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AQA A-LEVEL ECONOMICS: QUESTIONS BY TOPIC

Price Determination in a Competitive Market

AQA A-level Economics 7136 — Topic 4.1.3

54 questions · 265 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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QUESTIONS

54 questions · 265 marks · 6 sub-topics



SUB-TOPIC 4.1.3.1

THE DETERMINANTS OF THE DEMAND FOR GOODS AND SERVICES

Sub-topic 4.1.3.1 · 12 questions · 44 marks · lowest tariff first



2

Do not write
outside the
box**Section A**Answer **all** questions in this section.Only **one** answer per question is allowed.

For each answer 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**

Economic decision making and policies are influenced by value judgements because

- A** all people are motivated by the desire to maximise their incomes. 
- B** economic analysis and decision making is assumed to be based on complete information. 
- C** they are based on the same methodology as the natural sciences. 
- D** they involve moral and political considerations as well as positive analysis. 

[1 mark]

0 2

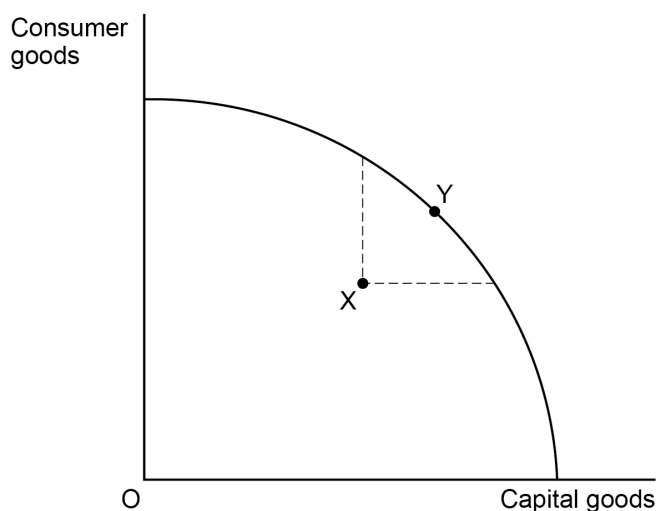
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3

0 3

The diagram below shows the production possibility frontier for an economy that produces consumer goods and capital goods. The economy is initially operating at point X within its frontier.

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If the economy now moves from point X to point Y on its frontier it will

- A** achieve both productive and allocative efficiency. ☐
- B** benefit from improved economies of scale in the production of both goods. ☐
- C** increase its underlying trend rate of growth. ☐
- D** obtain more consumer goods and capital goods at zero opportunity cost. ☐

[1 mark]

0 4

All other things being equal, an increase in the ratio of capital to labour resulting from an increase in investment is most likely to lead to a

- A** decline in labour productivity. ☐
- B** fall in the size of the labour force. ☐
- C** negative demand-side shock to the economy. ☐
- D** supply-side improvement. ☐

[1 mark]



0 3

Turn over ►

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9

1 3

An economy is in a state of macroeconomic equilibrium. The levels of investment, savings, exports and imports are shown below.

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box*

Injections into and withdrawals from the circular flow of income	
Investment	£200 bn
Savings	£200 bn
Exports	£300 bn
Imports	£400 bn

It can be inferred from the data in the table above that

- A** government expenditure equals taxation. ☐
- B** the budget surplus equals the balance of payments deficit. ☐
- C** the government has a budget deficit. ☐
- D** the government has a budget surplus. ☐

[1 mark]

1 4

The table below shows how a firm's total and average product change, in the short run, with different inputs of labour.

Number of workers	Total product	Average product
4	128	32
5	260	52
6	420	70
7	497	71
8	528	66

Diminishing marginal returns to labour set in when the firm employs

- A** 5 workers ☐
- B** 6 workers ☐
- C** 7 workers ☐
- D** 8 workers ☐

[1 mark]



0 9

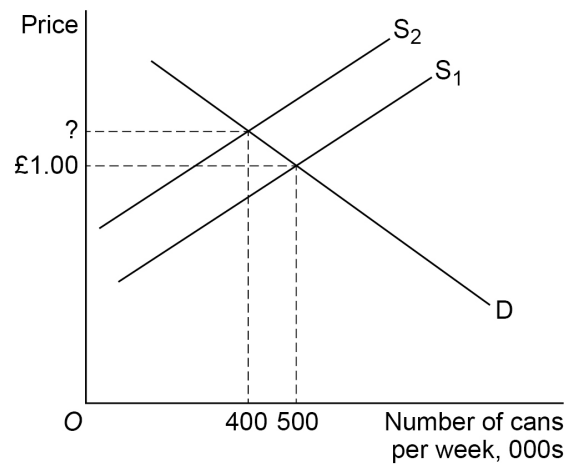
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5

0 6

The diagram below shows the market demand (D) curve and two supply (S_1 and S_2) curves for a brand of soft drink. The drink is a demerit good because of its high sugar content. The government imposes an indirect tax on each can sold that cuts consumption by 100 000 cans per week.



If the price elasticity of demand for the drink is -2.0 , the price must have increased by

- A 5p
- B 10p
- C 15p
- D 20p

☐☐☐☐

[1 mark]

0 7

The hypothesis of diminishing marginal utility

- A assumes that at least one factor of production is fixed in the short run.
- B can be used to help explain why a demand curve is downward sloping.
- C explains why firms try to maximise profit.
- D states that total utility must fall as consumption increases.

☐☐☐☐

[1 mark]

Turn over for the next question

Turn over ►



0 5

IB/M/Jun19/7136/3

12

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1 9

A large Asian steel-producing country dumps its surplus steel on the world market. All other things being equal, if the demand for steel is price elastic, the most likely consequence for the EU market for steel will be to

A reduce excess capacity in the EU steel-making industry.

☐

B reduce the value of steel imports into the EU.

☐

C shift the demand curve for EU steel workers to the left.

☐

D shift the supply curve of EU steel workers to the left.

☐

[1 mark]

2 0

A company has an issued share capital of £1 million and an outstanding corporate bond issue of £200 000. To fund its expansion, the company issues additional corporate bonds for £300 000. All other things being equal, after the issue of the additional corporate bonds the ratio of the company's total debt to its equity will be

A 0.2:1

☐

B 0.3:1

☐

C 0.5:1

☐

D 2.0:1

☐

[1 mark]

2 1

Despite its central bank operating a policy of quantitative easing for several years, an economy has rising unemployment and a rate of inflation significantly below the target rate set by the government. All other things being equal, which one of the following actions is the central bank most likely to take in order to meet the target for inflation?

A A policy leading to an appreciation of the exchange rate.

☐

B An increase in its base rate of interest and the reversal of its quantitative easing policy.

☐

C Providing forward guidance indicating that the bank will continue with its programme of quantitative easing.

☐

D Selling some of its stock of government bonds to other financial institutions.

☐

[1 mark]



1 2

IB/M/Jun19/7136/3

16

2 8

A country experiences a large net capital outflow. All other things being equal, the most likely consequence of this in the short run will be a decrease in

A its exchange rate.

☐

B its net income from overseas investments.

☐

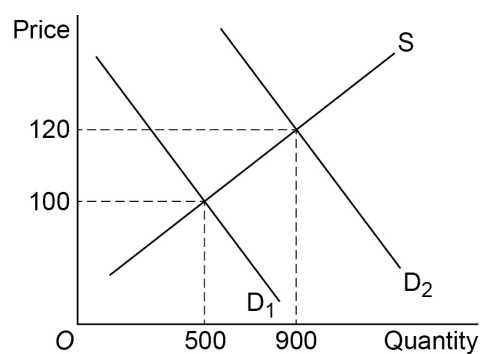
C its rate of interest.

☐

D the value of exports and imports.

☐**[1 mark]****2 9**

The diagram below shows two market demand curves (D_1 and D_2) and the market supply curve (S), for Good X.



The price elasticity of supply of Good X when the demand curve shifts from D_1 to D_2 is

A +0.25

☐

B +2.0

☐

C +4.0

☐

D +7.5

☐**[1 mark]**

Do not write
outside the
box



1 6

IB/M/Jun19/7136/3

14

Do not write
outside the
box

1 9

According to the accelerator process, a slowdown in the rate of growth of national income will lead to a fall in the

A level of investment.

☐

B marginal propensity to save.

☐

C rate of interest.

☐

D value of the multiplier.

☐

[1 mark]

2 0

A monopolistically competitive firm's demand curve for good X has a price elasticity of demand of minus 1.0 throughout its entire range. All other things being equal, which one of the following is most likely to result in an increase in the firm's profits?

A A decrease in the cost of producing the good

☐

B A decrease in the price of the good

☐

C An increase in the price of the good

☐

D An increase in the scale of its operation

☐

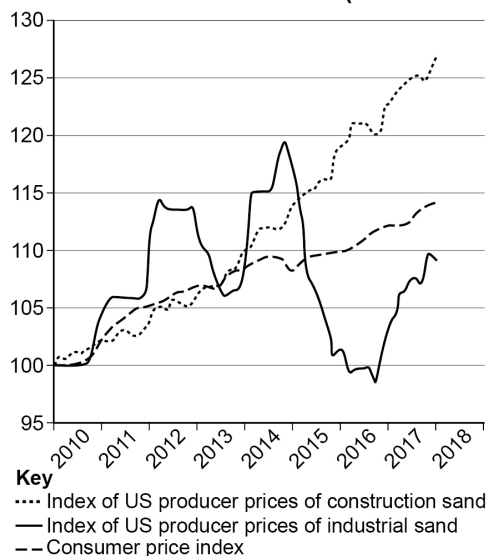
[1 mark]



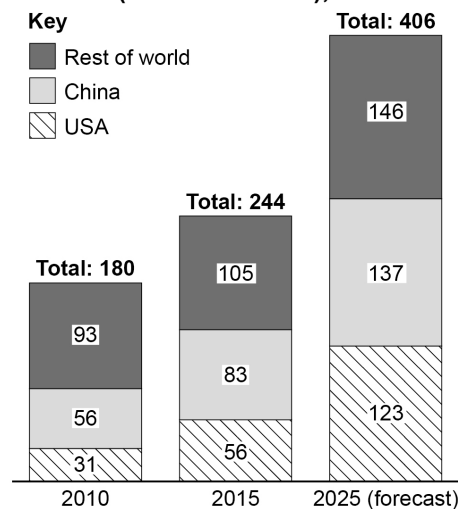
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2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****The market for sand**Study **Extracts A, B and C**, and then answer **all** parts of Context 1 which follow.**Extract A****Figure 1: Indices of US producer prices for sand, Jan 2010–Jan 2018 (Jan 2010=100)**

Source: Federal Reserve Economic Data, 2018

Figure 2: Global demand for sand (millions of tons), 2010–2025

Source: The Freedonia Group/National Post, 2018

Extract B: Is the world running out of sand?

Sand is in high demand. Sand accounts for up to 85% of all mining and the global depletion of sand is rapidly exceeding its natural renewal rate. Sand is mostly used in the construction industry to make concrete and asphalt. Chinese demand has risen significantly, reflecting the country's rapid pace of construction: it built 32.3 million houses and 4.5 million kilometres of road between 2011 and 2014. Sand also has industrial uses: it is used to make glass, electronics, and to help extract oil in the fracking industry. While market demand for industrial sand has tracked overall economic growth in the USA, the demand for fracking sand has been as volatile as oil prices.

5

Vast quantities of sand are dumped into the sea to reclaim land: Singapore, for example, has expanded its land area by over 20% since the 1960s. Much of this sand originates from Indonesia, where sand miners have completely erased over 20 islands since 2005. The Maldives and Kiribati have used sand to shore up their islands against rising sea levels. The United Nations forecasts that, by 2030, there will be over 40 'megacities', home to more than

10

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**

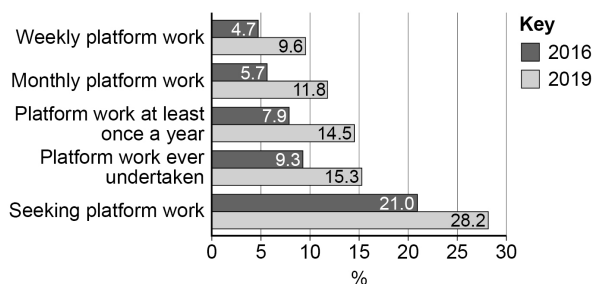
Extract C (lines 14–15) states that 'Rising prices will eventually also force builders in developing countries to explore alternatives to sand.'

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 ►**

2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****Flexible labour markets and trade unions**Study **Extracts A, B and C** and then answer **all** parts of Context 1 which follow.**Extract A****Figure 1: Participation in platform work*, % of UK workers, 2016 and 2019**

Source: TUC, 2020

Figure 2: Median after-tax real earnings of working-age employees and the self-employed, 2009/10 to 2018/19

Year	Employed, £	Self-employed, £
2009/10	21 900	15 800
2010/11	21 300	15 100
2011/12	20 300	15 800
2012/13	20 800	14 200
2013/14	20 500	14 000
2014/15	20 900	15 800
2015/16	21 300	16 100
2016/17	21 400	16 300
2017/18	21 400	17 600
2018/19	21 600	16 500

Source: Department for Work & Pensions, 2020

Note: *Platform work is defined as paid tasks that are found via a website or 'app'.**Note:** Base year is 2018/19**Extract B: The gig economy**

The gig economy can be defined as that part of the labour market characterised by short-term contracts or occasional work, as opposed to permanent jobs. The rise of gig economy work has been driven by new technology, enabling people to work from anywhere, any time. Many self-employed people work in the gig economy through online platforms such as Uber, Deliveroo and Airbnb. These roles often replace employee roles in sectors including cleaning, taxi driving, pizza delivery, project managers and personal training. 5

Gig economy workers face higher risks and more uncertainty about the stability of their incomes than standard workers. They tend to earn less than employees doing similar work and they also tend to work longer hours. However, they do have greater flexibility and control over their work-life balance. People who have other responsibilities beyond work (for example childcare) may choose to work in the gig economy because it allows them to allocate their time as they choose. 10

The government has pledged to combat unfair working practices associated with zero-hours contracts and the gig economy. They are seeking to bring gig employers into line with the standards and regulations by which other employers must abide. However, providers of meal delivery, ride-sharing and other gig economy services warn that tighter regulations will damage economic efficiency and employees will lose out. Gig economy defenders claim that today's flexible labour markets offer modern workers the opportunity to move freely between jobs and this gives them more choice over their working hours. 15

Source: News reports, 2020

Extract C: New unions representing gig economy workers

The cleaners at St Mary's Hospital in London are members of United Voices of the World (UVW), a new trade union of mostly migrant workers whose employment is not secure. Their October 2019 strike and demonstration were typical of UVW action: joyful, noisy, confrontational and uncompromising. It was also very successful. The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75, and decided to employ them directly, rather than via an agency for temporary workers. 5

As insecure and gig economy work becomes more common, especially among migrant and young workers, new trade unions are developing to meet demand from workers in workplaces with few protections. Since it was founded in 2014, UVW has organised at more than 20 workplaces and won improved contracts, wage rises or sick pay from employers including the Daily Mail Group, the Royal Borough of Kensington and Chelsea and the London School of Economics. It now has more than 3000 members and says it is attracting 200 more every month. 10

Some gig economy firms are starting to recognise workers as employees. Just Eat, which delivers takeaway food, has announced plans to offer workers benefits, including hourly wages above the minimum living wage, sick pay and pension contributions. This sets a precedent in the UK gig economy. The new drivers will be on a mix of full-time, part-time and zero-hours contracts, the company said, allowing some to retain more flexible working hours. The firm said that operating costs would rise as a result of the new scheme but Just Eat felt it was the 'right thing to do'. 15 20

Source: News reports, 2020

0 1 Using the data in **Extract A (Figure 1)**, calculate the number of workers doing weekly platform work in 2019 for each worker doing monthly platform work in 2019. 20

Give your answer to **two** decimal places. [2 marks]

0 2 Explain how the data in **Extract A (Figure 2)** show that the incentive for workers to become self-employed increased between 2009/10 and 2018/19. [4 marks]

0 3 **Extract C** (lines 4–5) states that, as a result of trade union action, 'The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75.' [9 marks]

With the help of a diagram, analyse how a trade union might achieve higher pay for its members.

0 4 **Extract B** (lines 16–18) states that, 'Gig economy defenders claim that today's flexible labour markets offer modern workers the opportunity to move freely between jobs and this gives them more choice over their working hours.' [25 marks]

Assess the view that government intervention in the UK labour market is necessary to protect the interests of people who are working in the gig economy.

Turn over ►

4

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

OR

Context 2

Total for this context: 40 marks

The gender pay gap

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

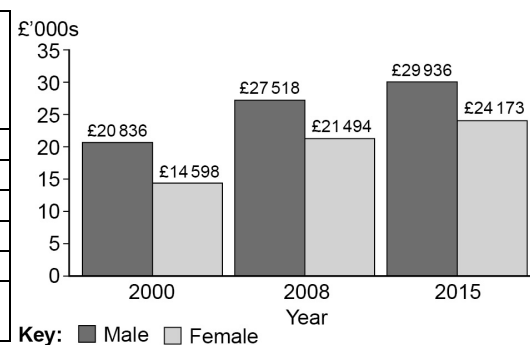
Extract D

Figure 3: Differences between male and female wages and employment in selected countries

Selected countries	Wage gap (%)	Female labour force participation rate (%)	Male labour force participation rate (%)
Japan	27	66	85
Norway	15	76	80
Slovenia	3	67	74
UK	18	72	83
USA	17	67	78
OECD* average	17	68	80

Source: Official statistics, 2016

Figure 4: Full-time annual earnings before tax, UK, 2000 to 2015



Source: Official statistics, 2016

*The OECD is the Organisation for Economic Co-operation and Development.

Extract E: Causes of the gender pay gap

Since the Equal Pay Act 1970, it has been illegal to pay men and women differently for the same work. Despite this, the overall pay gap is 19.2%, according to the Office of National Statistics. The pay gap for full-time workers is lower, at 9.4%, and the gap for part-time workers is actually negative, at -6.5%. In the UK, 41% of female workers are part-time, compared to only 11% of males. 1
5

Prior to the Equal Pay Act, it was common to find firms paying women less than men for comparable work, but since then discriminatory attitudes have lessened to the extent that some economists deny that the wage gap is a problem at all. A recent report found that women working in the same job, and at the same level, are paid just 0.8% less than their male equivalents. Certainly, the pay gap has been shrinking, partly due to demographic and social changes. In earlier times, most senior, highly paid jobs were held by men, while women of the same generation stayed at home. The Government claims that 2.2 million women who are not working want to work. They believe that increasing the female labour force participation rate could add 10% to the size of our economy by 2030, as well as benefiting women directly. 10

Interestingly, women in their twenties currently out-earn men and it is only when they reach their thirties, and perhaps start a family, that the pay gap starts to emerge. Is this due to employers undervaluing female staff once they have had a baby, or to outdated social conventions that women should be the main childcarers? Most of the highest paid jobs in 15

5

finance, engineering, science and technology are predominantly populated by men, while most of the lowest paid jobs, like caring and hospitality, are largely done by women. 80% of those working in the low paid care and leisure sector are women, compared to only 10% in the better paid skilled trades. The tendency for women to participate in low-productivity sectors is now a bigger factor in their low pay than discrimination.

Source: News reports, April 2016

Extract F: Tackling the gender pay gap

In 2016, the UK Government unveiled plans for a league table ranking firms by their gender pay gap. Companies with more than 250 employees will have to disclose how the salaries of their male and female staff differ. The Government hopes that this league table, of around 8 000 firms, will draw attention to the worst culprits. The Chartered Management Institute commented that shining a light on what men and women are paid at every level...is proven to speed up progress and would boost business productivity. But the Confederation of British Industry have warned that rankings unfairly name and shame firms as data will only be able to present a partial picture, given factors such as the mix of part-time and full-time working.

Trade unions have also questioned whether information alone is sufficient to bring about change. Unions have a role in supporting women to achieve promotions, negotiate better pay and obtain flexible working practices, such as part-time work, homeworking, paternity leave and on-site crèches. Should the government policy be to encourage women to join trade unions? Some economists suggest that the gender pay gap is halved for women who are union members compared to those who are not. Other suggestions include raising National Minimum Wage rates to increase the incomes of low-paid women and to encourage firms to appoint women to company boards. Women hold only 23.2% of posts on the boards of directors of large British firms, whereas Norway requires that large companies fill 40% of board positions with women. The UK Government recognises the need to raise aspirations and attainment for girls. The last decade has seen successful initiatives promoting traditionally male academic courses and careers to girls and young women.

Source: News reports, February 2016

0 5 Using the data in **Extract D (Figure 3)**, calculate the mean female labour force participation rate for the five countries listed. Give your answer to **one** decimal place. **[2 marks]**

0 6 Explain how the data in **Extract D (Figure 4)** show that the degree of inequality between the pay of male and female workers is falling. **[4 marks]**

0 7 **Extract E** (lines 22–23) states that ‘The tendency for women to participate in low-productivity sectors is now a bigger factor in their low pay than discrimination’.

With the help of a diagram, explain how the difference between the marginal revenue product of male and female workers might account for the lower average earnings of women. **[9 marks]**

0 8 **Extract F** (lines 19–20) notes that ‘The UK Government recognises the need to raise aspirations and attainment for girls’.

Use the extracts and your knowledge of economics to evaluate the policies that government might use to reduce the gender pay gap. **[25 marks]**

Turn over ►

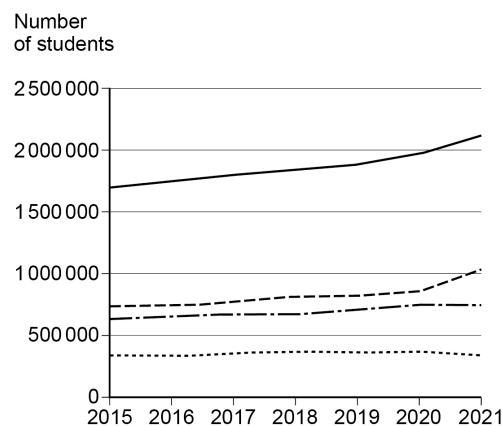
2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****The market for university accommodation**Study **Extracts A, B and C** and then answer **all** parts of Context 1 which follow.**Extract A****Table 1: Average weekly university rent, selected UK cities, 2015 and 2021**

Selected UK cities	Average weekly university rent, 2015	Average weekly university rent, 2021
Birmingham	£113.88	£157.94
Brighton	£143.00	£235.93
Bristol	£141.58	£184.38
Liverpool	£112.97	£136.61
Manchester	£120.87	£180.60
UK average	£121.16	£169.35

Source: Cushman Wakefield Student Accommodation Report, 2022

Figure 1: Number of full-time students at UK universities, and type of accommodation, 2015 to 2021**Key**

— Total number of full-time students

---- Living at home

- - - Private rental

..... University rental

Extract B: A serious shortage of student accommodation

The number of 18-year-olds in the UK applying to university is rising. In addition, there was a record number of 277 000 foreign students in 2022.

Universities have expanded the number of places on offer to students, but the supply of student accommodation is highly inelastic. Providers of rental accommodation have been deterred by stricter rules on shared houses, higher taxes and greater rights for renters. Rising construction costs, interest rates and inflation have resulted in an insufficient number of new developments in many university cities. Supply shortages have been particularly acute in some cities, and certain universities have asked students to live at home.

5

Shortages of accommodation could mean that some students are discouraged from applying to university. The average private sector rent outside London consumes almost three-quarters of the maximum student loan, and most students are ineligible for this maximum. Some of the top universities may become out of reach to poorer students who do not live locally.

10

Source: News reports, 2023

Extract C: Policies to solve the shortage of student accommodation

The causes of the shortage of student accommodation are varied and some, but not all, result from market failure. Rising rents ought to incentivise more supply, but that has not worked recently. Planning restrictions have limited the number of new building projects. Relaxing such rules might help, but local residents complain that high numbers of students can alter the nature of their communities. Subsidies to the builders of student accommodation could increase supply, but with a likely delay of many years. 5

Some students have been offered financial incentives to defer their entry by a year or to live at home. To reduce further the demand for student accommodation, some people have urged the government to restrict foreign student numbers. However, the 22% of students who are foreign pay 44% of all tuition fees and so subsidise costs for UK students. 10

Policies to tackle high rents could include rent subsidies from the government or an increase in the grants and loans available to students. In Scotland, university students have benefited from controls which limit rent increases to a fixed percentage each year. The National Union of Students is calling for nationwide rent controls. A maximum rent can help keep the cost of student accommodation lower than it would otherwise be, but risks some landlords withdrawing from the market. Some argue that high-quality student accommodation is a merit good and ought to be provided by the government at a fair rent. 15

Source: News reports, 2023

0 1

Inflation resulted in a basket of goods and services that cost £100 in 2015 costing £112 in 2021. Using this information and the data in **Extract A (Table 1)**, calculate the percentage increase in average university rent, in real terms, between 2015 and 2021.

Give your answer to **one** decimal place.

[2 marks]

0 2

Explain how the data in **Extract A (Figure 1 and Table 1)** show that the supply of university and private rental accommodation has failed to match the increase in student numbers between 2015 and 2021.

[4 marks]

0 3

Extract B (lines 3–4) states that ‘Universities have expanded the number of places on offer to students, but the supply of student accommodation is highly inelastic’.

With the help of a diagram, explain the impact of the increase in the number of students attending university on the market for student accommodation.

[9 marks]

0 4

Extract C (lines 14–16) states that ‘A maximum rent can help keep the cost of student accommodation lower than it would otherwise be, but risks some landlords withdrawing from the market’.

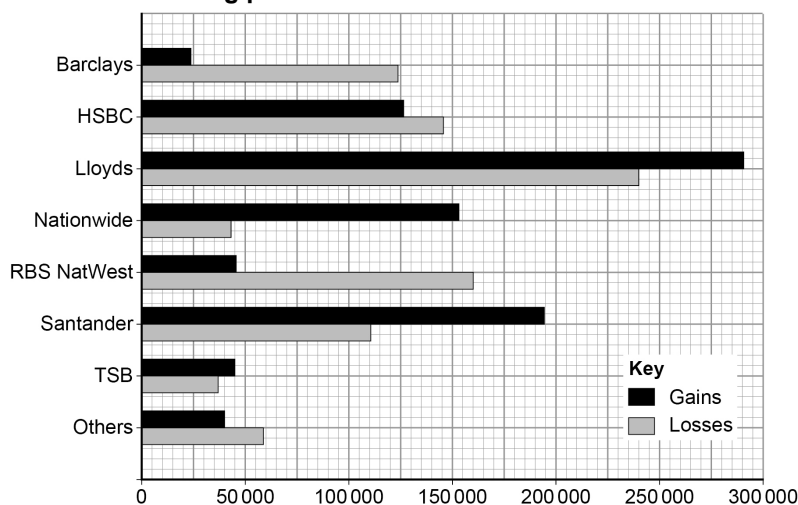
Using the data in the extracts and your knowledge of economics, discuss the advantages and disadvantages of policies the government might introduce to improve the market for student accommodation.

[25 marks]

Turn over ►

2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****Competition in UK Banking**Study **Extracts A, B and C** and then answer **all** parts of Context 1 which follow.**Extract A: Customers switching personal bank accounts in 2016**

Source: BACS

Extract B: Gradual change in the UK banking market

There have been 11 separate inquiries into the banking sector in the past 17 years but not much has changed. As in 1999, the Big Four of HSBC, Barclays, RBS NatWest and Lloyds dominate the market with a combined market share of 75%. A 2017 inquiry by the Competition and Markets Authority (CMA) concluded that banks do not feel enough pressure to compete on price or quality, leading some to call for the Big Four to be split into a number of smaller banks. Nevertheless, the personal account market has changed, with an increase in product innovation, suggesting that competition is working. Whilst 'free if in credit' accounts remain dominant, a third of newly opened accounts charge fees in exchange for a premium rate of interest or cashback on purchases.

Last year fewer than 1 million customers (from a total 70 million) switched accounts, though switching rates may not be the best indicator of competition. The market lacks the same prompts to switch as other markets, such as the annual cost of renewing car and house insurance. The personal account market is therefore more static than energy, telecommunications and insurance. Ultimately, consumers do not operate like economists, rationally examining each product in detail and securing the best deal. Some of the stickiness in the market also derives from higher satisfaction rates (91%) than other sectors.

The CMA inquiry is unlikely to worry the Big Four as the most significant proposed reform amounts to little more than a new app to help customers switch accounts. The idea is that people will be more inclined to switch if they have transparency about charges and interest

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rates. Greater contestability, with more customers switching and the entry of new players, has improved value for money for all customers, not only switchers. Revenue per active account has fallen by 17% in real terms since 2006, as banks offer higher rewards to keep or win customers. While the new entrants have yet to grow to a significant size, mid-sized providers like Santander have grown their market share. From this perspective, breaking up the Big Four may seem to be too extreme a measure. 20 25

Source: News reports, August 2017

Extract C: The rise of challenger banks

As the first new high street bank in 150 years, Metro Bank promises to operate distinctively: longer opening times than its rivals, instant debit cards for new account holders and eye-catching initiatives such as in-store dog water bowls. There are plans to grow its branch network from 48 to 110 by 2020. This bucks the UK trend for closing bank branches, more than 8000 of which have disappeared from high streets in the past 25 years. Metro Bank's Chief Executive Officer said of the big banks: "They act like oligopolies are supposed to: they under-invest; under-serve and they take you for granted." 5

Many of the major banks suffer from inefficient, outdated IT infrastructure which limits their ability to reduce prices. They may also suffer from diseconomies of scale, given the size of their workforce and the breadth of their operations. There is ample opportunity for new players to enter the sector. 10

Metro Bank may take years to grab meaningful market share in the UK. Its straightforward business model involves opening new branches, collecting deposits and lending these funds to borrowers. This is safer than the riskier funding methods deployed by the some of the banks that failed during the financial crisis, but is unlikely to generate rapid growth. Even so, its customer focus puts pressure on dominant banks to improve their service. 15

Source: News reports, August 2017

- 0 1** Using **Extract A**, calculate the ratio of customers gained to customers lost by Nationwide. Give your answer correct to **one** decimal place. [2 marks]
- 0 2** Explain how the data in **Extract A** show that the market power of the Big Four banks is weakening against competition from smaller rivals. [4 marks]
- 0 3** **Extract C** (lines 10–11) states that 'There is ample opportunity for new players to enter the sector.'
- With the help of a diagram, explain how the lowering of barriers to entry in the banking market might lead to lower prices and a situation in which banks make normal profit. [9 marks]
- 0 4** **Extract B** (lines 4–6) states that 'banks do not feel enough pressure to compete on price or quality, leading some to call for the Big Four to be split into a number of smaller banks.'
- Use the extracts and your knowledge of economics to assess the view that the government should intervene further in the banking sector to promote greater competition. [25 marks]

Turn over ►

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SUB-TOPIC 4.1.3.2

PRICE, INCOME AND CROSS ELASTICITIES OF DEMAND

Sub-topic 4.1.3.2 · 23 questions · 129 marks · lowest tariff first

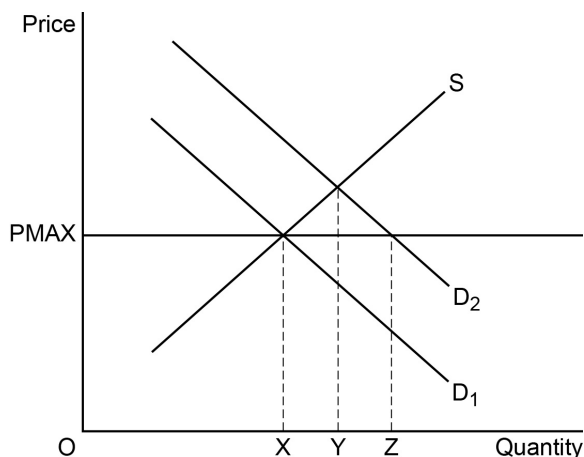


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The diagram below shows the original market demand and supply curves (D_1 and S) for loft insulation. Loft insulation reduces energy consumption.



The government wishes to meet its energy efficiency target by shifting the market demand curve for loft insulation from D_1 to D_2 . Which one of the following policies is most likely to enable the government to achieve its objective?

- A** A decrease in the rate of VAT on domestic gas and electricity used for home heating ☐
- B** A 'nudge' to households to install loft insulation by offering to clear lofts of unwanted items if insulation is installed ☐
- C** The introduction of a maximum price for loft insulation ☐
- D** The introduction of a subsidy paid to the firms installing loft insulation ☐

[1 mark]

0 3

The law of diminishing marginal utility states that

- A** as more of a product is consumed, the extra satisfaction will decline. ☐
- B** as more of all factors are employed, the additional output produced will fall. ☐
- C** as more variable factors are added to a fixed factor, the additional output produced will decline. ☐
- D** the total satisfaction from consuming a product will be maximised when marginal utility starts to fall. ☐

[1 mark]



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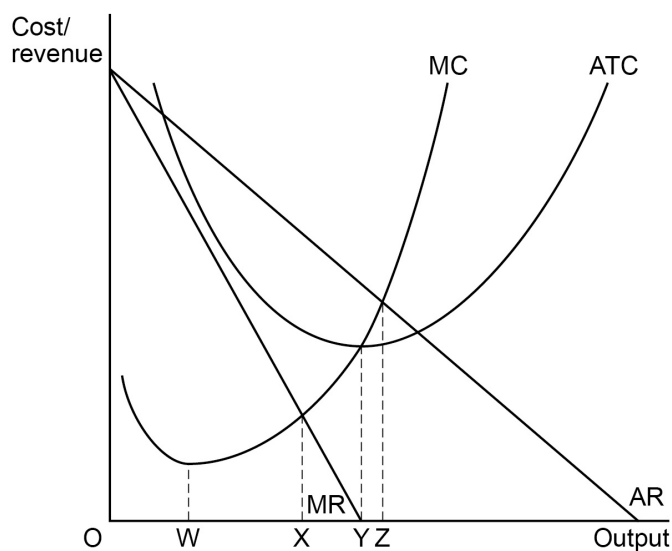
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The diagram below shows the cost and revenue curves for a monopoly.



At which one of the following levels of output would the firm be productively efficient?

- A OW ☐
- B OX ☐
- C OY ☐
- D OZ ☐

[1 mark]

0 9

The marginal revenue product of labour is the

- A addition to total revenue when the firm produces and sells an extra unit of output. ☐
- B amount produced per worker per time period. ☐
- C change in total output that is produced when one extra worker is employed. ☐
- D revenue gained by selling the extra output produced by employing one more worker. ☐

[1 mark]



0 7

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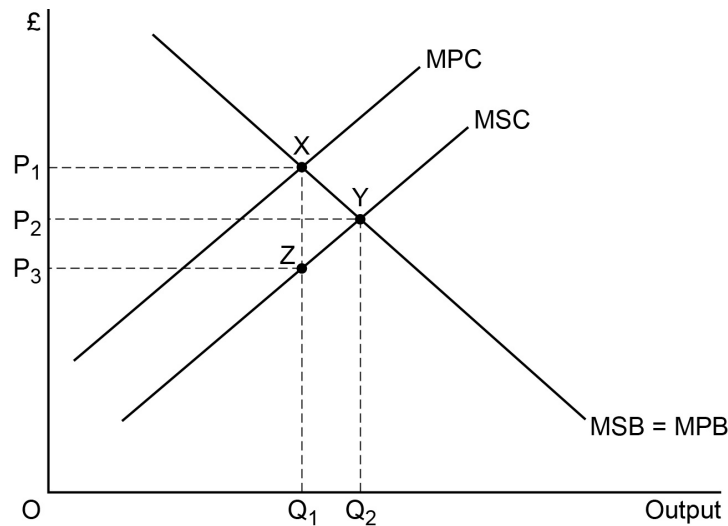
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2 9

The diagram below shows the marginal private and social benefit (MPB and MSB) curves and the marginal private and social cost (MPC and MSC) curves in a market where there are positive externalities in production.



At the free market equilibrium, market failure occurs. Which one of the following is correct?

- A As a result of this market failure, consumer surplus is reduced by ZXY ☐
- B As a result of this market failure, there is a deadweight loss to society of P_3P_1XZ ☐
- C P_1 minus P_3 is the subsidy per unit that is required to correct the market failure and achieve the social optimum ☐
- D The diagonal distance XY shows the amount by which marginal private cost exceeds marginal social cost at OQ_2 ☐

[1 mark]

3 0

The price elasticity of demand for games consoles is -1.2. It can be concluded that a 10% reduction in their price would lead to a percentage change in demand of

- A -8.3% ☐
- B -12.0% ☐
- C +8.3% ☐
- D +12.0% ☐

[1 mark]

30



1 8

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19

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ANSWER IN THE SPACES PROVIDED**

19

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7

1 1

At the initial market equilibrium, the income elasticity of demand for fresh chickens is +1.5, and the price elasticity of supply is +1.0. Then there is a 5% increase in consumers' income.

Which one of the following combinations, **A**, **B**, **C** or **D**, is most likely to show the changes in the market equilibrium price and quantity?

	Price	Quantity
A	Higher	Unchanged
B	Higher	Higher
C	Unchanged	Unchanged
D	Lower	Higher

☐
☐
☐
☐

[1 mark]

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Turn over for the next question



0 7

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2 | 6 Which one of the following is most likely to measure the degree of competition in an oligopolistic industry?

A The price elasticity of supply in the industry

☐

B The profitability of the 10 largest firms in the industry

☐

C The three firm concentration ratio

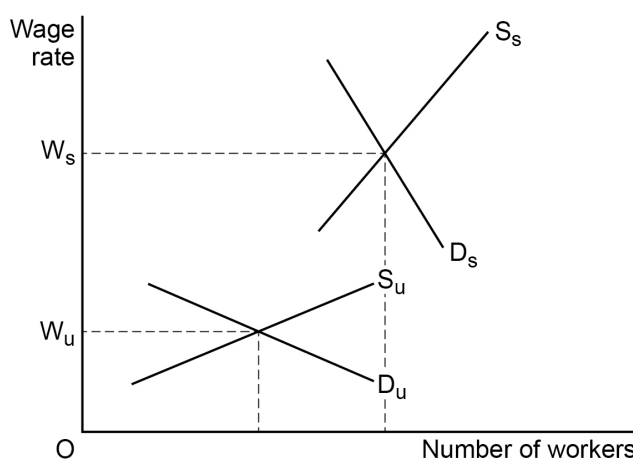
☐

D The value of the Gini coefficient

☐

[1 mark]

2 | 7 The diagram below shows the demand and supply curves for skilled labour (D_s and S_s) and unskilled labour (D_u and S_u) and the wage differential ($W_s - W_u$) between the two types of labour.



All other things being equal, which one of the following is most likely to cause a decrease in the wage differential?

A A fall in the demand for unskilled workers

☐

B A fall in the size of the labour force

☐

C An increase in the demand for skilled workers

☐

D An increase in the proportion of the labour force with a degree

☐

[1 mark]



1 7

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6

0 8

A rational, utility maximising consumer is considering the purchase of a used car. Her final choice is between two cars which are identical in **all** respects except for the differences shown below.

	Price	Period of guarantee against faults
Car 1	£8 000	3 months
Car 2	£10 000	12 months

Based on the above information, which one of the following is the most likely explanation for the customer's purchase of Car 2? She

A has £10 000 of savings available to buy herself a used car.

☐

B has a positive income elasticity of demand for used cars.

☐

C has a price inelastic demand curve for used cars.

☐

D wants to reduce the risks from asymmetric information.

☐

[1 mark]

0 9

All other things being equal, if the velocity of circulation is constant, the quantity theory of money based on Fisher's equation of exchange, $MV=PQ$, predicts that an x% increase in the money supply will always cause an x%

A decrease in the rate of interest.

☐

B increase in nominal national income.

☐

C increase in real national income.

☐

D increase in the rate of economic growth.

☐

[1 mark]

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0 4

Table 1 shows the individual price indices and the weightings of the three goods that make up a price index.

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Table 1

Good	Weighting	Price Index in April 2022 (April 2021=100)
X	0.1	102
Y	0.4	104
Z	0.5	103

What was the percentage increase in the overall price index between April 2021 to April 2022?

[1 mark]**A** 1.1%☐**B** 3%☐**C** 3.3%☐**D** 9%☐**0 5**

When using data to make international comparisons of the standard of living, purchasing power parity (PPP) exchange rates are more useful than market exchange rates.

This is because PPP exchange rates take into account differences in countries'

[1 mark]**A** distribution of income.☐**B** levels of taxation.☐**C** price levels.☐**D** rates of population growth.☐

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6

0 7

Which one of the following is a reason why the extension of property rights is likely to reduce market failure?

[1 mark]

A Merit goods will no longer be underconsumed in a free market.

☐

B Producers will be more likely to have to pay compensation for pollution.

☐

C Public goods will no longer be subject to the free-rider problem.

☐

D The inequality in the distribution of income and wealth will be reduced.

☐

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0 8

Figure 3 shows the demand curve for a firm's scarves.

Figure 3



Which one of the following statements is true when the price of scarves is reduced from £30 to £25?

[1 mark]

A Demand for scarves is price elastic.

☐

B Price elasticity of demand is -0.5 .

☐

C The firm's total revenue falls.

☐

D The firm's total revenue increases.

☐

0 6

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2

Section A

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

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

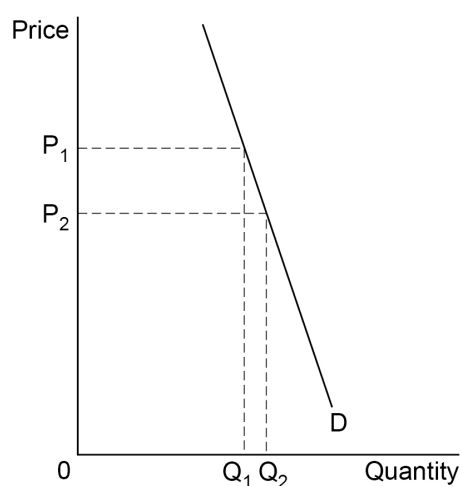
CORRECT METHOD



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** Figure 1 shows the demand for lemons.

Figure 1



The fall in price and increase in the quantity demanded of lemons could have been caused by

[1 mark]

A a fall in the price of a substitute for lemons, oranges.☐**B** a rise in the price of lemonade.☐**C** a reduction in the price of a complement for lemons, fish.☐**D** favourable weather leading to a record harvest.☐

0 2

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3

0 2

The environment is a scarce resource. A consequence of this is that

[1 mark]

A all natural resources have a market price.

☐

B all natural resources will eventually be used up.

☐

C the environment has an opportunity cost.

☐

D the environment is a pure public good.

☐

0 3

Table 1 shows the price of a packet of peanuts and the number of packets of cashew nuts sold in a shop in one month. The price of a packet of cashew nuts is unchanged.

Table 1

Price of a packet of peanuts	Number of packets of cashew nuts purchased per month
£0.80	20 000
£0.84	32 500

When the price of a packet of peanuts rises from £0.80 to £0.84, the cross elasticity of demand for cashew nuts with respect to the price of peanuts is

[1 mark]

A -12.5

☐

B -0.08

☐

C +0.08

☐

D +12.5

☐

0 4

The change in nominal national income per head is an unsatisfactory indicator of the change in the living standards of a country's citizens over a period of time.

The main reason is that nominal national income per head does not take into account

[1 mark]

A consumer expenditure at market prices.

☐

B the output produced by different sectors of the economy.

☐

C the rate of inflation.

☐

D the size of the population.

☐

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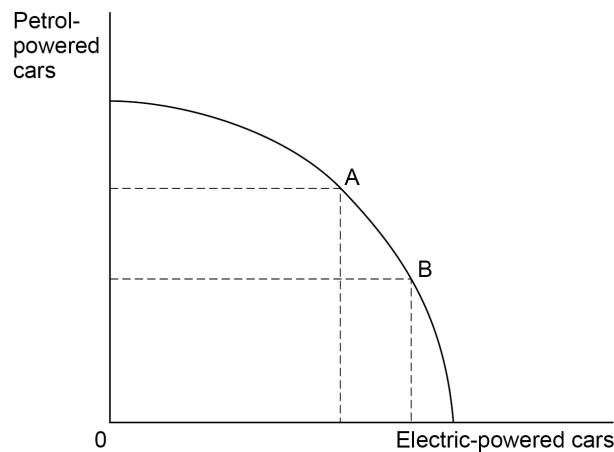
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0 3

Figure 1 shows the production possibility boundary for petrol-powered cars and electric-powered cars in a country's car industry.

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Figure 1



If production has moved from Point A to Point B, which one of the following must be true?

[1 mark]

- A Allocative efficiency in the car industry is unchanged
- B Demand for electric-powered vehicles has increased
- C Productive efficiency in the car industry is unchanged
- D Static efficiency in the car industry has improved

☐
☐
☐
☐

0 4

A household's annual income increases from £35 000 to £38 500. All other things being equal, if the household's income elasticity of demand for Good X is -0.2 and its income elasticity of demand for Good Y is 0.4 , which one of the following statements is correct?

[1 mark]

- A Spending on Good X will fall by £70 and spending on Good Y will increase by £140
- B Spending on Good X will fall by £700 and spending on Good Y will increase by £1400
- C Spending on Good X will fall by 2% and spending on Good Y will increase by 4%
- D Spending on Good X will fall by 20% and spending on Good Y will increase by 40%

☐
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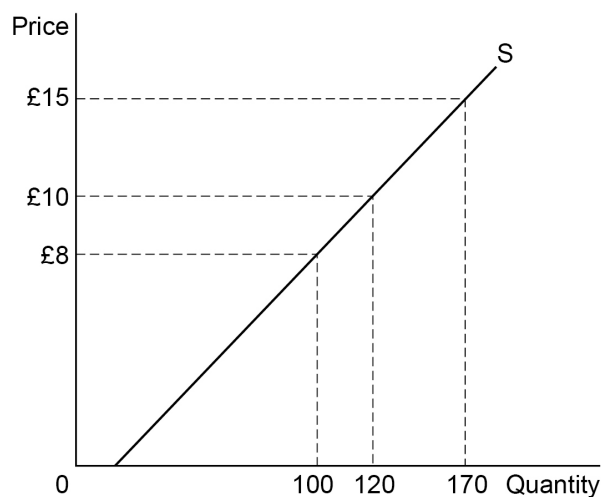
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0 3

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12

1 3**Figure 3** below shows the supply curve (S) for cakes.Do not write
outside the
box**Figure 3**Which one of the following can be concluded from **Figure 3**?

The supply of cakes

[1 mark]

- A** is less price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.
- B** is more price inelastic when price increases from £8 to £10 than when it increases from £10 to £15.
- C** is price elastic when the price increases from £8 to £10 and when it increases from £10 to £15.
- D** is unitary price elastic when price increases from £8 to £10 and when it increases from £10 to £15.

☐☐☐☐

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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** 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

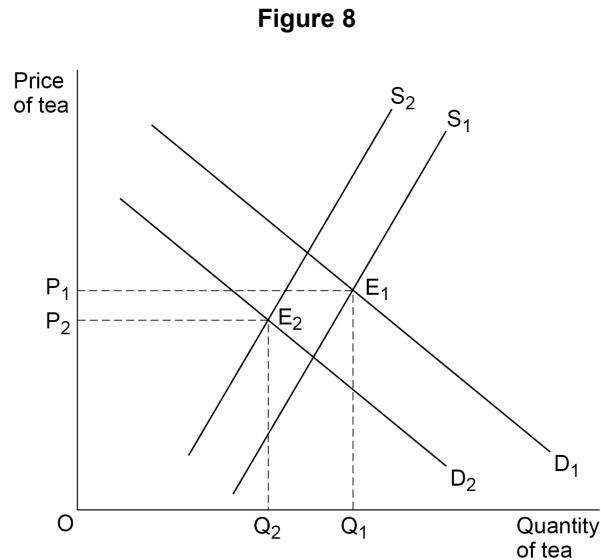
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2 4

Figure 8 shows two demand (D_1 and D_2) curves and two supply (S_1 and S_2) curves in the market for tea.

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Tea and coffee are substitutes. All other things being equal, which one of the following is the most likely explanation of the move from E_1 to E_2 in the market for tea?

- A** A fall in the price of tea and a rise in productivity in coffee production ☐
- B** A rise in the price of coffee and an increase in the cost of producing tea ☐
- C** An increase in competition in the market for tea and a fall in the price of coffee ☐
- D** The removal of a subsidy to tea producers and a fall in the price of coffee ☐

[1 mark]

2 5

In 2019, an economy operating at full capacity on its long-run aggregate supply curve grew at its trend growth rate of 5% per annum. It had a national income of £200 billion. In 2020, the economy experienced 2% actual growth.

It follows that in 2020 there was

- A** a negative output gap equal to £4 billion. ☐
- B** a negative output gap equal to £6 billion. ☐
- C** a positive output gap equal to £4 billion. ☐
- D** a positive output gap equal to £6 billion. ☐

[1 mark]

Turn over ►



1 7

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4

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

OR

Context 2

Total for this context: 40 marks

Automation and the Labour Market

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D: The threat of automation to selected UK industries

Table of figures showing automation in UK industries cannot be reproduced here due to third-party copyright restrictions.

Extract E: The rise of the robots

Workers have always been concerned about their livelihoods being replaced by new technology, but many economists maintain that technology has always ended up creating more jobs than it destroys. Automating tasks increases the demand for workers elsewhere. When weaving was automated in the 18th century workers shifted into operating and maintaining the new machines. Gradually, wages rose in line with productivity. The same 5

But could this time be different? This time around automation is broader-based as every industry uses computers. During previous waves of automation, workers could switch from one kind of routine work to another; but this time many workers must switch from routine, unskilled jobs to non-routine, skilled jobs to stay ahead of automation. A recent report found 10 that in the US between 1990 and 2007, the addition of each robot into manufacturing industries resulted in the loss, on average, of 6.2 jobs and depressed wages. The report argues that even if overall employment and wages recover, there will be losers in the process, and it will take a very long time for these communities to recover. The market economy is not going to create the jobs by itself for those workers who are most affected by 15 the change.

Others argue that producers need a profitable market to sell to, and such markets only exist if consumers earn enough to purchase their goods and services. If robots replaced all workers, thereby creating mass unemployment, where would demand come from?

Source: News reports, 2017

Extract F: Policy responses

Robots are no different from earlier technologies in that they are capital goods which can enrich those who own them. Bill Gates, the founder of Microsoft, has suggested a robot tax, which has since become widely debated. Larry Summers, former US Treasury Secretary, thinks taxing productivity-enhancing tools like robots or machines makes no economic sense: "Staving off progress is a poor strategy for helping less fortunate workers." 5

The prospect of large rises in unemployment and inequality has led to the suggestion of a Universal Basic Income (UBI). A UBI is a fixed payment to all members of society, regardless of income, which could replace costly welfare and unemployment benefits. It can

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5

also create incentives for individuals to take risks, start businesses, change jobs, return to education or try a new career. Critics point out that getting a cheque from the government may help, but it doesn't provide the fulfilment that comes from employment. 10

A recent report suggested that the government should provide lower-skilled workers with more training to help them manage the changing demand for labour. Another way to deal with sudden unexpected layoffs is for the government to create jobs, primarily in sectors not adequately served by the private sector such as care for the elderly and children, health, education and the arts. 15

Source: News reports, 2017

0 5 Using **Extract D**, calculate the number of transportation and storage jobs at high risk of automation, as a percentage of those who are at high risk across all industries. Give your answer to **two** decimal places. [2 marks]

0 6 Explain how the data in **Extract D** show that workers employed in routine, repetitive work are at greater risk from automation. [4 marks]

0 7 **Extract E** (lines 4–5) claims that workers in the 18th century saw wages rise in line with productivity. With the help of a diagram, explain how advances in modern technology are likely to lead to rising wages in some industries. [9 marks]

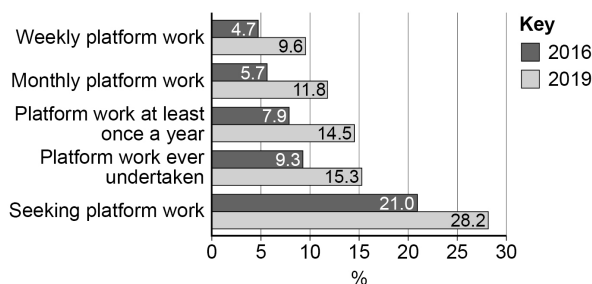
0 8 **Extract E** (lines 14–16) states that 'The market economy is not going to create the jobs by itself for those workers who are most affected by the change.' **Extract F** (lines 4–5) states that 'taxing productivity-enhancing tools like robots or machines makes no economic sense.' Use the extracts and your own knowledge of economics to evaluate whether governments should allow markets to respond freely to the opportunities and challenges presented by technological progress, without any state intervention. [25 marks]

Turn over ►

IB/G/Jun18/7136/1

2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****Flexible labour markets and trade unions**Study **Extracts A, B and C** and then answer **all** parts of Context 1 which follow.**Extract A****Figure 1: Participation in platform work*, % of UK workers, 2016 and 2019**

Source: TUC, 2020

Figure 2: Median after-tax real earnings of working-age employees and the self-employed, 2009/10 to 2018/19

Year	Employed, £	Self-employed, £
2009/10	21 900	15 800
2010/11	21 300	15 100
2011/12	20 300	15 800
2012/13	20 800	14 200
2013/14	20 500	14 000
2014/15	20 900	15 800
2015/16	21 300	16 100
2016/17	21 400	16 300
2017/18	21 400	17 600
2018/19	21 600	16 500

Source: Department for Work & Pensions, 2020

Note: *Platform work is defined as paid tasks that are found via a website or 'app'.**Note:** Base year is 2018/19**Extract B: The gig economy**

The gig economy can be defined as that part of the labour market characterised by short-term contracts or occasional work, as opposed to permanent jobs. The rise of gig economy work has been driven by new technology, enabling people to work from anywhere, any time. Many self-employed people work in the gig economy through online platforms such as Uber, Deliveroo and Airbnb. These roles often replace employee roles in sectors including cleaning, taxi driving, pizza delivery, project managers and personal training.

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Gig economy workers face higher risks and more uncertainty about the stability of their incomes than standard workers. They tend to earn less than employees doing similar work and they also tend to work longer hours. However, they do have greater flexibility and control over their work-life balance. People who have other responsibilities beyond work (for example childcare) may choose to work in the gig economy because it allows them to allocate their time as they choose.

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The government has pledged to combat unfair working practices associated with zero-hours contracts and the gig economy. They are seeking to bring gig employers into line with the standards and regulations by which other employers must abide. However, providers of meal delivery, ride-sharing and other gig economy services warn that tighter regulations will damage economic efficiency and employees will lose out. Gig economy defenders claim that today's flexible labour markets offer modern workers the opportunity to move freely between jobs and this gives them more choice over their working hours.

15

Source: News reports, 2020

Extract C: New unions representing gig economy workers

The cleaners at St Mary's Hospital in London are members of United Voices of the World (UVW), a new trade union of mostly migrant workers whose employment is not secure. Their October 2019 strike and demonstration were typical of UVW action: joyful, noisy, confrontational and uncompromising. It was also very successful. The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75, and decided to employ them directly, rather than via an agency for temporary workers. 5

As insecure and gig economy work becomes more common, especially among migrant and young workers, new trade unions are developing to meet demand from workers in workplaces with few protections. Since it was founded in 2014, UVW has organised at more than 20 workplaces and won improved contracts, wage rises or sick pay from employers including the Daily Mail Group, the Royal Borough of Kensington and Chelsea and the London School of Economics. It now has more than 3000 members and says it is attracting 200 more every month. 10

Some gig economy firms are starting to recognise workers as employees. Just Eat, which delivers takeaway food, has announced plans to offer workers benefits, including hourly wages above the minimum living wage, sick pay and pension contributions. This sets a precedent in the UK gig economy. The new drivers will be on a mix of full-time, part-time and zero-hours contracts, the company said, allowing some to retain more flexible working hours. The firm said that operating costs would rise as a result of the new scheme but Just Eat felt it was the 'right thing to do'. 15 20

Source: News reports, 2020

0 1 Using the data in **Extract A (Figure 1)**, calculate the number of workers doing weekly platform work in 2019 for each worker doing monthly platform work in 2019. 20

Give your answer to **two** decimal places. [2 marks]

0 2 Explain how the data in **Extract A (Figure 2)** show that the incentive for workers to become self-employed increased between 2009/10 and 2018/19. [4 marks]

0 3 **Extract C** (lines 4–5) states that, as a result of trade union action, 'The hospital trust increased their £8.21 minimum wage to the London Living Wage of £10.75.' 20

With the help of a diagram, analyse how a trade union might achieve higher pay for its members. [9 marks]

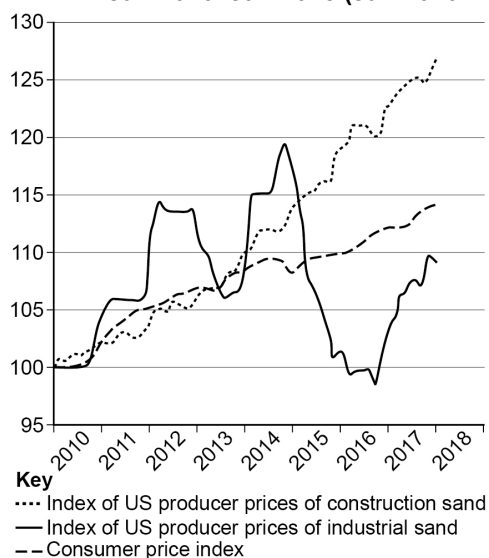
0 4 **Extract B** (lines 16–18) states that, 'Gig economy defenders claim that today's flexible labour markets offer modern workers the opportunity to move freely between jobs and this gives them more choice over their working hours.' 20

Assess the view that government intervention in the UK labour market is necessary to protect the interests of people who are working in the gig economy. [25 marks]

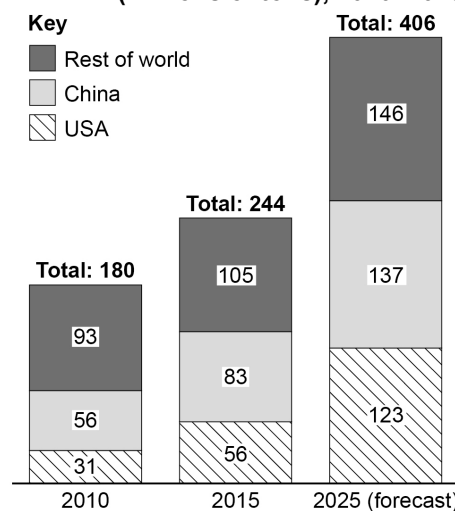
Turn over ►

2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****The market for sand**Study **Extracts A, B and C**, and then answer **all** parts of Context 1 which follow.**Extract A****Figure 1: Indices of US producer prices for sand, Jan 2010–Jan 2018 (Jan 2010=100)**

Source: Federal Reserve Economic Data, 2018

Figure 2: Global demand for sand (millions of tons), 2010–2025

Source: The Freedonia Group/National Post, 2018

Extract B: Is the world running out of sand?

Sand is in high demand. Sand accounts for up to 85% of all mining and the global depletion of sand is rapidly exceeding its natural renewal rate. Sand is mostly used in the construction industry to make concrete and asphalt. Chinese demand has risen significantly, reflecting the country's rapid pace of construction: it built 32.3 million houses and 4.5 million kilometres of road between 2011 and 2014. Sand also has industrial uses: it is used to make glass, electronics, and to help extract oil in the fracking industry. While market demand for industrial sand has tracked overall economic growth in the USA, the demand for fracking sand has been as volatile as oil prices.

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Vast quantities of sand are dumped into the sea to reclaim land: Singapore, for example, has expanded its land area by over 20% since the 1960s. Much of this sand originates from Indonesia, where sand miners have completely erased over 20 islands since 2005. The Maldives and Kiribati have used sand to shore up their islands against rising sea levels. The United Nations forecasts that, by 2030, there will be over 40 'megacities', home to more than

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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 ►**

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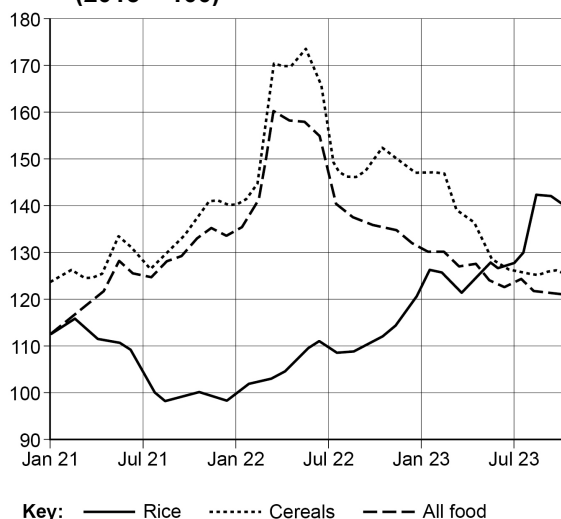
2

Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****The international rice market**Study **Extracts A, B** and **C** and then answer **all** parts of Context 1 which follow.**Extract A:****Figure 1: Exports of rice (million tonnes) 2010 to 2022**

Country	2010	2022
India	2.8	22.5
Thailand	10.6	8.5
Vietnam	7.0	7.5
Pakistan	3.4	3.7
USA	3.5	2.0
Rest of the world	7.9	11.4
Total	35.2	55.6

Source: International Food Policy Research Institute, 2023

Figure 2: Index of world prices for rice, cereals and all food, 2021 to 2023 (2015 = 100)**Note:** 'Cereals' includes rice and six other cereals

Source: Food and Agriculture Organization, 2023

Extract B: A ban on Indian rice exports

In Nigeria, rice is the most commonly consumed food but the price of this imported cereal rose by 46% in the year to August 2023. The sharp increase in the price of rice follows a rice export ban by India, the world's largest exporter. The ban, introduced in August 2022, was in response to fears of a production shortfall in India and rising domestic prices.

Analysts warn that the world is on track for a repeat of the 2008 rice crisis when protectionist policies contributed to rice prices tripling. This time the crisis could be worse, as soaring demand, driven by population growth, combines with the effects of climate change, leading to poor harvests. In Thailand and Vietnam, the world's second and third largest rice exporters, prices have risen by 14% and 22% respectively since India imposed its ban. The United Nations World Food Programme (WFP) points out that the countries likely to be worst affected, such as Nigeria, are already suffering from sky-high food prices, soaring debt and depreciating currencies. This will result in "a staple commodity not being affordable for millions", said a spokesperson.

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Not only has India's share of global rice exports grown, but the amount of rice traded around the world has doubled from 5% of global production in 1999 to over 10% today, making importing countries, such as Nigeria, more vulnerable to export bans. 15

Consumers in Nigeria spend a large share of their incomes on food. Thus, rising prices could force them to reduce the amount of food they eat, or they may have to cut consumption of other necessities like energy and healthcare. In Nigeria, the demand for rice is very price inelastic.

Source: News reports, 2023

Extract C: What options do rice-importing nations have?

The rise in the price of rice is not likely to have much impact on household food budgets in more economically developed countries (MEDCs), but the impact in less economically developed countries (LEDCs) will be more significant.

Governments of LEDCs may try to support people on low incomes with direct cash transfers or subsidise rice prices. However, these are costly options for governments with low tax revenues, already struggling to maintain public services. An alternative would be to impose a maximum price for consumers, as both Sri Lanka and the Philippines have done, but this creates problems for food suppliers facing high import prices. 5

Many countries are trying to increase farm productivity to be less exposed to global supply shocks such as the Indian rice export ban. Investment in irrigation, mechanisation and crop science can make a difference but typically suffers from long time lags. If countries can switch from producing other cereals to the production of rice, this may also help. 10

Source: News reports, 2023

0 1

Using the data in **Extract A (Figure 1)**, calculate the difference between India's share of world exports of rice in 2010 and 2022.

Give your answer to **one** decimal place.

[2 marks]

0 2

Explain how the data in **Extract A (Figure 1 and Figure 2)** show that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice.

[4 marks]

0 3

Extract B (line 19) states: 'In Nigeria, the demand for rice is very price inelastic'.

With the help of a diagram, explain how the Indian export ban is likely to have affected the market for rice in Nigeria.

[9 marks]

0 4

Extract C (lines 6–7) states: 'An alternative would be to impose a maximum price for consumers, as both Sri Lanka and the Philippines have done'.

Using the data and your knowledge of economics, evaluate the view that imposing a maximum price for rice is the best way for a rice-importing nation, such as Nigeria, to ensure the affordability of a basic food for its citizens.

[25 marks]

Handwriting practice area with 20 sets of dotted lines for writing.

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

OR

Context 2

Total for this context: 40 marks

The adult social care market

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D

Figure 3: Pay for care workers, compared with pay for workers in the whole economy, £s per hour, 2017

Percentile	Care worker	Whole economy
10 th	7.20	7.31
25 th	7.20	8.69
50 th	7.50	12.23
75 th	8.02	18.57
90 th	8.73	27.06

Source: National Audit Office, 2018

Figure 4: UK population by age (000s)

Age group	Year 2016	Year 2041 (forecast)
0–18	14 652	15 132
19–64	39 182	39 980
65–84	10 250	14 545
85–94	1 436	2 887
95+	128	360
Total	65 648	72 905

Source: ONS, 2018

Note: The figures may not sum to the total due to rounding

Extract E: Problems in the social care market

Social care in England involves the provision of personal care to adults with needs arising from illness, disability, old age or poverty. Social care is provided to people in their own homes or in care homes. Many people in need of care are on low incomes and cannot afford to pay for it themselves. High quality care provides private benefits and also external benefits, including lower burdens on the NHS and on working relatives. Until the 1990s, almost all workers in the care sector were employed by the government, which acted as a monopsonist by keeping wages low. Over the last 30 years the sector has been largely privatised, with 75% of England's 15 000 care homes now run for profit. Privatisation was intended to create more choice, improve efficiency and ensure high quality, whilst enabling a quicker response to changing demand. 10

Since privatisation, the sector has seen further downward pressure on wages. Social care providers, bidding competitively for contracts from local authorities starved of cash, have minimised labour costs. Privatisation does not seem to have improved the quality of care either. Some elderly clients are cared for, in their own homes, by unqualified staff in 15-minute slots, with budgets too small to provide nutritious meals or basic care. Despite the actions of the industry regulator, the Care Quality Commission, there have been many scandals involving care homes in recent years. As a result, some have argued that there are moral and economic arguments for social care to be brought back into public ownership. 15

Source: News reports, 2019

Extract F: Social care work is undervalued

There are aspects of market failure in the social care sector, though some argue that inappropriate government intervention and a lack of funding are the main reasons why the system is failing to deliver high quality care. This is a vitally important sector, yet care jobs have some of the economy's worst salaries and around a quarter of these workers are employed on zero-hour contracts. Consequently, the sector has high levels of staff turnover (28% per year) and vacancies (6.6% of all roles). At present, many care workers are recruited from overseas and so government immigration policy affects the sector. Some suggest that the skill level of care workers is relatively low and does not justify a higher wage while others have argued for high quality training programmes. Less than half of care workers hold a relevant qualification, and some parts of the workforce feel undervalued, are demotivated and have few opportunities for promotion.

Research from the Royal College of Nurses found that 38% of care homes were understaffed. Private social care companies have argued that the introduction of the National Living Wage, while raising average pay, has left them at risk of bankruptcy because of higher wage bills. More than 100 care firms went bust in 2018, worsening the under-provision of care. One day, the government will have to accept the need for more generous funding. However, public finances remain under pressure. Measures such as subsidies to private providers are likely to worsen the government's budget deficit but public support for an increase in taxation to fund social care is high.

Source: News reports, 2018

0 5 Using the data in **Extract D** (Figure 3), calculate how much the median care worker earns for every pound earned by the median worker in the whole economy. Give your answer to the nearest penny.

[2 marks]

0 6 Explain how the data in **Extract D** (Figure 4) show that there is likely to be substantial upward pressure on the wages of care workers by 2041.

[4 marks]

0 7 **Extract E** (lines 5–7) states: 'Until the 1990s, almost all workers in the care sector were employed by the government, which acted as a monopsonist by keeping wages low.'

With the help of a diagram, explain how a monopsonistic public sector can lead to low pay for social care work.

[9 marks]

0 8 **Extract F** (lines 1–3) states: 'There are aspects of market failure in the social care sector, though some argue that inappropriate government intervention and a lack of funding are the main reasons why the system is failing to deliver high quality care.'

Using the extracts and your knowledge of economics, assess policies that might be used to improve the provision of social care in the UK.

[25 marks]**Turn over ►**

Handwriting practice area with horizontal dotted lines.

7

OR**Essay 3**

‘Each time the Government imposes a minimum price or wage, the result is almost always excess supply. What matters is the extent to which this is a problem.’

1	3
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Explain how the impact of a minimum price for a good or service is affected by its price elasticity of demand and its price elasticity of supply.

[15 marks]

1	4
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Discuss the view that a national minimum wage is beneficial for an economy.

[25 marks]**END OF QUESTIONS**

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6

Section BAnswer **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
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Explain how perfect competition should lead to outcomes which are **both** productively and allocatively efficient.

[15 marks]

1	0
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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
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Discuss the view that individual economic agents will always act as rational decision makers so as to maximise their utility.

[25 marks]

Handwriting practice area with horizontal dotted lines.

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5

Network Rail, all regulated by another office, and paid for by taxpayers or passengers,” says Prof John Stittle.

Since 1996, government subsidies have almost doubled in real terms. Ticket prices are now 25% higher in real terms than in 1995 and 30% higher than in France, Sweden and Switzerland.

Source: News reports, February 2018

Extract F: A return to Government ownership?

In May 2018, the Government allowed Virgin and Stagecoach to end their East Coast mainline franchise three years early, after claims they had lost more than £100 million. This has led to accusations that private companies can just walk away whenever profits dry up. When their predecessor, National Express, gave up the East Coast line franchise in 2009, it was renationalised. During the following five years under state control, it increased ticket sales, returned about £1bn to the taxpayer and improved customer satisfaction. Encouraged by this success, the Labour Party has proposed rail renationalisation of the entire UK network. Recent polls suggest almost 75% of the UK population agree, although opponents contend that most of the British public really don't care about who runs the trains; what they care about is reliability, comfort and price. 5 10

Part of the appeal of rail renationalisation comes from the low up-front costs: by taking over operations as franchises expire, the Government would avoid having to spend billions in buying out private companies. The Labour Party's plan involves reversing the splitting up of the service so that customers receive a simplified ticketing system with improved efficiency, although this may impact on dynamic efficiency and innovation. 15

Opponents of nationalisation argue that the train operating companies are efficient and not making excessive profits. “Profits are about 3.4% across the industry”, says Mark Smith, a former government regulator. “So if you eliminated all profits overnight you would get a one-off 3.4% cut in fares, which isn't going to set the world on fire.”

Source: News reports, May 2018

0 5 Using the data in **Extract D** (Figure 3), calculate the amount of government funding per £ of passenger income in the UK rail industry for the year 2015–16. Give your answer correct to the nearest penny. [2 marks]

0 6 Explain how the data in **Extract D** (Figure 4) show that in the UK, between 2004 and 2017, changes in the demand for rail travel contributed to changes in the price of rail travel. [4 marks]

0 7 **Extract E** (lines 10–11) describes the British railway sector as a ‘natural monopoly’, which was split up into ‘no less than 100 pieces’ when it was privatised. With the help of a diagram, explain why breaking up a natural monopoly in rail may affect long-run average costs. [9 marks]

0 8 **Extract F** (lines 9–10) suggests that ‘the British public really don't care about who runs the trains; what they care about is reliability, comfort and price.’ Use the extracts and your knowledge of economics to evaluate the case for renationalising railways in the UK. [25 marks]

Turn over ►

Handwriting practice area with horizontal dotted lines.

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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 ►**

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

OR

Context 2

Total for this context: 40 marks

The adult social care market

Study **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.

Extract D

Figure 3: Pay for care workers, compared with pay for workers in the whole economy, £s per hour, 2017

Percentile	Care worker	Whole economy
10 th	7.20	7.31
25 th	7.20	8.69
50 th	7.50	12.23
75 th	8.02	18.57
90 th	8.73	27.06

Source: National Audit Office, 2018

Figure 4: UK population by age (000s)

Age group	Year 2016	Year 2041 (forecast)
0–18	14 652	15 132
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65–84	10 250	14 545
85–94	1 436	2 887
95+	128	360
Total	65 648	72 905

Source: ONS, 2018

Note: The figures may not sum to the total due to rounding

Extract E: Problems in the social care market

Social care in England involves the provision of personal care to adults with needs arising from illness, disability, old age or poverty. Social care is provided to people in their own homes or in care homes. Many people in need of care are on low incomes and cannot afford to pay for it themselves. High quality care provides private benefits and also external benefits, including lower burdens on the NHS and on working relatives. Until the 1990s, almost all workers in the care sector were employed by the government, which acted as a monopsonist by keeping wages low. Over the last 30 years the sector has been largely privatised, with 75% of England's 15 000 care homes now run for profit. Privatisation was intended to create more choice, improve efficiency and ensure high quality, whilst enabling a quicker response to changing demand. 10

Since privatisation, the sector has seen further downward pressure on wages. Social care providers, bidding competitively for contracts from local authorities starved of cash, have minimised labour costs. Privatisation does not seem to have improved the quality of care either. Some elderly clients are cared for, in their own homes, by unqualified staff in 15-minute slots, with budgets too small to provide nutritious meals or basic care. Despite the actions of the industry regulator, the Care Quality Commission, there have been many scandals involving care homes in recent years. As a result, some have argued that there are moral and economic arguments for social care to be brought back into public ownership. 15

Source: News reports, 2019

SUB-TOPIC 4.1.3.3

THE DETERMINANTS OF THE SUPPLY OF GOODS AND SERVICES

Sub-topic 4.1.3.3 · 2 questions · 2 marks · lowest tariff first

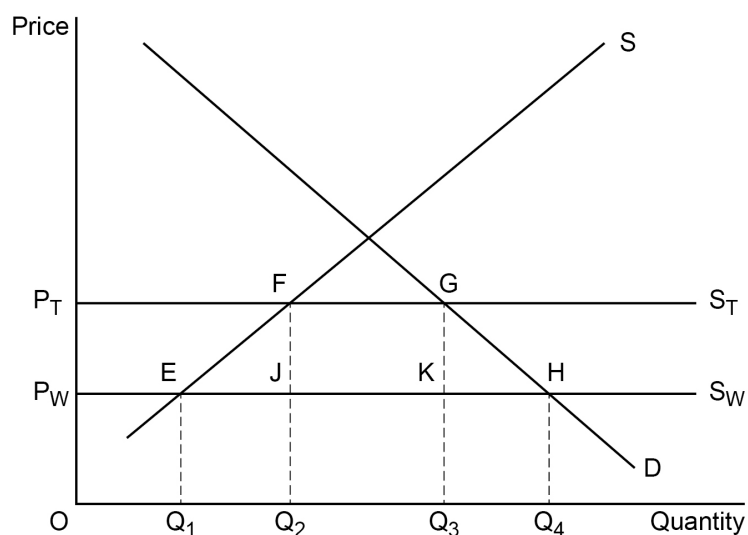


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1 | 5

The diagram below shows the market demand curve (D), the market supply curve (S) for solar panels produced in a country, and the world market supply curve (S_W) for solar panels.

Do not write
outside the
box



To protect domestic producers of solar panels the country introduces a tariff on imports. The imposition of the tariff increases the price of solar panels from the world market price (P_W) to the higher price (P_T).

Following the imposition of the tariff, the amount of tariff revenue collected by the government is shown by the area

A EFGH

☐

B JFGK

☐

C $P_W P_T G K$

☐

D $Q_2 F G Q_3$

☐

[1 mark]



1 0

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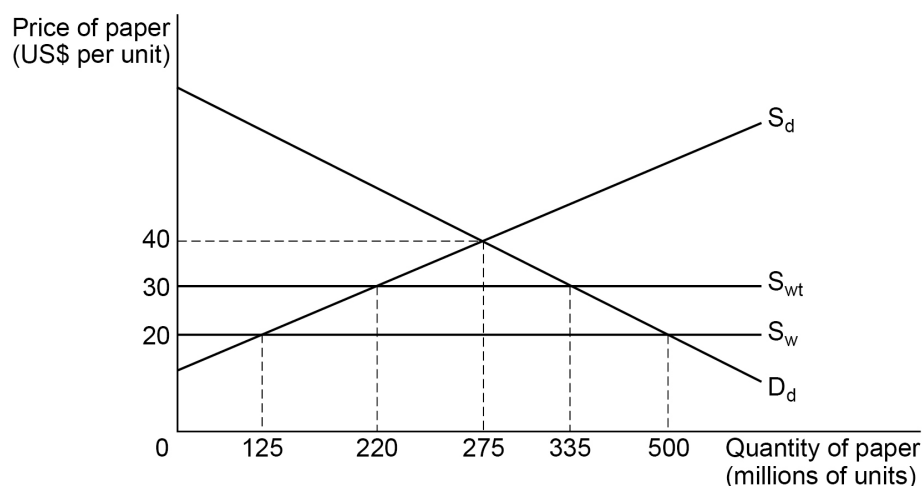
22

2 5

Figure 8 shows the domestic demand (D_d) and supply (S_d) curves for paper in a country.

Figure 8 also shows the world supply curve when the country does not have any restrictions on imports of paper (S_w) and the world supply curve when a tariff of \$10 per unit is imposed on paper imported from the rest of the world (S_{wt}).

Figure 8



Following the introduction of the tariff, what is the change in the amount the country has to pay to the rest of the world for the paper it imports?

[1 mark]

A US\$2300 million

☐

B US\$3300 million

☐

C US\$4050 million

☐

D US\$5200 million

☐


2 2

IB/M/Jun25/7136/3

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SUB-TOPIC 4.1.3.4

PRICE ELASTICITY OF SUPPLY

Sub-topic 4.1.3.4 · 4 questions · 32 marks · lowest tariff first

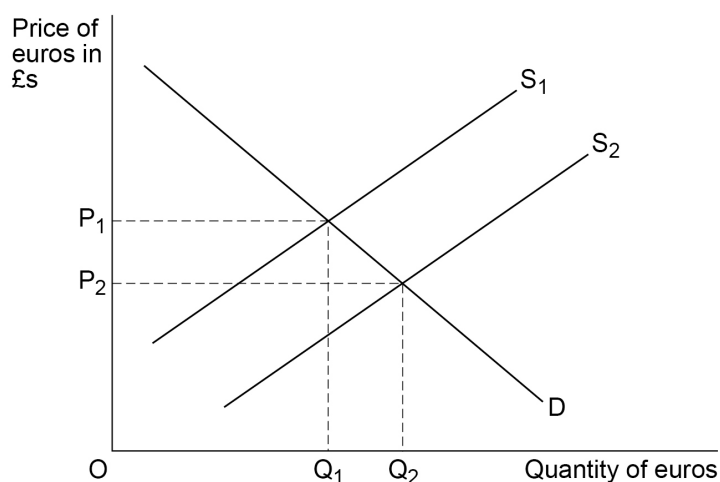


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2 | 9

Figure 8 shows two supply (S_1 and S_2) curves and the demand (D) curve for euros on the foreign exchange market and the price of euros in terms of pounds sterling.

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Figure 8

Which one of the following is the most likely explanation for the change in the exchange rate shown in **Figure 8**?

An increase in eurozone

- A** companies buying factories in the UK.
- B** exports of manufactured goods to the UK.
- C** interest rates relative to those in the UK.
- D** productivity growth relative to that in the UK.

☐☐☐☐**[1 mark]****3 | 0**

The behaviour of a consumer buying a 75-inch large screen TV is biased due to bounded rationality and the anchoring effect. This implies that the choice of which TV to buy is based on the price of

- A** all available 75-inch TVs, given sufficient time to obtain the information.
- B** the cheapest available 75-inch TV, in order to maximise utility.
- C** the first 75-inch TV seen and imperfect information about available alternatives.
- D** the most expensive 75-inch TV, believing that this indicates the best quality available.

☐☐☐☐**[1 mark]****30****Turn over ►**

IB/M/Jun20/7136/3

4

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

OR

Context 2

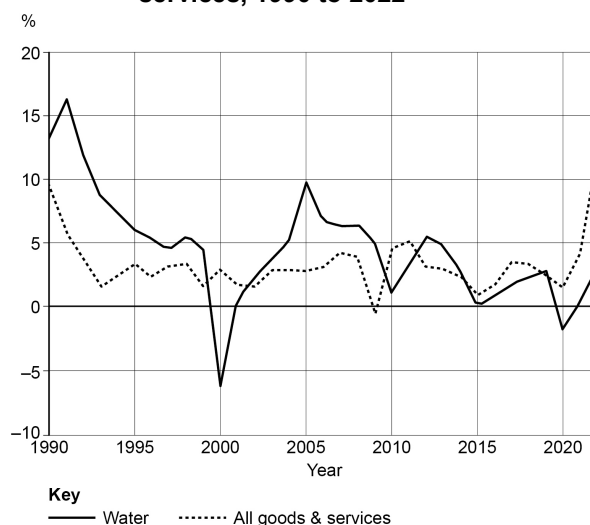
Total for this context: 40 marks

The UK water industryStudy **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.**Extract D:****Figure 3: Number of storm overflow hours, by water company, 2022**

Water company	Number of storm overflows (000s of hours)
United Utilities	425
South West Water	290
Severn Trent Water	249
Yorkshire Water	232
Southern Water	147
Wessex Water	130
Northumbrian Water	108
Anglian Water	90
Thames Water	75
Welsh Water	9
Total	1755

Note: The data in **Figure 3** show the number of hours that each company released harmful sewage into rivers and the sea.

Source: Ofwat, 2023

Figure 4: Annual percentage change in price indices for water and all goods & services, 1990 to 2022

Source: ONS, 2023

Extract E: England's privatised water companies run into trouble

Water companies have repeatedly poured large quantities of harmful, untreated sewage and storm water into Britain's rivers and seas. Pressure on the government and regulators to act has increased. Ofwat, the water regulator, said that none of the 17 water companies achieved its targets in 2022. Leakages and burst pipes both increased, as did the likelihood of companies missing targets for clean drinking water. Customer service also deteriorated.

5

Many water companies are struggling. When England privatised its formerly publicly-owned regional water companies in 1989, the companies started without any debt. Since then, water companies have borrowed heavily, yet infrastructure is crumbling.

Inflation has increased labour, energy and financing costs, putting some companies at risk of collapse. The minimum efficient scale in the water industry is large and substantial investment is needed to build and maintain the network of sewers and pipes. To fund investment, water companies have asked Ofwat to allow them to increase prices by around 60% between 2025 and 2030. Because the water companies are local monopolies, Ofwat decides on price increases. It also has to approve water company plans for upgrading and maintaining

10

5

infrastructure over the 5-year period. However, Ofwat said that 12 of the 17 companies had missed their investment targets. Water companies cited high inflation and labour shortages as obstacles to investment, but critics argue that shareholders' dividends are too high, totalling £72bn since privatisation. 15

Source: News reports, 2023

Extract F: What next for the water industry?

Water companies are regulated by Ofwat and the Environment Agency (responsible for regulating their environmental impact). Critics suggest that the water companies have too close a relationship with regulators, resulting in weak regulation. Nevertheless, regulators have issued fines: in 2021, Southern Water was given a £90m fine for dumping billions of litres of raw sewage into rivers and the sea. However, if regulators impose fines, these costs may be passed on to consumers or reduce investment. Some argue that the investment needed to improve the sewage infrastructure is too expensive for the water companies to make alone. A government report estimated the cost of eliminating storm overflows at between £350bn and £600bn, adding almost £1 000 to customers' annual bills. 5

Ofwat has warned about the financial health of four water companies in England. Ofwat's concerns arise despite industry investment of £4.6bn since 2020. This ability to attract private sector investment, along with improved efficiency and technological innovation, has been a positive aspect of water privatisation. For example, 60% of homes now have a water meter installed, reducing water consumption. Nevertheless, some are calling for the industry to be renationalised. However, nationalisation would be expensive as shareholders would need to be compensated. The estimated cost is £14.7bn, rising to over £90bn if the industry's debts are included. 10 15

Source: News reports, 2023

0 5

Using the data in **Extract D (Figure 3)**, calculate the median number of storm overflow hours by water company in 2022.

[2 marks]**0 6**

Explain how the data in **Extract D (Figure 4)** show that household water bills have increased in real terms since privatisation in 1989.

[4 marks]**0 7**

Extract E (line 10) states: 'The minimum efficient scale in the water industry is large'.

With the help of a diagram, explain why the large minimum efficient scale in the water industry is likely to lead to the market being supplied by a few large firms with monopoly power.

[9 marks]**0 8**

Extract F (lines 5–6) states: 'if regulators impose fines, these costs may be passed on to consumers or reduce investment'.

Using the data in the extracts and your knowledge of economics, assess the view that stronger regulation would be a better policy than bringing the water industry back into public ownership.

[25 marks]

4

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OR

Context 2

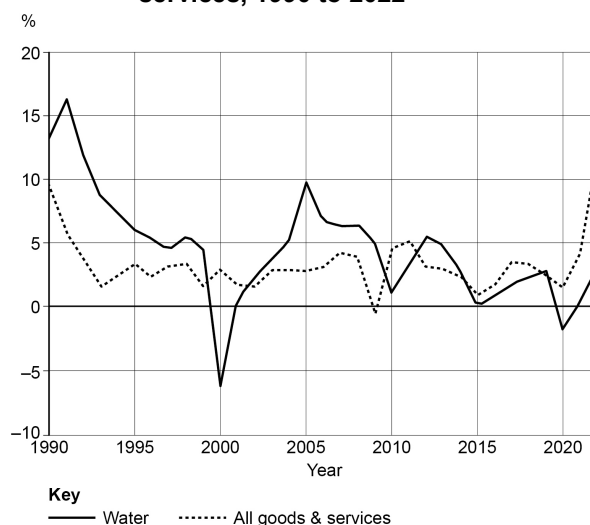
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[25 marks]

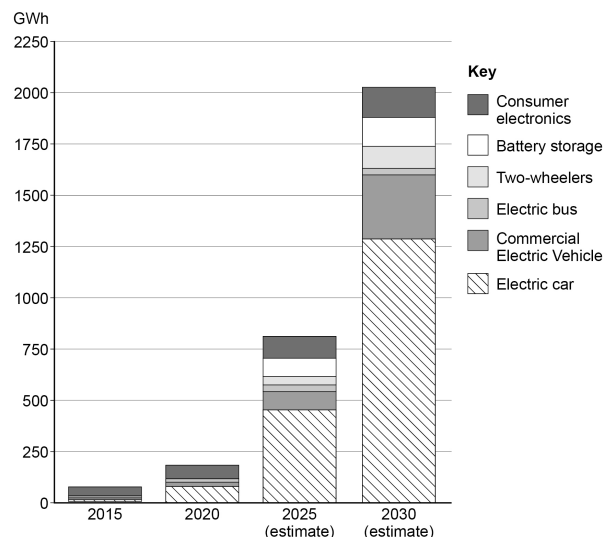
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Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****Electric cars and battery production**Study **Extracts A, B and C** and then answer **all** parts of Context 1 which follow.**Extract A****Table 1: Sales of cars by fuel type in the UK, 2020 and 2021**

	2020	2021
Diesel	261 772	135 773
Petrol	903 961	762 103
Battery Electric	108 205	190 727
Hybrid Electric*	357 126	558 578
Total	1 631 064	1 647 181

*Hybrid Electric cars use lithium-ion batteries and diesel/petrol

Figure 1: UK demand for lithium-ion batteries, Gigawatt hours (GWh), 2015 to 2030**Extract B: The electric vehicle revolution**

Sales of electric vehicles (EVs) in Europe have jumped from 198 000 in 2018 to an expected 1.17 million in 2021. They are an alternative to petrol and diesel vehicles, which create damaging emissions through air pollution and contribute to climate change. EVs still only make up about 1% of all cars on the road, but global sales of EVs are forecast to reach 10.7 million by 2025 and then 28.2 million by 2030. Carmakers have announced a total of \$330 billion of investment into electric and battery technology over the next five years. In fact, several manufacturers have begun to phase out petrol and diesel cars altogether.

5

Why is this happening now? Regulations are becoming tighter. Ambitious plans to expand the use of electric vehicles are one of the most obvious ways to meet emissions targets set by national governments. The UK has already announced plans to ban the sale of petrol and diesel cars by 2035. Meeting this target will require government spending to install the charging points needed to convince consumers to switch to electric vehicles.

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Another reason for the EV revolution is the improved choice of such vehicles. There are around 330 EV models on sale today, compared with just 86 five years ago. While many are still more expensive than petrol vehicles, they boast substantially lower running costs, even more so as global petrol prices rise. Also, many governments still offer generous financial incentives to encourage people to purchase EVs.

15

3

Driving cars of all fuel types creates environmental problems, traffic congestion and road traffic accidents. Critics have suggested that, instead of governments offering subsidies and tax exemptions for electric vehicles, all vehicle owners should be forced to pay the full costs of their driving. This would incentivise people to consider using public transport, cycling or walking. 20

Source: News reports, 2021

Extract C: Are electric vehicles as green as claimed?

Redwood Materials, a US firm, recycles discarded batteries into a fresh supply of metals needed for new cars. Its goal is to solve the most glaring problem for electric vehicles. While they are 'zero emission' when being driven, the mining, manufacturing and disposal process for batteries could soon become an environmental disaster. Cobalt, one of the metals used in batteries, typically originates in the Democratic Republic of Congo, where it is extracted in large energy-intensive industrial mines and also dug by hand using basic tools. Then it might be shipped to Finland, home to Europe's largest cobalt refinery, before heading to China where the majority of the world's battery production occurs. From there it can be shipped to the US or Europe for packing, then shipped again to car factories. In all, the cobalt can travel more than 20 000 miles before becoming part of a 'zero emission' car. 5 10

Every day, about 60 tonnes of old smartphones, power tools and scooter batteries are delivered to Redwood's warehouse. The firm then separates out the nickel, cobalt and lithium, so that they can re-enter the supply chain as the building blocks for new lithium-ion batteries. Reclaiming these metals at scale is a massive task: roughly 10 000 smartphones need to be recycled to produce one EV battery. 15

Redwood hope to play a role in the emergence of 'the circular economy' – a grand hope born in the 1960s that society can re-engineer the way goods are designed, manufactured and recycled so as to avoid waste. It has been estimated that recycling batteries could account for 30% of the emissions cuts needed to meet the targets set in the Paris climate change agreement and 'create 10 million safe and sustainable jobs around the world' by 2030. 20

Source: News reports, 2021

0 1

Using the data in **Extract A (Table 1)**, calculate the index of total car sales in 2021 if, in the base year, total car sales were 1.25 million.

Give your answer to **two** decimal places.

[2 marks]**0 2**

Explain how the data in **Extract A (Table 1 and Figure 1)** show that developments in the car market are the main reason for the changing demand for lithium-ion batteries in the UK.

[4 marks]**0 3**

Extract C (lines 3–4) states that 'the mining, manufacturing and disposal process for batteries could soon become an environmental disaster.'

With the help of a diagram, explain why the production and sale of lithium-ion batteries might lead to market failure.

[9 marks]**0 4**

Extract B (lines 20–21) states that 'all vehicle owners should be forced to pay the full costs of their driving. This would incentivise people to consider using public transport, cycling or walking.'

Evaluate policies that could be used to reduce the environmental impact of all types of car.

[25 marks]**Turn over ►**

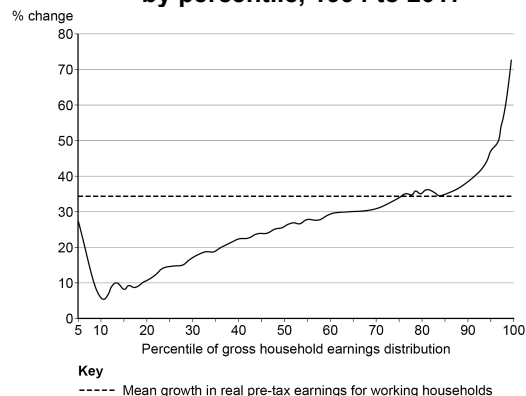
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Do **NOT** answer Context 2 if you have answered Context 1.

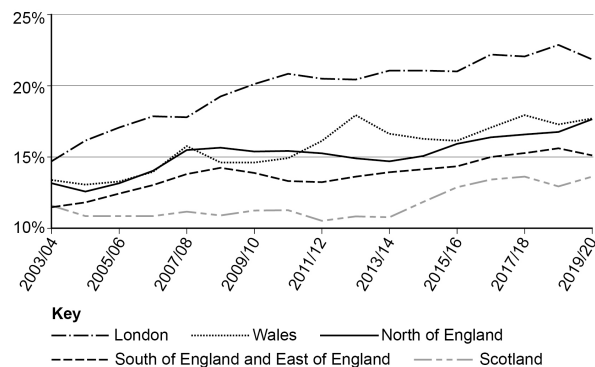
OR

Context 2

Total for this context: 40 marks

In-work poverty in the United KingdomStudy **Extracts D, E and F** and then answer **all** parts of Context 2 which follow.**Extract D****Figure 2: Growth in real pre-tax earnings for working households, by percentile, 1994 to 2017**

Source: Institute for Fiscal Studies, 2020

Figure 3: In-work poverty rate, by selected UK region, 2003/04 to 2019/20

Source: Institute for Public Policy Research, 2021

Extract E: In-work poverty is on the rise in the UK

Approximately 14 million people are in poverty in the UK, more than one in five of the population, including 4 million children and 2 million pensioners, up by 400 000 and 300 000 respectively over the past five years. A family is classified as being in poverty if it has an income, after housing costs, of less than 60% of the median income for their family type. A family's income includes earnings from employment, self-employment and state benefits.

5

For generations, politicians in the UK have highlighted the important role of employment in tackling poverty. However, employment is no longer a strong defence against poverty. The Joseph Rowntree Foundation, an anti-poverty group, said that while paid employment does reduce the risk of poverty, about 56% of people living in poverty in 2018 were in working households, compared with 39% 20 years ago. Seven in 10 children in poverty are now in a working household, and such in-work poverty is particularly common amongst single-parent families. Working single parents accounted for three in 10 households in poverty in 2018, compared with two in 10 in 2011. Working poverty among single-earning couple households also rose dramatically, increasing from 19% in 2003–04 to 31% last year, meaning this group now experiences poverty rates almost as high as those households where no one works full time.

10

15

Amid concerns that the poorest receive worse healthcare and have the most insecure jobs, the Government faces a huge task if it is to 'level up' incomes across the UK by narrowing the gap between the wealthiest and poorest regions. Some out-of-work benefits have not kept up with inflation, putting downward pressure on wages, contributing to the rise in in-work poverty. Other factors include rising prices of energy, essential groceries and rented properties.

20

Source: News reports, 2021

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Handwriting practice area with 25 horizontal dotted lines.

Handwriting practice area with horizontal dotted lines.

Handwriting practice area with 25 horizontal dotted lines.

SUB-TOPIC 4.1.3.5

THE DETERMINATION OF EQUILIBRIUM MARKET PRICES

Sub-topic 4.1.3.5 · 11 questions · 56 marks · lowest tariff first

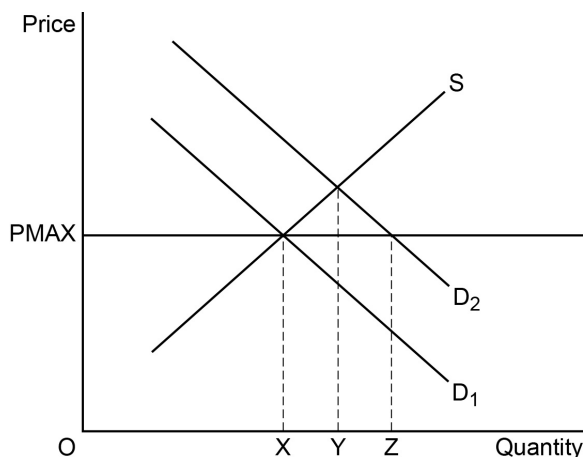


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The diagram below shows the original market demand and supply curves (D_1 and S) for loft insulation. Loft insulation reduces energy consumption.



The government wishes to meet its energy efficiency target by shifting the market demand curve for loft insulation from D_1 to D_2 . Which one of the following policies is most likely to enable the government to achieve its objective?

- A** A decrease in the rate of VAT on domestic gas and electricity used for home heating ☐
- B** A 'nudge' to households to install loft insulation by offering to clear lofts of unwanted items if insulation is installed ☐
- C** The introduction of a maximum price for loft insulation ☐
- D** The introduction of a subsidy paid to the firms installing loft insulation ☐

[1 mark]

0 3

The law of diminishing marginal utility states that

- A** as more of a product is consumed, the extra satisfaction will decline. ☐
- B** as more of all factors are employed, the additional output produced will fall. ☐
- C** as more variable factors are added to a fixed factor, the additional output produced will decline. ☐
- D** the total satisfaction from consuming a product will be maximised when marginal utility starts to fall. ☐

[1 mark]



0 3

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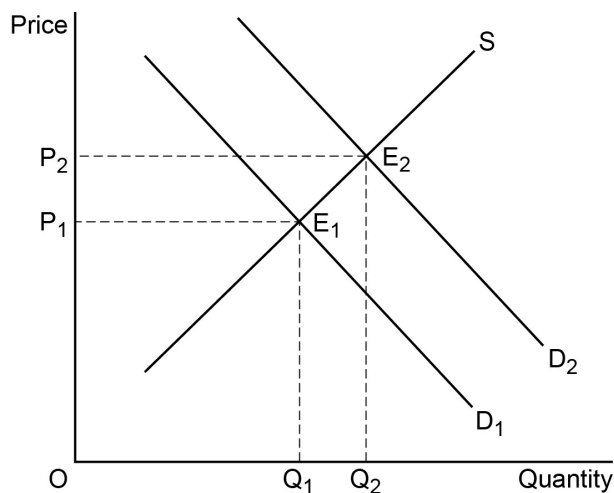
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The diagram below shows the demand curves (D_1 and D_2) and the supply curve (S) in the market for good X. The initial market equilibrium is at E_1 .



The increase in market demand from D_1 to D_2 results in a new market equilibrium at E_2 . The market mechanism that leads to the establishment of the new equilibrium is based on

- A excess demand for good X at the initial price of P_1 .
 B excess demand for good X at the new price P_2 .
 C excess supply of good X at the initial price of P_1 .
 D excess supply for good X at the new price P_2 .

☐☐☐☐

[1 mark]

1 1

Which one of the following values for the Gini coefficient shows the greatest inequality?

- A -0.5
 B 0
 C 0.5
 D 1

☐☐☐☐

[1 mark]



0 8

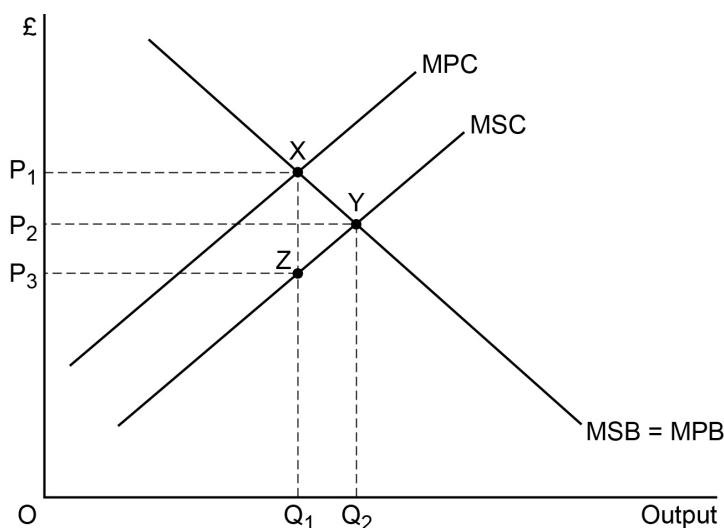
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The diagram below shows the marginal private and social benefit (MPB and MSB) curves and the marginal private and social cost (MPC and MSC) curves in a market where there are positive externalities in production.



At the free market equilibrium, market failure occurs. Which one of the following is correct?

- A As a result of this market failure, consumer surplus is reduced by ZXY ☐
- B As a result of this market failure, there is a deadweight loss to society of P_3P_1XZ ☐
- C P_1 minus P_3 is the subsidy per unit that is required to correct the market failure and achieve the social optimum ☐
- D The diagonal distance XY shows the amount by which marginal private cost exceeds marginal social cost at OQ_2 ☐

[1 mark]

3 0

The price elasticity of demand for games consoles is -1.2. It can be concluded that a 10% reduction in their price would lead to a percentage change in demand of

- A -8.3% ☐
- B -12.0% ☐
- C +8.3% ☐
- D +12.0% ☐

[1 mark]

30



1 8

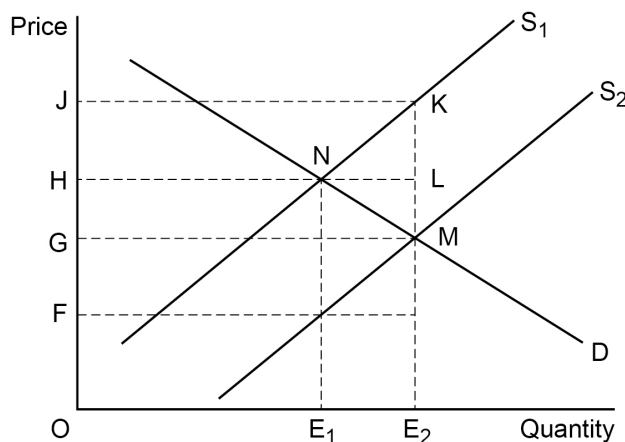
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4

0 5

The diagram below shows the demand curve (D) and two supply curves (S_1 and S_2) in the market for renewable energy.

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The renewable energy market is initially in equilibrium at a price of OH. The government then introduces a subsidy for renewable energy.

After the introduction of the subsidy, the total amount of money received by the producers from both consumers and the government is

A OGME₂

☐

B OHLE₂

☐

C OHNME₂

☐

D OJKE₂

☐

[1 mark]

0 6

Which one of the following provides a reason for government intervention in a market?

A Firms in an oligopolistic market may limit price competition.

☐

B Market failures can only be corrected by using regulations.

☐

C Monopolistically competitive firms earn abnormal profits in the long run.

☐

D Public goods are excludable and rival.

☐

[1 mark]



0 4

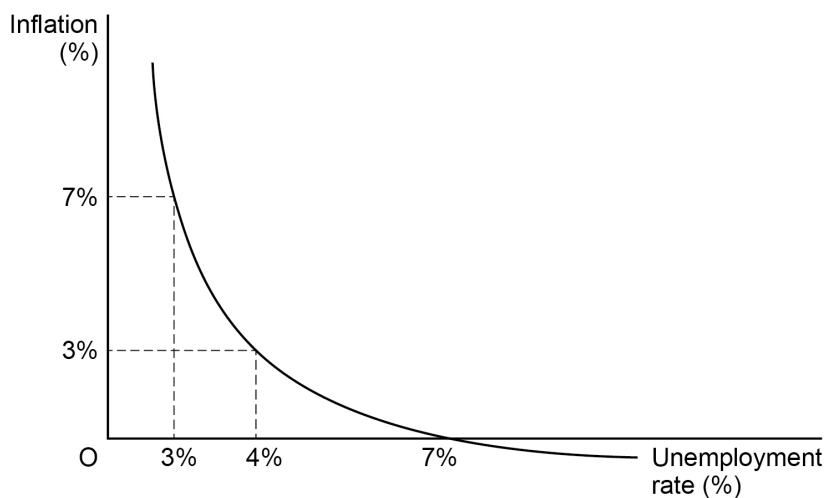
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6

0 9

The short-run Phillips curve below illustrates the relationship between unemployment and inflation in an economy.

Do not write
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The Phillips curve shows that in this economy

- A** high inflation leads to high unemployment. ☐
- B** there is an inversely proportional relationship between unemployment and inflation. ☐
- C** the trade-off for reducing inflation from 7% to 3% is a 4% increase in unemployment. ☐
- D** the trade-off for reducing unemployment from 7% to 4% is 3% inflation. ☐

[1 mark]

1 0

Which one of the following is most likely to be associated with behavioural economic theory?

- A** All consumer behaviour is based on rational utility-maximising decisions. ☐
- B** An individual's economic decisions may be biased. ☐
- C** Price changes cannot explain how competitive markets achieve equilibrium. ☐
- D** The behaviour of firms is based on their desire to maximise profit. ☐

[1 mark]



0 6

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9

1 6

Which one of the following distinguishes a private good from a pure public good?

A A private good can only be provided by private firms and not the government

☐

B Consumption of a private good creates negative externalities for other consumers

☐

C Consumers of a private good have full knowledge of any externalities in its production

☐

D One person's consumption of a private good reduces the amount available for other consumers

☐

[1 mark]

1 7

Table 3 shows the demand for and supply of oranges at a range of prices between 10 pence and 30 pence.

Table 3

Price (pence)	Quantity supplied (000s)	Quantity demanded (000s)
10	100	125
15	120	120
20	122	108
25	125	100
30	128	88

As a result of an increase in consumers' incomes, the demand for oranges increases by 25% at each of the prices shown in **Table 3**.

After the rise in incomes:

A at a price of 10 pence, excess demand increases by 50%.

☐

B at a price of 30 pence, excess supply falls by 75%.

☐

C the equilibrium market price increases by two-thirds.

☐

D the price elasticity of demand increases by 25% at each price.

☐

[1 mark]

Turn over ►



0 9

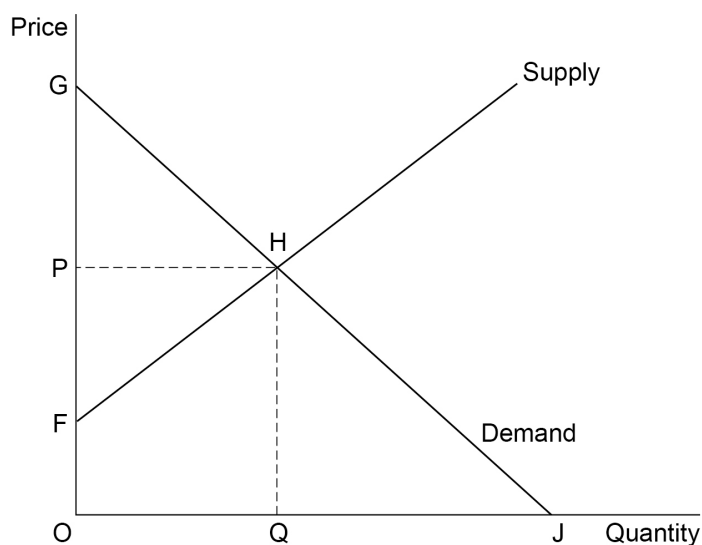
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0 9

Figure 3 shows the demand curve (Demand) and the supply curve (Supply) for bus travel within a city. The initial market equilibrium price is P.

Do not write
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box

Figure 3

To reduce pollution, the city council pays bus companies to provide bus travel free of charge. As a result of this policy, consumer surplus will increase by the area

- A OFHJ
- B FGH
- C OPHJ
- D QHJ

☐
☐
☐
☐

[1 mark]

Turn over for the next question

Turn over ►



0 7

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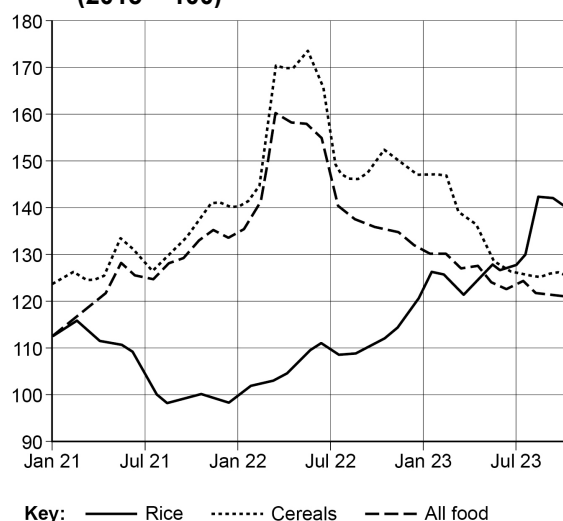
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Section A

Answer **EITHER** Context 1 **OR** Context 2.**EITHER****Context 1****Total for this context: 40 marks****The international rice market**Study **Extracts A, B** and **C** and then answer **all** parts of Context 1 which follow.**Extract A:****Figure 1: Exports of rice (million tonnes) 2010 to 2022**

Country	2010	2022
India	2.8	22.5
Thailand	10.6	8.5
Vietnam	7.0	7.5
Pakistan	3.4	3.7
USA	3.5	2.0
Rest of the world	7.9	11.4
Total	35.2	55.6

Source: International Food Policy Research Institute, 2023

Figure 2: Index of world prices for rice, cereals and all food, 2021 to 2023 (2015 = 100)**Note:** 'Cereals' includes rice and six other cereals

Source: Food and Agriculture Organization, 2023

Extract B: A ban on Indian rice exports

In Nigeria, rice is the most commonly consumed food but the price of this imported cereal rose by 46% in the year to August 2023. The sharp increase in the price of rice follows a rice export ban by India, the world's largest exporter. The ban, introduced in August 2022, was in response to fears of a production shortfall in India and rising domestic prices.

Analysts warn that the world is on track for a repeat of the 2008 rice crisis when protectionist policies contributed to rice prices tripling. This time the crisis could be worse, as soaring demand, driven by population growth, combines with the effects of climate change, leading to poor harvests. In Thailand and Vietnam, the world's second and third largest rice exporters, prices have risen by 14% and 22% respectively since India imposed its ban. The United Nations World Food Programme (WFP) points out that the countries likely to be worst affected, such as Nigeria, are already suffering from sky-high food prices, soaring debt and depreciating currencies. This will result in "a staple commodity not being affordable for millions", said a spokesperson.

5

10

3

Not only has India's share of global rice exports grown, but the amount of rice traded around the world has doubled from 5% of global production in 1999 to over 10% today, making importing countries, such as Nigeria, more vulnerable to export bans. 15

Consumers in Nigeria spend a large share of their incomes on food. Thus, rising prices could force them to reduce the amount of food they eat, or they may have to cut consumption of other necessities like energy and healthcare. In Nigeria, the demand for rice is very price inelastic.

Source: News reports, 2023

Extract C: What options do rice-importing nations have?

The rise in the price of rice is not likely to have much impact on household food budgets in more economically developed countries (MEDCs), but the impact in less economically developed countries (LEDCs) will be more significant.

Governments of LEDCs may try to support people on low incomes with direct cash transfers or subsidise rice prices. However, these are costly options for governments with low tax revenues, already struggling to maintain public services. An alternative would be to impose a maximum price for consumers, as both Sri Lanka and the Philippines have done, but this creates problems for food suppliers facing high import prices. 5

Many countries are trying to increase farm productivity to be less exposed to global supply shocks such as the Indian rice export ban. Investment in irrigation, mechanisation and crop science can make a difference but typically suffers from long time lags. If countries can switch from producing other cereals to the production of rice, this may also help. 10

Source: News reports, 2023

0 1

Using the data in **Extract A (Figure 1)**, calculate the difference between India's share of world exports of rice in 2010 and 2022.

Give your answer to **one** decimal place.

[2 marks]

0 2

Explain how the data in **Extract A (Figure 1 and Figure 2)** show that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice.

[4 marks]

0 3

Extract B (line 19) states: 'In Nigeria, the demand for rice is very price inelastic'.

With the help of a diagram, explain how the Indian export ban is likely to have affected the market for rice in Nigeria.

[9 marks]

0 4

Extract C (lines 6–7) states: 'An alternative would be to impose a maximum price for consumers, as both Sri Lanka and the Philippines have done'.

Using the data and your knowledge of economics, evaluate the view that imposing a maximum price for rice is the best way for a rice-importing nation, such as Nigeria, to ensure the affordability of a basic food for its citizens.

[25 marks]

Section B

Answer **one** essay from this section.

Each essay carries 40 marks.

EITHER**Essay 1**

The government has promised that everyone will be able to access superfast broadband by 2025. As more people have switched to studying and working remotely, good Internet connections have become more important. Low-income households have difficult choices to make between high-speed Internet and essential items such as food, heating and clothing.

0	9
---	---

Explain how the price mechanism allocates resources in a market economy.

[15 marks]

1	0
---	---

Assess the view that high-speed Internet connection is a necessity for modern life and should be provided by the government, free of charge, to all households.

[25 marks]

OR**Essay 2**

Markets fail for a variety of reasons and governments can play an important role in reducing the inefficiencies associated with such failures. However, Milton Friedman once suggested that “When government, in pursuit of good intentions, tries to rearrange the economy...the costs come in inefficiency, lack of motivation, and loss of freedom. Government should be a referee, not an active player.”

1	1
---	---

Explain the difference between complete and partial market failure.

[15 marks]

1	2
---	---

Evaluate the view that government failure means that government intervention in markets will rarely lead to an improvement in economic welfare.

[25 marks]

Handwriting practice area with horizontal dotted lines.

Handwriting practice area with 20 sets of horizontal dotted lines.

Section B

Answer **one** essay from this section.

Each essay carries 40 marks.

EITHER**Essay 1**

In the UK, 64% of the population are considered to be overweight. Many policies have focused on promoting active lifestyles, whilst taxes have been introduced on sugary drinks and alcohol. There has also been regulation of advertising aimed at young children. Attention has recently turned to the use of behavioural economics techniques to change diets.

0	9
---	---

Explain why imperfect and asymmetric information may lead to market failure in the market for food.

[15 marks]

1	0
---	---

Evaluate the view that the consumption of unhealthy foods can best be reduced through the use of nudges and other techniques from behavioural economics.

[25 marks]

OR**Essay 2**

In 2018, the Competition and Markets Authority issued a report which criticised a 'situation where businesses charge higher prices to existing customers who stay with them, than they do to new customers'. However, according to Citizens Advice, some broadband and mobile phone companies continue to charge existing customers more than they charge new customers.

1	1
---	---

Explain the likely impact on consumer surplus and producer surplus as an industry moves away from a competitive market structure to one that is dominated by a few large firms.

[15 marks]

1	2
---	---

Evaluate the view that price discrimination is damaging for consumers.

[25 marks]

Blank lined area for writing the answer.

Handwriting practice area with horizontal dotted lines.

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]

Handwriting practice area with horizontal dotted lines.

Handwriting practice area with horizontal dotted lines.

SUB-TOPIC 4.1.3.6

THE INTERRELATIONSHIP BETWEEN MARKETS

Sub-topic 4.1.3.6 · 2 questions · 2 marks · lowest tariff first

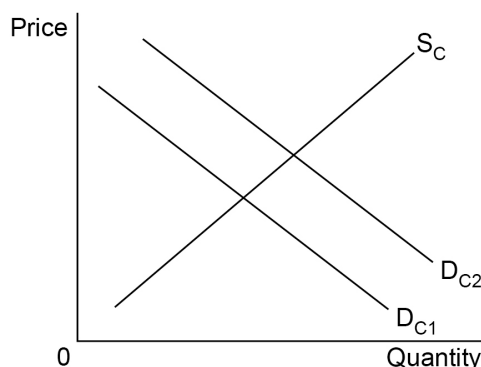
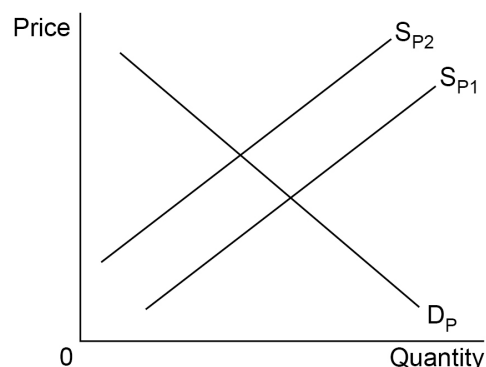


11

1 9

Carrots and potatoes are grown using the same factors of production. **Figure X** shows the demand (D_C) and supply (S_C) curves for carrots. **Figure Y** shows the demand (D_P) and supply (S_P) curves for potatoes. A change in people's preferences shifts the demand for carrots from D_{C1} to D_{C2} . As a result, the supply of potatoes shifts from S_{P1} to S_{P2} .

Do not write
outside the
box

Figure X**Market for carrots****Figure Y****Market for potatoes**

Which one of the following statements correctly explains the changes shown in **Figures X and Y**?

[1 mark]

- A** The demand curve for carrots shifts due to the rationing function of prices
- B** The price of carrots increases because carrots and potatoes are in derived demand
- C** The price of potatoes increases because potatoes and carrots are in joint supply
- D** The supply curve for potatoes shifts due to the incentive function of prices

☐
☐
☐
☐

Turn over for the next question

Turn over ►



1 1

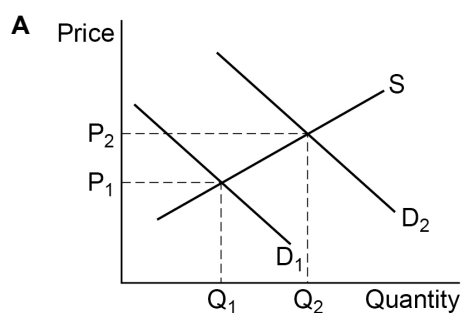
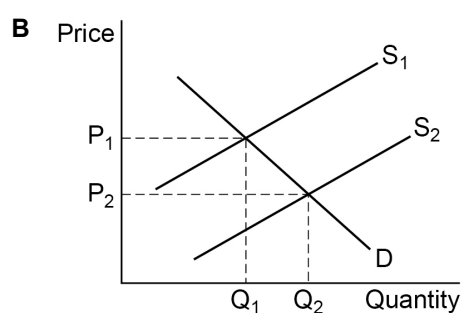
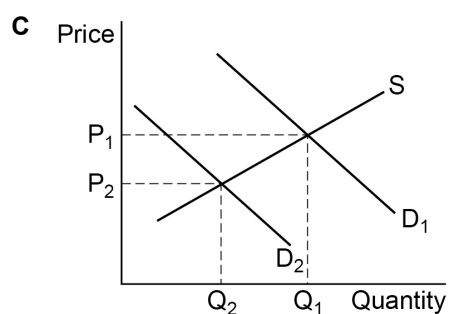
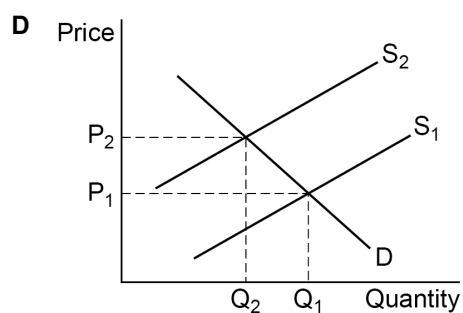
IB/G/Jun23/7136/3

9

0 9

Land is an example of a resource that is in composite demand. Land can be used to produce soya beans and for forestry. Between January 2019 and January 2024, the market price of soya beans increased by almost 40%. This was largely driven by the rise in demand for soya beans.

Which one of the following diagrams, **A**, **B**, **C** or **D**, shows the most likely effect of the increase in demand for soya beans on the market for land that is used for forestry?

[1 mark]
☐

☐

☐

☐

Do not write
outside the
box

Turn over ►



0 9

IB/M/Jun25/7136/3

MARK SCHEMES

official mark schemes



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 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 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 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 2019

Context 1

Total for this context: 40 marks

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]

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

Calculation: Jan 2014 Index: 110
 Jan 2018 Index: 127
 % change: $(127-110)/110 \times 100 = 15.45\%$

Correct answer: 15.5%

Tolerance: Answers in the range 14% to 17% are acceptable.

Whole numbers e.g. 15% without the 'point zero' should be allowed.

MAXIMUM FOR QUESTION 01: 2 MARKS

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

Context 1

Total for this context: 40 marks

0 1 Using the data in **Extract A (Figure 1)**, calculate the number of workers doing weekly platform work in 2019 for each worker doing monthly platform work in 2019.

Give your answer to **two** decimal places.

[2 marks]

Calculation: $9.6 / 11.8 = 0.813559$

Correct answer: 0.81 or expressed as a ratio 0.81:1

Response	Max 2 marks
For the correct answer, to two decimal places	2 marks
For the correct answer but not to two decimal places OR For the correct method but the wrong answer, to two decimal places OR 81.36%	1 mark

MAXIMUM FOR QUESTION 01: 2 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2017

0 6 Explain how the data in **Extract D (Figure 4)** show that the degree of inequality between the pay of male and female workers is falling.

[4 marks]

Response	Max 4 marks
- includes evidence that shows that the degree of inequality between the pay of male and female workers is falling. - clearly explains how the data show that the degree of inequality between the pay of male and female workers is falling.	4 marks
- includes evidence that shows that the degree of inequality between the pay of male and female workers is falling. - unclear explanation of how the data show that the degree of inequality between the pay of male and female workers is falling.	3 marks
- includes evidence that shows that the degree of inequality between the pay of male and female workers is falling. - limited explanation of how the data show that the degree of inequality between the pay of male and female workers is falling.	2 marks
- includes evidence that does not clearly show that the degree of inequality between the pay of male and female workers is falling. - no explanation of how the data show that the degree of inequality between the pay of male and female workers is falling.	1 mark

Relevant issues include:

- explanation of the degree of inequality / gender pay gap
- evidence that women are paid less than men, but this percentage is increasing over the period (70.1% in 2000, 78.1% in 2008, 80.7% in 2015)
- evidence that women's pay has risen 65.6% over the period, but men's has risen by only 43.7%.
- credit should be given to candidates who quote changes in absolute differences (e.g. £6238 in 2000 £5763 in 2015) in male and female earnings, but to earn 4 marks they should recognise that the 'degree of inequality' is measured by the relative pay of male and female workers, as indicated for example, by bullet points 2 and 3

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2024

- 0 2** Explain how the data in **Extract A (Figure 1 and Table 1)** show that the supply of university and private rental accommodation has failed to match the increase in student numbers between 2015 and 2021.

[4 marks]

Response	Max 4 marks
- Includes evidence that shows that the supply of university and private rental accommodation has failed to match the increase in student numbers. - Clearly explains how this data is evidence that the supply of university and private rental accommodation has failed to match the increase in student numbers.	4 marks
- Includes evidence that shows that the supply of university and private rental accommodation has failed to match the increase in student numbers. - Explanation of how this data is evidence that the supply of university and private rental accommodation has failed to match the increase in student numbers.	3 marks
- Includes some evidence that shows that the supply of university and private rental accommodation has failed to match the increase in student numbers. - Limited explanation of how this data is evidence that the supply of university and private rental accommodation has failed to match the increase in student numbers.	2 marks
- Includes evidence that does not clearly show that the supply of university and private rental accommodation has failed to match the increase in student numbers. - No explanation of how this data is evidence that the supply of university and private rental accommodation has failed to match the increase in student numbers.	1 mark

Relevant issues include:

- total student numbers have increased from approximately 1.7 million to 2.1 million in the period, an increase of 24%
- university rental properties have barely changed at all, hovering around the 330 000 level
- private rental properties have increased slightly, from 650 000 to 750 000
- the shortfall of around 300 000 is accounted for by the increase in students living at home, from 750 000 to just over 1 million
- Table 1 shows that the nominal cost of university rent has risen by 39.8% (allow 24.8% increase in real terms) from £121.16 to £169.35
- the rise in rents indicates that the supply of university and private rental accommodation has not matched the increased demand as reflected in the increase in student numbers.

Allow a margin of error of +/- 100 000

MAXIMUM FOR QUESTION 02: 4 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2018

0 4 **Extract B** (lines 4–5) states that ‘banks do not feel enough pressure to compete on price or quality, leading some to call for the Big Four to be split into a number of smaller banks.’

Use the extracts and your knowledge of economics to assess the view that the government should intervene further in the banking sector to promote greater competition.

[25 marks]

Areas for discussion include:

- explanation of competition and the range of government policies to foster competition
- discussion of the nature of the UK banking sector and the historic dominance of Lloyds, Barclays, RBS Natwest and HSBC
- awareness of recent changes to the market structure, eg
 - 2008 financial crisis – Northern Rock, Bradford & Bingley bankruptcies
 - Lloyds-HBOS merger, TSB demerger
- innovation in the banking sector, resulting in a move away from FIIIC accounts towards packaged accounts and cashback
- Big Four problems over unwieldy and costly IT infrastructure, diseconomies of scale and scope
- barriers to entry in the banking sector, including
 - legal/ regulatory
 - physical, eg branch network
 - financial, eg start-up capital required
 - customer inertia (link to behavioural economics)
- comparison with other utilities’ contestability
- discussion of possible policies, including
 - breaking up large banks (eg demerger of TSB and Lloyds, and attempted sale by RBS of Williams and Glyn)
 - price regulation
 - improving information in the market, eg price comparison websites and Customer Switching Service
 - nudge/ behavioural policies (as per CMA Review)
- recent rise in new entrants and connection to the rise of internet banking
- benefits of competition
- benefits of concentration, eg economies of scale, high MES, high profits facilitating innovation
- the impact of market forces, creative destruction and new technology in the banking sector
- are the banks exploiting consumers, including possible collusion?
- the role of the Bank of England, the PRA and the FPC
- 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 candidate’s response to the question.

Use the levels mark scheme on page 5 to award candidates marks for this question.

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 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 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 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

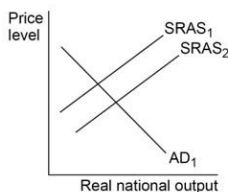
KEY LIST

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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

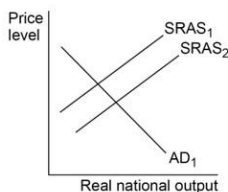
KEY LIST

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 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

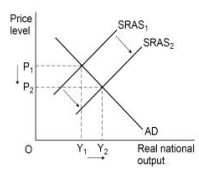
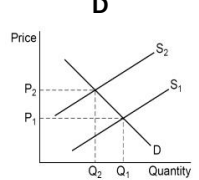
SECTION A

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 – 7136/3 – 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 2018

- 0 6** Explain how the data in **Extract D** show that workers employed in routine, repetitive, work are at greater risk from automation.

[4 marks]

Response	Max 4 marks
- includes evidence that shows that workers in routine, repetitive work are at greater risk of automation than those whose work involves more variety - clearly explains how this data is evidence that workers in routine, repetitive work are at greater risk of automation	4 marks
- includes evidence that shows that workers in routine, repetitive work are at greater risk of automation than those whose work involves more variety - unclear explanation of how this data is evidence that workers in routine, repetitive work are at greater risk of automation	3 marks
- includes some limited evidence that shows that workers in routine, repetitive work are at greater risk of automation than those whose work involves more variety - limited explanation of how this data is evidence that workers in routine, repetitive work are at greater risk of automation	2 marks
- includes evidence that does not clearly show that workers in routine, repetitive work are at greater risk of automation than those whose work involves more variety - no explanation of how this data is evidence that workers in routine, repetitive work are at greater risk of automation.	1 marks

Relevant issues include:

- explanation of automation
- why workers in routine, repetitive work are at greater risk from automation
- how work in some sectors involves more varied, non-routine, skilled tasks than others
- wholesale and retail is the sector with the largest at-risk workforce (2.25 million)
- water, sewage and waste (62.6%), transport and storage (56.4%) and manufacturing (46.4%) are the sectors at highest risk if automation. All these sectors have a high proportion of workers employed in repetitive routine work
- the sectors at lowest risk include education (8.5%) and human health (17.0%), and professional, scientific and technical (25.6%). All these sectors have workers employed in very varied tasks.

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

- 0 2** Explain how the data in **Extract A (Figure 2)** show that the incentive for workers to become self-employed increased between 2009/10 and 2018/19.

[4 marks]

Response:	Max 4 marks
- includes evidence that shows that the incentive for workers to become self-employed increased - clearly explains how this data is evidence that the incentive for workers to become self-employed increased.	4 marks
- includes evidence that shows that the incentive for workers to become self-employed increased - explanation of how this data is evidence that the incentive for workers to become self-employed increased.	3 marks
- includes some evidence that shows that the incentive for workers to become self-employed increased - limited explanation of how this data is evidence that the incentive for workers to become self-employed increased.	2 marks
- includes evidence that does not clearly show that the incentive for workers to become self-employed increased - no explanation of how this data is evidence that the incentive for workers to become self-employed increased.	1 mark

Relevant issues include:

- increases in relative wages will improve the incentive for workers to become self-employed
- between 2009/10 and 2018/19, median wages fell for employed workers from £21 900 to £21 600, a decrease of £300 or 1.4%
- between 2009/10 and 2018/19, median wages rose for self-employed workers from £15 800 to £16 500, an increase of £700 or 4.4%
- median wages of employees peaked in the first year shown, 2009/10 at £21 900, whereas median wages of self-employed workers peaked later, in 2017/18 at £17 600.
- the relative wage premium received by employed workers compared with self-employed workers was 38.6% in 2009/10, but only 30.9% in 2018/19.

MAXIMUM FOR QUESTION 02: 4 MARKS

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

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]

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 2025

0 3 **Extract B** (line 19) states: ‘In Nigeria, the demand for rice is very price inelastic’.

With the help of a diagram, explain how the Indian export ban is likely to have affected the market for rice in Nigeria.

[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

A supply and demand diagram is expected, showing a shift in supply to the left. It is expected that the student's diagram will show an inelastic demand curve.

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

0 7 **Extract E** (lines 5–7) states: ‘Until the 1990s, almost all workers in the care sector were employed by the government, which acted as a monopsonist by keeping wages low.’

With the help of a diagram, explain how a monopsonistic public sector can lead to low pay for social care work.

[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 2019

Essay 3

Total for this essay: 40 marks

- | | |
|---|---|
| 1 | 3 |
|---|---|
- Explain how the impact of a minimum price for a good or service is affected by its price elasticity of demand and its price elasticity of supply.

[15 marks]

Areas for discussion include:

- explanation of minimum prices and why they might be introduced by a government regulator
- definition and explanation of PED and PES
- use of formulae and/or calculations to illustrate elasticity
- explanation of the determinants of PED and PES
- analysis of how the impact of a minimum price will vary according to PED. This is likely to lead to a greater proportionate change in quantity if demand is elastic rather than inelastic
- analysis of how the impact of a minimum price will vary according to PES. This is likely to lead to a greater proportionate change in quantity if supply is elastic rather than inelastic
- how excess supply is affected by PED and PES and what this might mean for the market
- analysis of how the impact of a minimum price will vary if a market has both elastic PED and elastic PES compared to an inelastic PED and PES
- analysis of how the impact of a minimum price will depend on whether the price is supported by intervention buying
- use of examples of the above situations.

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 13: 15 MARKS

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

Essay 2

Total for this essay: 40 marks

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]

Areas for discussion include:

- definition of cross elasticity of demand (XED)
- understanding the formula for calculation of XED
- explanation of numerical values of XED and how they relate to substitutes/complements/non-related goods
- examples of substitute goods
- examples of complementary goods/goods in joint demand
- explanations of diagrams showing interrelated markets and cross elasticity of demand
- examples of how changes in one market affect other markets, and the significance of the XED.

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

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

0 8 *Extract F (lines 9–10) suggests that ‘the British public really don’t care about who runs the trains; what they care about is reliability, comfort and price’.*

Use the extracts and your knowledge of economics to evaluate the case for renationalising railways in the UK.

[25 marks]

Areas for discussion include:

- what is meant by renationalisation
- explanation of natural monopoly
- arguments in favour of renationalisation
 - o simpler consumer offering, less baffling ticketing options, more consistent service
 - o economies of scale, e.g. purchasing of rolling stock, marketing
 - o greater consideration of externalities, e.g. safety
 - o necessary for making much-needed investment in new tracks and technology, although government currently subsidising network rail so perhaps little impact here
 - o no great upfront cost as nationalisation occurs when franchises come to an end
 - o successful state-run railways across much of Europe
 - o current situation appears to nationalise the risks, but privatise the rewards (East Coast mainline)
 - o the relative success enjoyed by the East Coast mainline when run by the state
 - o current situation isn’t true competition anyway as consumers rarely have a choice of suppliers for a given journey
- arguments against renationalisation
 - o passenger numbers have expanded enormously since privatisation, with UK rail being used very intensively
 - o recent increase in investment under private hands
 - o big improvements have occurred in safety, innovation and comfort
 - o no excessive profits being made consistently by rail firms, with small profit margins being the norm
 - o many current concerns about railways (e.g. overcrowding, punctuality) are unlikely to be resolved by a change of ownership
- 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

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]**Areas for discussion include:**

- explanation of market forces and government intervention
- acknowledgement of recent rapid growth in the supply of waste
- discussion of the global market for waste, with waste from the rich world being shipped to parts of the developing world, where lower-cost labour makes sorting cost-effective and there is greater demand for second-hand materials
- discussion of how the ‘collect, sort, export’ model has been threatened by China’s decision to effectively ban imports of some types of waste’
- explanation of how rich countries, by moving away from manufacturing and into service sectors, have effectively outsourced production to developing countries, thus exporting some of the environmental problems too
- explanation of the ‘circular economy’ and how it differs from the current market model of supply and demand
- how there are economic benefits to circularity as well as costs (eg job creation)
- discussion of possible policies at the national level
 - regulations
 - taxation of raw material inputs
 - subsidies
 - permits and quotas
 - forcing producers to pay for disposal of products
- discussion of problems with the above policies, including feasibility, effectiveness and cost
- the likely uneven impact across different sectors of introducing policies to promote circularity
- explanation of how international agreement may be necessary given the global nature of the problem and discussion of how such international agreements are slow to achieve and often fail to address problems identified
- discussion of EU targets for national governments to improve their recovery rates
- how the market may respond to lower waste prices via rationing, signalling and incentive effects: for example, automation may replace human sorters at waste plants, and online markets for second-hand raw materials may develop
- 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 2018

SECTION A

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

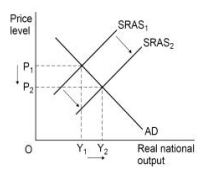
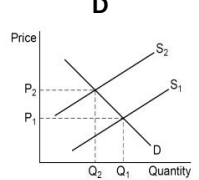
KEY LIST

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 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 – 7136/1 – JUNE 2025

Context 2

Total for this context: 40 marks

0 5

Using the data in **Extract D (Figure 3)**, calculate the median number of storm overflow hours by water company in 2022.

[2 marks]

Calculation:

There are two median companies: Wessex Water (130 000) and Southern Water (147 000)
The median is the mean of these two values

$$(130\,000 + 147\,000)/2 = 138\,500 \text{ hours}$$

Response	Max 2 marks
For the correct answer, with or without 'hours': 138 500 hours	2 marks
For not recognising the units are thousands, eg 138.5 OR For the correct method, but the wrong answer, recognising the units are thousands	1 mark

MAXIMUM FOR QUESTION 05: 2 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2025

0 6

*Explain how the data in **Extract D (Figure 4)** show that household water bills have increased in real terms since privatisation in 1989.*

[4 marks]

Response:	Max 4 marks
- Includes evidence that shows household water bills have increased in real terms since privatisation in 1989. - Clearly explains how this data is evidence that shows household water bills have increased in real terms since privatisation in 1989.	4 marks
- Includes evidence that shows household water bills have increased in real terms since privatisation in 1989. - Explanation of how this data is evidence that shows household water bills have increased in real terms since privatisation in 1989.	3 marks
- Includes some evidence that shows household water bills have increased in real terms since privatisation in 1989. - Limited explanation of how this data is evidence that shows household water bills have increased in real terms since privatisation in 1989.	2 marks
- Includes evidence that does not clearly show household water bills have increased in real terms since privatisation in 1989. - No explanation of how this data is evidence that shows household water bills have increased in real terms since privatisation in 1989.	1 mark

Relevant issues include:

- explanation of what is meant by a 'real terms' increase in household water bills (where water prices are rising faster than prices of goods and services in general)
- from 1990 to 2009 there were only two years in which water prices were not rising at a faster rate than prices of goods and services in general (2000 and 2001), for example, in 2005, water prices increased by 9.5% and the price of all goods and services rose by 2.5%
- in some years, the difference between inflation and water price increases was very significant (6% versus 16% in 1991)
- since 2009, the two price indices have been more closely matched, with water prices rising at a slower rate than inflation in some years but at a higher rate in others, for example, in 2010 the general rate of inflation was 4.9% and water prices increased by 2%, and in 2012, water prices increased by 5.5% and inflation was 3%
- the cumulative effect of two decades of real increases in water prices, followed by a more mixed decade towards the end of the time period means that, overall, household water bills have increased in real terms since privatisation in 1989.

Allow a margin of error of +/- 2% points and +/- 1 year

MAXIMUM FOR QUESTION 06: 4 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2023

0 4

Extract B (lines 20–21) states that ‘all vehicle owners should be forced to pay the full costs of their driving. This would incentivise people to consider using public transport, cycling or walking.’

Evaluate policies that could be used to reduce the environmental impact of all types of car.
[25 marks]

Areas for discussion include:

- discussion of the range of environmental impacts associated with petrol and diesel cars (including air and noise pollution and combustion of fossil fuels)
- discussion of the range of environmental impacts associated with electric/hybrid cars (including battery production externalities and the problems caused by road congestion)
- the production of cars of all types is both energy-intensive and resource-intensive
- the infrastructure requirements of different types of car (petrol stations/charging stations for EVs)
- arguments for and against taxing cars/driving to internalise externalities, to raise revenue (possibly for hypothecation on road spending or public transport)
- arguments for and against subsidies and tax exemptions for ‘green’ cars, such as electric vehicles, or research and development in this field
- arguments for and against public support for research and development into battery recycling, as discussed in **Extract C**
- arguments for and against regulation to ensure minimum environmental standards
- tradeable pollution permit schemes, eg for the disposal of waste
- arguments for and against subsidising public transport
- arguments for and against promoting walking, cycling, or other healthier alternatives to driving
- consideration of behavioural influences on incentives
- arguments for and against allowing the market to operate freely (eg consumers are already choosing to avoid dirtier cars)
- 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 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 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 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 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 2025

0 2 Explain how the data in **Extract A (Figure 1 and Figure 2)** show that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice.

[4 marks]

Response:	Max 4 marks
- Includes evidence that shows that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice. - Clearly explains how this data is evidence that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice.	4 marks
- Includes evidence that shows that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice. - Explanation of how this data is evidence that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice.	3 marks
- Includes some evidence that shows that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice. - Limited explanation of how this data is evidence that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice.	2 marks
- Includes evidence that does not clearly show that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice. - No explanation of how this data is evidence that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice.	1 mark

Relevant issues include:

- Figure 1 shows how India has grown its share of world rice exports so that by 2022 it accounted for approximately 40% of the world total
- the country with the second largest market share of world rice exports, Thailand, only accounted for just over 15% of the world total
- the dominance of India in rice exports suggests that the decision to ban exports is likely to have led to a considerable reduction in the supply of rice on the world market
- Figure 2 shows that the price of rice has risen from an index of 109 in August 2022 to an index of 139 in October 2023
- this price increase goes against the general downwards trend of both cereals and all foods over the same period: cereal prices have fallen from a peak of 173 to 125 and food prices have fallen from a peak of 160 to 121
- from June 2023 onwards, the index of rice prices has been higher than the indices for cereals and all food, in contrast to the majority of the period from 2021 onwards where the rice price index was lower
- the data suggest that India has a degree of monopoly power and that the export ban has led to excess demand for rice on the world market, causing the price of rice to rise significantly in 2023.

For Figure 2 allow a margin of error of +/- 2 index points and +/- 1 month

MAXIMUM FOR QUESTION 02: 4 MARKS

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

Section B

Essay 1

Total for this essay: 40 marks

0	9
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 Explain how the price mechanism allocates resources in a market economy.

[15 marks]

Areas for discussion include:

- definition of price mechanism, resource allocation and market economy
- explanation of the way in which demand and supply functions interact in equilibrium to determine price and quantity
- explanation of the rationing function of prices in allocating resources and coordinating the decisions of buyers and sellers in a market economy
- explanation of the signalling function of prices in allocating resources and coordinating the decisions of buyers and sellers in a market economy
- explanation of the incentives function of prices in allocating resources and coordinating the decisions of buyers and sellers in a market economy
- the role of prices in product and factor markets
- the interaction between markets
- use of examples.

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 09: 15 MARKS

MARK SCHEME – A-LEVEL ECONOMICS – 7136/1 – JUNE 2024

Essay 2

Total for this essay: 40 marks

1	1
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Explain the likely impact on consumer surplus and producer surplus as an industry moves away from a competitive market structure to one that is dominated by a few large firms.

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

- definitions of perfect competition, monopoly, oligopoly, consumer surplus and producer surplus
- explanation of the features of competitive markets
- explanation of the features of concentrated markets
- the connection between monopoly power and the ability of firms to set their own price
- why firms would set $MR=MC$ in order to profit-maximise
- explanation and analysis of why output is likely to be lower and price higher when an industry is dominated by a few large firms than when there is a competitive market structure
- explanation and analysis of how this is likely to reduce consumer surplus for two reasons: lower consumption and higher prices
- explanation and analysis of why producer surplus is likely to increase, as otherwise firms would be unlikely to take this course of action (although they may lose some customers, prices are higher)
- explanation of how the movement towards a market structure that is dominated by a few large firms is likely to reduce the sum of consumer and producer surplus (through the creation of a deadweight loss)
- use of examples.

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 16 to award students marks for this question.

MAXIMUM FOR QUESTION 11: 15 MARKS

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

Section B

Essay 1

Total for this essay: 40 marks

0	9
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 Explain how the imposition of a tax on a good or service affects both consumer surplus and producer surplus.

[15 marks]

Areas for discussion include:

- definitions of tax, consumer surplus, producer surplus
- explanation of how tax raises the costs of production for producers, reducing their willingness to supply at any given price level
- how firms will usually look to pass on at least some of this higher tax to consumers in the form of higher prices
- alternatively, firms may respond to the higher tax by not raising prices much, instead paying the tax out of their profits, if indeed they make any such profits. Other firms may be forced out of business by the tax, thus limiting supply
- how the incidence of tax is determined by the price elasticity of demand for the good or service. When PED is low, the consumer surplus is affected more than the producer surplus. When PED is high, the opposite is true
- some of the lost consumer and producer surplus is likely to be transferred to the government via tax revenue. However, there is also likely to be some degree of deadweight loss as a result of the reduced economic activity brought about by the tax
- use of examples.

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 09: 15 MARKS

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

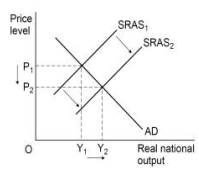
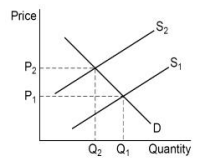
SECTION A

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 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)