C** 4 units☐**D** 5 units☐**2 | 1**

Which one of the following would be classified as a debit item in the secondary income section of the current account of the UK balance of payments?

[1 mark]**A** Dividends paid to overseas owners of shares in UK companies☐**B** Emergency aid provided to another country following a natural disaster☐**C** Investment in building a factory abroad by a UK firm☐**D** Premiums paid by UK based organisations to foreign insurance companies☐

1 2

IB/G/Jun23/7136/3

14

2 | 3

Table 4 shows the value of the pound sterling in euros and Canadian dollars at the beginning of 2021 and 2022.

Table 4

	2021	2022
Value of £1 in euros	1.11	1.19
Value of £1 in Canadian dollars	1.76	1.71

According to the data in **Table 4**, between the beginning of 2021 and the beginning of 2022, the Canadian dollar

[1 mark]

- A** strengthened against the pound sterling and strengthened against the euro.
- B** strengthened against the pound sterling and weakened against the euro.
- C** weakened against the pound sterling and strengthened against the euro.
- D** weakened against the pound sterling and weakened against the euro.

☐☐☐☐**2 | 4**

Regulatory capture describes a situation in which

[1 mark]

- A** firms suffer a fall in supernormal profit due to the actions of regulators.
- B** government regulations reduce the impact of monopoly power.
- C** government removes regulations that have been acting as a barrier to entry.
- D** industry regulators grow too close to the firms they are regulating.

☐☐☐☐

1 4

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Do not write
outside the
box

2

Section A

Answer **all** questions in this section.Do not write
outside the
boxOnly **one** answer per question is allowed.

For each question completely fill in the circle alongside the appropriate answer.

CORRECT METHOD



WRONG METHODS



If you want to change your answer you must cross out your original answer as shown.



If you wish to return to an answer previously crossed out, ring the answer you now wish to select as shown.



- 0 1** Which one of the following is a consequence of the basic economic problem of limited resources and unlimited wants?

[1 mark]

- A** All goods and services will have a market price
- B** Employment of factors of production has an opportunity cost
- C** Markets are unable to allocate resources efficiently
- D** There will not be an excess supply in markets

☐☐☐☐

- 0 2** A profit-maximising firm, in the service sector, needs to recruit a new employee. Which one of the following explains why asymmetric information could mean that the most suitable person is not chosen?

[1 mark]

- A** It is difficult to calculate the marginal revenue productivity of workers in the service sector
- B** Occupational immobility of labour means that there is a limited supply of workers with the right skill set
- C** The firm may have to recruit the worker from the local area because labour is often geographically immobile
- D** The firm is unlikely to know everything about job applicant's skills, abilities and motivation

☐☐☐☐

0 2

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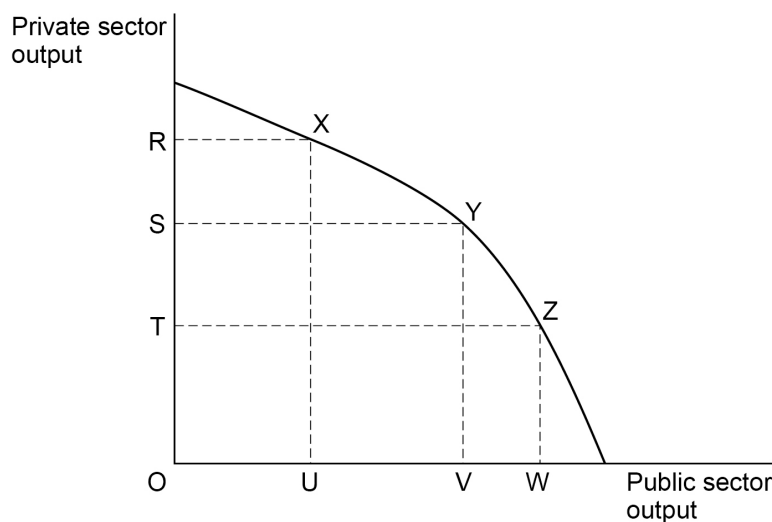
3

0 2

Figure 1 shows a production possibility diagram for an economy where goods and services are produced in the private and public sectors. The economy is currently producing at point **Y**.

Do not write
outside the
box

Figure 1



Following a change in government, it is decided that the output of public sector goods and services should be increased by **VW**.

What is the opportunity cost, in terms of private sector output, of this reallocation of resources?

[1 mark]

- A** OS ☐
- B** OT ☐
- C** ST ☐
- D** YZ ☐

Turn over for the next question

Turn over ►



0 3

IB/M/Jun25/7136/3

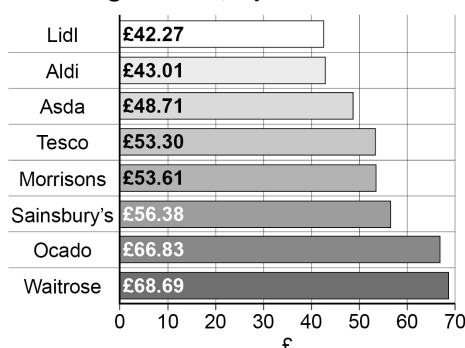
4

Do **NOT** answer Context 2 if you have answered Context 1.

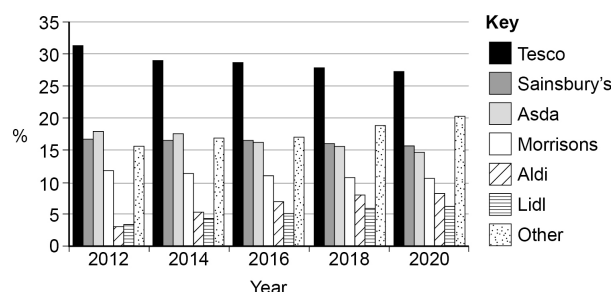
OR

Context 2

Total for this context: 40 marks

The UK supermarket sectorStudy **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.**Extract D****Figure 3: Cost of a basket of 100 popular groceries, April 2020**

Source: Which?, 2020

Figure 4: Market shares in the UK supermarket sector, 2012–2020

Source: Statista, 2020

Extract E: Have Aldi and Lidl reached their peak?

Aldi and Lidl, the German discount grocers which primarily sell through physical stores, have missed out as more sales have moved online. They are now trying some small scale 'click and collect' and other online options, and are hoping to win back business as the economic downturn prompted shoppers to seek out lower prices. However, industry experts say their recent rapid growth and competition from traditional supermarkets would make it harder for the discounters to take more business from rivals. The 'big four' UK supermarkets – Tesco, Sainsbury's, Asda and Morrison's – have well-established home delivery infrastructure and were able to expand online delivery dramatically during the pandemic. This led to a doubling of the online share of the overall grocery market to 13% in just a few months.

5

Aldi and Lidl grew rapidly after 2008 as traditional supermarkets defended profit margins rather than sales. The discounters' combined market share in the UK grew from 4% to 14% in a decade. However, this time the traditional supermarkets are expected to put up a tougher fight. Andrew Porteous, analyst at HSBC, said the big four were "all very conscious of the mess they made of the last recession. They have done well through lockdown." "They will want to make sure they don't give people any reason to go back to split shops" he added, referring to the practice of shopping for basics at a discounter and topping up elsewhere. Supermarkets set prices interdependently, and price wars look very likely. Analysts estimate the price gap between discounters and conventional supermarkets is now about 10–12%, against more than 20% a few years ago. Tesco has pledged to match Aldi prices on key items, while Morrisons recently cut prices on 400 basics, and Asda has indicated it will not be holding back from price reductions. Competition and investment in more stores have reduced the discounters' profitability. Aldi's profit margin fell from above 5% in 2013 to just 1.75% in 2018.

10

15

20

Source: News reports, 2020

5

Extract F: Regulatory intervention in supermarkets

For decades now, economists have worried about a lack of competition between supermarkets. The sector has been dominated by a small number of large firms, led by Tesco. Sainsbury's and Asda, the second and third largest supermarket firms, attempted a merger in 2019, which would have led to a combined market share of 33%. They argued that the resulting cost savings of £1 billion per year would be passed on to consumers. However, the Competition and Markets Authority (CMA) was not persuaded, arguing that the promised price cuts would be hard to monitor, and that customers would have reduced choice for their shopping. Not only was the CMA concerned about market concentration at the national level, but also the establishment of local monopolies where some towns might have only one large supermarket to purchase groceries. They predicted lengthening queues and rising prices. In April 2019, they banned the merger.

In 2020, the CMA ruled that Tesco had been preventing landlords from letting property to other supermarkets. This is illegal as it may reduce competition, limit choice and make consumers worse off. Nigel Howorth, a lawyer, said: "Major supermarkets have for many years sought to maintain competitive advantage over rivals through the land planning system and restrictive property arrangements."

Source: News reports, 2020

0 5

Using the data in **Extract D (Figure 3)**, calculate, in percentage terms, how much more expensive a basket of groceries at Waitrose was than at Lidl in April 2020.

Give your answer as a percentage to two decimal places.

[2 marks]

0 6

Explain how the data in **Extract D (Figure 4)** show that the supermarket sector is competitive.

[4 marks]

0 7

Extract E (lines 16–17) states that, 'Supermarkets set prices interdependently, and price wars look very likely.'

With the help of a diagram, analyse the impact on grocery consumers of interdependence between supermarkets.

[9 marks]

0 8

Extract E (lines 17–19) states that, 'the price gap between discounters and conventional supermarkets is now about 10–12%, against more than 20% a few years ago.'

Evaluate the view that the supermarket sector is serving customers' interests well.

[25 marks]**Turn over ►**

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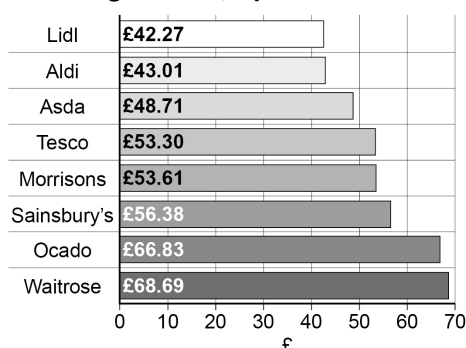
4

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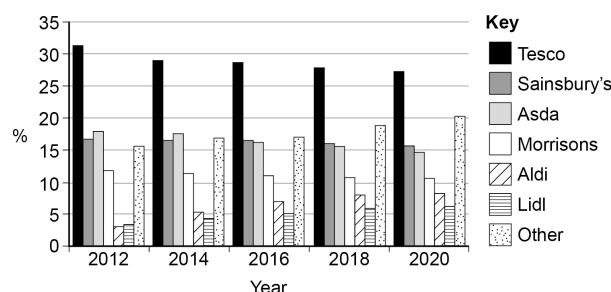
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15

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Source: News reports, 2020

5

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Source: News reports, 2020

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- Give your answer as a percentage to two decimal places.
- [2 marks]**
- 0 6** Explain how the data in **Extract D (Figure 4)** show that the supermarket sector is competitive.
- [4 marks]**
- 0 7** **Extract E** (lines 16–17) states that, 'Supermarkets set prices interdependently, and price wars look very likely.'
- With the help of a diagram, analyse the impact on grocery consumers of interdependence between supermarkets.
- [9 marks]**
- 0 8** **Extract E** (lines 17–19) states that, 'the price gap between discounters and conventional supermarkets is now about 10–12%, against more than 20% a few years ago.'
- Evaluate the view that the supermarket sector is serving customers' interests well.
- [25 marks]**

Turn over ►

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SUB-TOPIC 4.1.1.5

PRODUCTION POSSIBILITY DIAGRAMS

Sub-topic 4.1.1.5 · 1 question · 15 marks · lowest tariff first



6

Section BAnswer **one** essay from this section.Each essay carries 40 marks.

EITHER**Essay 1**

Critics of the world's five most valuable multinational technology firms (Google, Amazon, Apple, Facebook and Microsoft) argue that there ought to be greater government intervention to protect consumers' interests. Several European governments are considering imposing new taxes on the revenues of such firms, rather than their profits.

0	9
---	---

Explain how the imposition of a tax on a good or service affects both consumer surplus **and** producer surplus.

[15 marks]

1	0
---	---

Discuss whether governments should consider increasing the regulation and taxation of technology firms which have acquired significant global monopoly power.

[25 marks]**OR****Essay 2**

The economist Greg Mankiw has written that 'society faces a trade-off between efficiency and equity. Efficiency means that society is getting the maximum benefits from its scarce resources. Equity means that those benefits are distributed fairly among society's members. Often, when government policies are designed, these two goals conflict.'

1	1
---	---

Explain how a production possibility diagram can be used to illustrate some features of the fundamental economic problem.

[15 marks]

1	2
---	---

Evaluate the view that government intervention to reduce inequality will lead to an improvement in economic welfare.

[25 marks]

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MARK SCHEMES

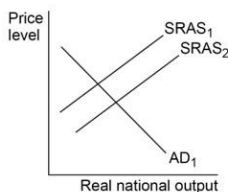
official mark schemes



MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2022

SECTION A

KEY LIST

1	D (may be true or false)	11	B (Most banks carry out both commercial and investment banking activities.)	21	D (Total utility is maximised.)
2	C (Moving products with a high sugar content away from supermarket checkouts)	12	C (A natural disaster, damaging productive capacity)	22	C (Increasing, Increasing, Increasing)
3	A (greater at X than Y)	13	A (Helping countries settle disputes over tariffs and quotas)	23	C (£264 billion)
4	C (3.3%)	14	D (There is considerable spare capacity in the car industry.)	24	A (make supernormal profits)
5	C (price levels)	15	B 	25	B $\left(\frac{1}{40}\right)$
6	C (Rates of income tax)	16	C (The income of some households is significantly less than the median household income.)	26	B (£100 bn)
7	B (Producers will be more likely to have to pay compensation for pollution.)	17	D (regressive tax)	27	B (The cost of living for people who live in UK seaside towns will fall.)
8	C (The firm's total revenue falls.)	18	A (Government retraining schemes for structurally unemployed workers)	28	A (The total amount paid in wages will fall from $(W_2 \times Q_2)$ to $(W_3 \times Q_1)$.)
9	C (price discrimination)	19	C (5 + 6)	29	C (Increasing life expectancy at birth)
10	A (5%)	20	A (Average revenue and marginal revenue will both fall.)	30	C (geographical immobility of labour)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2025

SECTION A KEY LIST

1	B (Individuals are required by law to choose an option)	11	D (Point D)	21	B (5.3%)
2	C (ST)	12	C (Ireland's gross national income per capita was higher than Finland's.)	22	A (Situation A)
3	B (Create a hypothesis and test whether it can predict the behaviour of economic agents)	13	B (is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.)	23	D (The rate of increase in the price of necessities, such as energy, is higher than for all goods and services)
4	D 	14	D (Some potential tenants who would like to rent a house at R ₁ cannot find a house to rent)	24	A (Country X has both an absolute advantage and a comparative advantage in producing canoes)
5	A (A fall in the number of Jobcentres provided by the government)	15	D (Profit maximisation is not the most important objective for all managers)	25	D (US\$5200 million)
6	B (A reduction in the tax on a good with positive consumption externalities)	16	B (the quarterly inflation rate fluctuated whilst the unemployment rate increased throughout the year.)	26	D (Tax breaks for manufacturing firms that invest in upgrading their machinery and other capital goods)
7	D (Increasing returns to scale)	17	C (Savings deposited with commercial banks that have more than a year to maturity)	27	D (High concentration ratios and consumer complaints are examples of indicators which may suggest anti-competitive behaviour and prompt further investigation by the Competition and Markets Authority.)
8	C (£75 000)	18	D (Bank Y is more profitable than Bank Z but is less secure.)	28	C (Over time, more firms will have an incentive to reduce their pollution)
9	D 	19	B (B)	29	A (The amounts outstanding on households' existing mortgages will fall in real terms)
10	D (The level of investment depends on the rate of change in national income)	20	C (Falls for peak-time passengers and rises for off-peak passengers)	30	C (£26 500)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2020

SECTION A**KEY LIST**

1	C	11	B	21	D
2	C	12	C	22	C
3	D	13	A	23	D
4	A	14	B	24	D
5	A	15	C	25	B
6	A	16	D	26	D
7	B	17	C	27	A
8	B	18	B	28	C
9	A	19	C	29	A
10	A	20	D	30	C

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2021

SECTION A

KEY LIST

1	B (the higher marginal revenue productivity of graduates.)	11	D (not buy the motorbike because they do not know as much about the motorbike as the dealer.)	21	C (firm is maximising its abnormal profit and has no incentive to expand its production.)
2	A (can have microeconomic as well as macroeconomic effects on the economy.)	12	A (A decline in the capital stock resulting from a significant decline in bank funding for business investment)	22	D (the marginal propensity to consume combined with a fall in the exchange rate.)
3	B (negative externalities in production and positive externalities in consumption.)	13	A (accepting the default choice.)	23	B (A reduction in firms' unit costs of production.)
4	D (The government's budget deficit increases as the rate of unemployment is reduced)	14	C (Savings will increase as interest rates rise in real terms)	24	D (The removal of a subsidy to tea producers and a fall in the price of coffee)
5	D (Country 4 has the highest life expectancy and literacy rates)	15	B (inelastic.)	25	B (a negative output gap equal to £6 billion.)
6	D ($H_1 - H_2$)	16	B (increase its average revenue by 20%.)	26	D (short-term finance is provided for companies and governments.)
7	D (most likely to be a commercial bank because its main liabilities are customer deposits.)	17	C (3.8%)	27	A (job security for qualified workers in the industry.)
8	D (public goods.)	18	B (20/400)	28	C (£525 billion)
9	C (OPHJ)	19	A (level of investment.)	29	D (tariffs to raise the price of imports.)
10	D (projected tax revenue by more than £100 billion)	20	A (A decrease in the cost of producing the good) OR C An increase in the price of the good	30	B (A fall in the prices of raw materials and an increase in investment.)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2021

1 2

Discuss the view that individual economic agents will always act as rational decision makers so as to maximise their utility.

[25 marks]**Areas for discussion include:**

- definitions of rational, maximise, utility, economic agents
- assumptions underlying traditional economic theory
- explanation of total and marginal utility
- the hypothesis of diminishing marginal utility and how it links to the downward-sloping demand curve
- discussion of utility maximisation
- the importance of the margin when making choices
- problems with measuring utility and thus being able to maximise it
- the importance of information for decision making and the problems faced by utility maximisers when dealing with imperfect information
- how the assumptions of behavioural economics compare with those of traditional economic theory
- bounded rationality and bounded self-control
- biases in decision-making such as: rules of thumb, anchoring, availability and social norms
- how behavioural economic actions can be used to suppress rationality (eg by marketing) or to improve rationality (eg by public health adverts)
- the existence of alternative objectives to utility maximisation, eg focusing on relationships, altruism, self-sufficiency
- consideration of the word 'always'.

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.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 12: 25 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2020

- 1 2** Evaluate the view that government intervention to reduce inequality will lead to an improvement in economic welfare.

[25 marks]

Areas for discussion include:

- definitions of inequality
- knowledge of recent statistics and trends in inequality
- discussion of measures of inequality
- discussion of the broad range of policies to tackle inequality, including
 - taxation
 - welfare state/social security provision
 - tax credits
 - inheritance tax/mansion tax/wealth taxes
 - equal opportunities legislation
 - policies to reduce inequality in market incomes, such as subsidised university tuition fees, minimum wages, state-funded school education/school lunches
- discussion of the benefits to such government policies
 - increases in aggregate demand from lower-income households having higher MPC
 - reduction in external costs of inequality such as lower crime, better mental health, better educational achievement
 - reduced poverty
 - improving incentive effects for those at the bottom of the income scale
 - reduction in speculative bubbles
- discussion of trickle-down economic theory and the idea that low-tax regimes encourage hard work, enterprise and investment
- the impact of government policies on tax revenue (ie the Laffer Curve)
- the idea that excessive tax will threaten job creation, encourage capital flight, brain drain and incentives to avoid tax
- how policies designed to reduce inequality may result in inefficient allocation of resources if some workers withdraw from the labour market
- knowledge of recent policies in the UK and elsewhere which have had an impact on inequality and other economic objectives.

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.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 12: 25 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2019

SECTION A

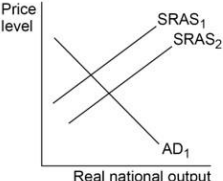
KEY LIST

1	C	11	A	21	C
2	B	12	C	22	A
3	B	13	C	23	B
4	A	14	D	24	B
5	B	15	D	25	B
6	B	16	B	26	C
7	B	17	C	27	B
8	D	18	C	28	A
9	B	19	C	29	C
10	C	20	C	30	C

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2022

SECTION A

KEY LIST

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7	B (Producers will be more likely to have to pay compensation for pollution.)	17	D (regressive tax)	27	B (The cost of living for people who live in UK seaside towns will fall.)
8	C (The firm's total revenue falls.)	18	A (Government retraining schemes for structurally unemployed workers)	28	A (The total amount paid in wages will fall from $(W_2 \times Q_2)$ to $(W_3 \times Q_1)$.)
9	C (price discrimination)	19	C (5 + 6)	29	C (Increasing life expectancy at birth)
10	A (5%)	20	A (Average revenue and marginal revenue will both fall.)	30	C (geographical immobility of labour)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2023

SECTION A

KEY LIST

1	D (favourable weather leading to a record harvest.)	11	A (A)	21	B (Emergency aid provided to another country following a natural disaster)
2	C (the environment has an opportunity cost.)	12	D (V and Q)	22	B (Country X has a comparative advantage in the production of coffee and an absolute advantage in the production of tea)
3	D (+12.5)	13	B (5th worker is employed.)	23	A (strengthened against the pound sterling and strengthened against the euro.)
4	C (the rate of inflation.)	14	D (zero)	24	D (industry regulators grow too close to the firms they are regulating.)
5	A (A)	15	C (The adoption of satisficing behaviour)	25	C (An increase in the minimum qualifications required for workers in the industry and a fall in the price of a complement for the output produced)
6	B (Bringing down the rate of inflation)	16	B (Economic agents have higher inflation expectations due to the intervention)	26	A (The proportion of employers' total costs which are made up by wages)
7	B (Availability bias and social norms)	17	C (Evaluating the government's performance against its own fiscal targets)	27	C (more equal and the Gini coefficient has decreased.)
8	B (Some firms will leave the market and the price will rise)	18	A (Increase its purchases of government securities)	28	B (An improvement in the balance of payments on current account)
9	B (Creative destruction)	19	D (The supply curve for potatoes shifts due to the incentive function of prices)	29	B (Banks may engage in more risky lending if they believe the central bank will support them in a crisis)
10	B (0.6)	20	C (4 units)	30	A (£50bn)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2024

SECTION A

KEY LIST

1	B (Employment of factors of production has an opportunity cost)	11	A (shift left and become flatter.)	21	C (4)
2	D (The firm is unlikely to know everything about job applicants' skills, abilities and motivation)	12	A (A firm's revenue would fall with any change in price)	22	D (An increase in the price of the industry's product caused by changing tastes)
3	C (Productive efficiency in the car industry is unchanged)	13	B (£0)	23	B (A reduction in the geographical mobility of labour)
4	C (Spending on Good X will fall by 2% and spending on Good Y will increase by 4%)	14	B (government failure due to unintended consequences.)	24	D (Liquidity worsens and profitability improves)
5	C (Indirect taxes made the distribution of income more unequal)	15	C (Store of value)	25	D (Imports from other member countries will increase)
6	C (-£8.5bn)	16	C (2022)	26	C (A surplus will lead to excess demand for the country's currency and an appreciating exchange rate)
7	C (Investment)	17	C (Tax F is a regressive tax and Tax G is a proportional tax)	27	D (The rate of growth in the country's exports of copper was higher in 2021 than in 2022)
8	D (Marginal utility from consuming the 3rd banana is less than the 2nd)	18	B (Increasing marginal returns to labour)	28	C (2022)
9	A (An increase in real national income and a reduction in the balance of payments deficit)	19	D (Sustained rises in nominal national income in future years)	29	C (Privatising key industries)
10	D (joint supply)	20	C (marginal cost equals average total cost.)	30	C (8 000)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2025

SECTION A KEY LIST

1	B (Individuals are required by law to choose an option)	11	D (Point D)	21	B (5.3%)
2	C (ST)	12	C (Ireland's gross national income per capita was higher than Finland's.)	22	A (Situation A)
3	B (Create a hypothesis and test whether it can predict the behaviour of economic agents)	13	B (is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.)	23	D (The rate of increase in the price of necessities, such as energy, is higher than for all goods and services)
4	D 	14	D (Some potential tenants who would like to rent a house at R ₁ cannot find a house to rent)	24	A (Country X has both an absolute advantage and a comparative advantage in producing canoes)
5	A (A fall in the number of Jobcentres provided by the government)	15	D (Profit maximisation is not the most important objective for all managers)	25	D (US\$5200 million)
6	B (A reduction in the tax on a good with positive consumption externalities)	16	B (the quarterly inflation rate fluctuated whilst the unemployment rate increased throughout the year.)	26	D (Tax breaks for manufacturing firms that invest in upgrading their machinery and other capital goods)
7	D (Increasing returns to scale)	17	C (Savings deposited with commercial banks that have more than a year to maturity)	27	D (High concentration ratios and consumer complaints are examples of indicators which may suggest anti-competitive behaviour and prompt further investigation by the Competition and Markets Authority.)
8	C (£75 000)	18	D (Bank Y is more profitable than Bank Z but is less secure.)	28	C (Over time, more firms will have an incentive to reduce their pollution)
9	D 	19	B (B)	29	A (The amounts outstanding on households' existing mortgages will fall in real terms)
10	D (The level of investment depends on the rate of change in national income)	20	C (Falls for peak-time passengers and rises for off-peak passengers)	30	C (£26 500)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2021

SECTION A

KEY LIST

1	B (the higher marginal revenue productivity of graduates.)	11	D (not buy the motorbike because they do not know as much about the motorbike as the dealer.)	21	C (firm is maximising its abnormal profit and has no incentive to expand its production.)
2	A (can have microeconomic as well as macroeconomic effects on the economy.)	12	A (A decline in the capital stock resulting from a significant decline in bank funding for business investment)	22	D (the marginal propensity to consume combined with a fall in the exchange rate.)
3	B (negative externalities in production and positive externalities in consumption.)	13	A (accepting the default choice.)	23	B (A reduction in firms' unit costs of production.)
4	D (The government's budget deficit increases as the rate of unemployment is reduced)	14	C (Savings will increase as interest rates rise in real terms)	24	D (The removal of a subsidy to tea producers and a fall in the price of coffee)
5	D (Country 4 has the highest life expectancy and literacy rates)	15	B (inelastic.)	25	B (a negative output gap equal to £6 billion.)
6	D ($H_1 - H_2$)	16	B (increase its average revenue by 20%.)	26	D (short-term finance is provided for companies and governments.)
7	D (most likely to be a commercial bank because its main liabilities are customer deposits.)	17	C (3.8%)	27	A (job security for qualified workers in the industry.)
8	D (public goods.)	18	B (20/400)	28	C (£525 billion)
9	C (OPHJ)	19	A (level of investment.)	29	D (tariffs to raise the price of imports.)
10	D (projected tax revenue by more than £100 billion)	20	A (A decrease in the cost of producing the good) OR C An increase in the price of the good	30	B (A fall in the prices of raw materials and an increase in investment.)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2020

Context 1

Total for this context: 40 marks

0 1

Using the data in **Extract A** (Figure 1) calculate the percentage of all plastics produced in the period 1950–2015 which have either been sent to landfill or incinerated. Give your answer to **one** decimal place.

[2 marks]

Calculation: $4600\text{m} + 700\text{m} + 300\text{m} + 100\text{m} = 5700\text{m tonnes}$

$5700\text{m} / 8300\text{m} \times 100\% = 68.674699\%$

Correct answer is 68.7%

Response:	Marks
For the correct answer, to one decimal place, with % sign	2 marks
For the correct answer but without the % sign and/or not to one decimal place OR For the correct method, but the wrong answer, to one decimal place, with the % sign	1 mark

MAXIMUM FOR QUESTION 01: 2 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2019

0 4

Extract C (lines 14–15) states that 'Rising prices will eventually also force builders in developing countries to explore alternatives to sand'.

Use the extracts and your knowledge of economics to assess the view that the increasing scarcity of sand is a problem best solved by market forces, rather than through government intervention.

[25 marks]**Areas for discussion include:**

- explanation of market forces and government intervention
- acknowledgement of recent rapid growth in the sand market
- discussion of the increasingly global market for sand, with the commodity being transported vast distances by sea
- explanation of how the market might respond to challenges via the price mechanism (incentives, signalling, rationing)
 - o price of sand rising leading to recycling and reduction in use
 - o substitutes becoming more available
- ability of the market/government response to cope with future developments, including rising sea levels and the expected construction needs of rapidly developing countries
- discussion of problems created by the sand industry
 - o externalities from degradation of environment
 - o externalities from transport of sand
 - o tragedy of the commons
 - o disappearance of Indonesian islands
 - o sand dredging damaging biodiversity
 - o vulnerability to extreme weather
- discussion of benefits of the sand industry
 - o restoring coasts of low-lying islands such as Kiribati
- discussion of possible policies at the national level
 - o regulations
 - o taxation
 - o permits and quotas
 - o price regulation
- discussion of problems with the above policies, referencing the organised criminal networks in India, black markets, etc.
- explanation of how international agreement may be necessary given the global nature of the problem
- discussion of how such international agreements are slow to achieve and often fail to address problems identified
- market failure arguments
- government failure arguments.

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.

Use the level mark scheme on page 4 to award students marks for this question.

MAXIMUM FOR QUESTION 04: 25 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2017

SECTION A

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

KEY LIST

1	D	16	B
2	B	17	C
3	A	18	B
4	A	19	C
5	C	20	A
6	C	21	D
7	C	22	B
8	C	23	A
9	D	24	D
10	A	25	B
11	D	26	D
12	A	27	A
13	A	28	D
14	C	29	C
15	D	30	D

	<u>Total</u>
A	8
B	5
C	8
D	9
	<u>30</u>

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2018

SECTION A

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

KEY LIST

1	B	16	C
2	A	17	A
3	D	18	A
4	D	19	D
5	D	20	A
6	A	21	C
7	D	22	D
8	C	23	C
9	D	24	A
10	B	25	A
11	B	26	C
12	B	27	D
13	C	28	C
14	C	29	C
15	B	30	C

Total: 30

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2019

SECTION A

KEY LIST

1	C	11	A	21	C
2	B	12	C	22	A
3	B	13	C	23	B
4	A	14	D	24	B
5	B	15	D	25	B
6	B	16	B	26	C
7	B	17	C	27	B
8	D	18	C	28	A
9	B	19	C	29	C
10	C	20	C	30	C

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2019

SECTION A

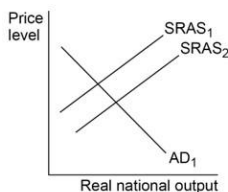
KEY LIST

1	C	11	A	21	C
2	B	12	C	22	A
3	B	13	C	23	B
4	A	14	D	24	B
5	B	15	D	25	B
6	B	16	B	26	C
7	B	17	C	27	B
8	D	18	C	28	A
9	B	19	C	29	C
10	C	20	C	30	C

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2022

SECTION A

KEY LIST

1	D (may be true or false)	11	B (Most banks carry out both commercial and investment banking activities.)	21	D (Total utility is maximised.)
2	C (Moving products with a high sugar content away from supermarket checkouts)	12	C (A natural disaster, damaging productive capacity)	22	C (Increasing, Increasing, Increasing)
3	A (greater at X than Y)	13	A (Helping countries settle disputes over tariffs and quotas)	23	C (£264 billion)
4	C (3.3%)	14	D (There is considerable spare capacity in the car industry.)	24	A (make supernormal profits)
5	C (price levels)	15	B 	25	B $\left(\frac{1}{40}\right)$
6	C (Rates of income tax)	16	C (The income of some households is significantly less than the median household income.)	26	B (£100 bn)
7	B (Producers will be more likely to have to pay compensation for pollution.)	17	D (regressive tax)	27	B (The cost of living for people who live in UK seaside towns will fall.)
8	C (The firm's total revenue falls.)	18	A (Government retraining schemes for structurally unemployed workers)	28	A (The total amount paid in wages will fall from $(W_2 \times Q_2)$ to $(W_3 \times Q_1)$.)
9	C (price discrimination)	19	C (5 + 6)	29	C (Increasing life expectancy at birth)
10	A (5%)	20	A (Average revenue and marginal revenue will both fall.)	30	C (geographical immobility of labour)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2023

SECTION A

KEY LIST

1	D (favourable weather leading to a record harvest.)	11	A (A)	21	B (Emergency aid provided to another country following a natural disaster)
2	C (the environment has an opportunity cost.)	12	D (V and Q)	22	B (Country X has a comparative advantage in the production of coffee and an absolute advantage in the production of tea)
3	D (+12.5)	13	B (5th worker is employed.)	23	A (strengthened against the pound sterling and strengthened against the euro.)
4	C (the rate of inflation.)	14	D (zero)	24	D (industry regulators grow too close to the firms they are regulating.)
5	A (A)	15	C (The adoption of satisficing behaviour)	25	C (An increase in the minimum qualifications required for workers in the industry and a fall in the price of a complement for the output produced)
6	B (Bringing down the rate of inflation)	16	B (Economic agents have higher inflation expectations due to the intervention)	26	A (The proportion of employers' total costs which are made up by wages)
7	B (Availability bias and social norms)	17	C (Evaluating the government's performance against its own fiscal targets)	27	C (more equal and the Gini coefficient has decreased.)
8	B (Some firms will leave the market and the price will rise)	18	A (Increase its purchases of government securities)	28	B (An improvement in the balance of payments on current account)
9	B (Creative destruction)	19	D (The supply curve for potatoes shifts due to the incentive function of prices)	29	B (Banks may engage in more risky lending if they believe the central bank will support them in a crisis)
10	B (0.6)	20	C (4 units)	30	A (£50bn)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2023

SECTION A

KEY LIST

1	D (favourable weather leading to a record harvest.)	11	A (A)	21	B (Emergency aid provided to another country following a natural disaster)
2	C (the environment has an opportunity cost.)	12	D (V and Q)	22	B (Country X has a comparative advantage in the production of coffee and an absolute advantage in the production of tea)
3	D (+12.5)	13	B (5th worker is employed.)	23	A (strengthened against the pound sterling and strengthened against the euro.)
4	C (the rate of inflation.)	14	D (zero)	24	D (industry regulators grow too close to the firms they are regulating.)
5	A (A)	15	C (The adoption of satisficing behaviour)	25	C (An increase in the minimum qualifications required for workers in the industry and a fall in the price of a complement for the output produced)
6	B (Bringing down the rate of inflation)	16	B (Economic agents have higher inflation expectations due to the intervention)	26	A (The proportion of employers' total costs which are made up by wages)
7	B (Availability bias and social norms)	17	C (Evaluating the government's performance against its own fiscal targets)	27	C (more equal and the Gini coefficient has decreased.)
8	B (Some firms will leave the market and the price will rise)	18	A (Increase its purchases of government securities)	28	B (An improvement in the balance of payments on current account)
9	B (Creative destruction)	19	D (The supply curve for potatoes shifts due to the incentive function of prices)	29	B (Banks may engage in more risky lending if they believe the central bank will support them in a crisis)
10	B (0.6)	20	C (4 units)	30	A ((\$50bn)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2024

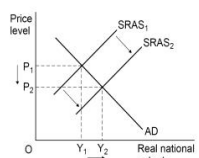
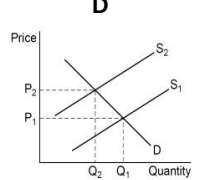
SECTION A

KEY LIST

1	B (Employment of factors of production has an opportunity cost)	11	A (shift left and become flatter.)	21	C (4)
2	D (The firm is unlikely to know everything about job applicants' skills, abilities and motivation)	12	A (A firm's revenue would fall with any change in price)	22	D (An increase in the price of the industry's product caused by changing tastes)
3	C (Productive efficiency in the car industry is unchanged)	13	B (£0)	23	B (A reduction in the geographical mobility of labour)
4	C (Spending on Good X will fall by 2% and spending on Good Y will increase by 4%)	14	B (government failure due to unintended consequences.)	24	D (Liquidity worsens and profitability improves)
5	C (Indirect taxes made the distribution of income more unequal)	15	C (Store of value)	25	D (Imports from other member countries will increase)
6	C (-£8.5bn)	16	C (2022)	26	C (A surplus will lead to excess demand for the country's currency and an appreciating exchange rate)
7	C (Investment)	17	C (Tax F is a regressive tax and Tax G is a proportional tax)	27	D (The rate of growth in the country's exports of copper was higher in 2021 than in 2022)
8	D (Marginal utility from consuming the 3rd banana is less than the 2nd)	18	B (Increasing marginal returns to labour)	28	C (2022)
9	A (An increase in real national income and a reduction in the balance of payments deficit)	19	D (Sustained rises in nominal national income in future years)	29	C (Privatising key industries)
10	D (joint supply)	20	C (marginal cost equals average total cost.)	30	C (8 000)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/3 – JUNE 2025

SECTION A KEY LIST

1	B (Individuals are required by law to choose an option)	11	D (Point D)	21	B (5.3%)
2	C (ST)	12	C (Ireland's gross national income per capita was higher than Finland's.)	22	A (Situation A)
3	B (Create a hypothesis and test whether it can predict the behaviour of economic agents)	13	B (is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.)	23	D (The rate of increase in the price of necessities, such as energy, is higher than for all goods and services)
4	D 	14	D (Some potential tenants who would like to rent a house at R_1 cannot find a house to rent)	24	A (Country X has both an absolute advantage and a comparative advantage in producing canoes)
5	A (A fall in the number of Jobcentres provided by the government)	15	D (Profit maximisation is not the most important objective for all managers)	25	D (US\$5200 million)
6	B (A reduction in the tax on a good with positive consumption externalities)	16	B (the quarterly inflation rate fluctuated whilst the unemployment rate increased throughout the year.)	26	D (Tax breaks for manufacturing firms that invest in upgrading their machinery and other capital goods)
7	D (Increasing returns to scale)	17	C (Savings deposited with commercial banks that have more than a year to maturity)	27	D (High concentration ratios and consumer complaints are examples of indicators which may suggest anti-competitive behaviour and prompt further investigation by the Competition and Markets Authority.)
8	C (£75 000)	18	D (Bank Y is more profitable than Bank Z but is less secure.)	28	C (Over time, more firms will have an incentive to reduce their pollution)
9	D 	19	B (B)	29	A (The amounts outstanding on households' existing mortgages will fall in real terms)
10	D (The level of investment depends on the rate of change in national income)	20	C (Falls for peak-time passengers and rises for off-peak passengers)	30	C (£26 500)

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2022

0 7**Extract E** (lines 16–17) states that: 'Supermarkets set prices interdependently, and price wars look very likely.'*With the help of a diagram, analyse the impact on grocery consumers of interdependence between supermarkets.***[9 marks]**

Level of response	Response:	Max 9 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.	7–9 marks
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram.	4–6 marks
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.	1–3 marks

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2022

0 8**Extract E** (lines 17–19) states that 'the price gap between discounters and conventional supermarkets is now about 10–12%, against more than 20% a few years ago.'*Evaluate the view that the supermarket sector is serving customers' interests well.***[25 marks]****Areas for discussion include:**

- explanation of what 'customers' interests' means in this context (to include low prices, high quality, customer experience/service, choice, convenience)
- discussion of differences between discounters (eg Aldi and Lidl), traditional stores (eg Tesco) and online retailers (eg Ocado)
- discussion of how the supermarket sector has evolved in recent years
- analysis of the market structure in the supermarket sector (with elements of oligopoly and localised monopolies)
- the impact of competition and profitability on innovation
- assessment of trends in prices and profits
- impact of the pandemic on shopping habits, with a significant move towards online shopping, and whether shoppers are likely to change back to physical stores
- the role of the CMA in ensuring competition and positive outcomes for customers
- discussion of the proposed merger between Asda and Sainsbury's and why the CMA decided to oppose it
- the particular problems of local monopolies in the supermarket sector
- the CMA investigation into Tesco's abuse of restrictive property arrangements in order to retain local monopoly power
- use of examples
- market failure arguments
- government failure arguments.

Use the level mark scheme on page 4 to award students marks for this question.**MAXIMUM FOR QUESTION 08: 25 MARKS**

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2020

Essay 2**Total for this essay: 40 marks****1 1***Explain how a production possibility diagram can be used to illustrate some features of the fundamental economic problem.***[15 marks]****Areas for discussion include:**

- definition of the 'fundamental economic problem'
- definition of PPF/PPD
- explanation of how a PPF shows the trade-offs implicit in an economy's decision over what to produce and resource allocation
- explanation of opportunity costs
- explanation of why PPFs tend to be convex to the origin
- how all points on a PPF are productively efficient, where all factors of production are being put to good use and production is at its lowest cost
- how moving from one point on the PPF to another point on the PPF means necessarily sacrificing some production of the first good for the second
- how an economy at a point inside a PPF suggests unemployed factors of production, and that expanding production to the PPF can result in short-run economic growth
- the significance of shifts in the PPF outwards or inwards in terms of productive capacity
- explanation of why points on a PPF are productively efficient, but they aren't all allocatively efficient
- a PPF drawn to show the possible production combinations between consumption and capital goods could be used to explain how dynamic efficiency is possible, if factor inputs are deployed to the capital sector, where the quantity and quality of capital might increase

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.

Use the level mark scheme on page 15 to award students marks for this question.

MAXIMUM FOR QUESTION 11: 15 MARKS