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AQA AS ECONOMICS: QUESTIONS BY TOPIC

The Market Mechanism, Market Failure and Government Intervention in Markets

AQA AS Economics 7135 — Topic 4.1.8

42 questions · 212 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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2. Q06	AS Paper 1, Section A (MCQ) June 2022	1	6
3. Q27	AS Paper 1, Context 2 June 2019	3	7
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QUESTION	SOURCE	MARKS	PAGE
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QUESTIONS

42 questions · 212 marks · 7 sub-topics



SUB-TOPIC 4.1.8.2

THE MEANING OF MARKET FAILURE

Sub-topic 4.1.8.2 · 9 questions · 62 marks · lowest tariff first

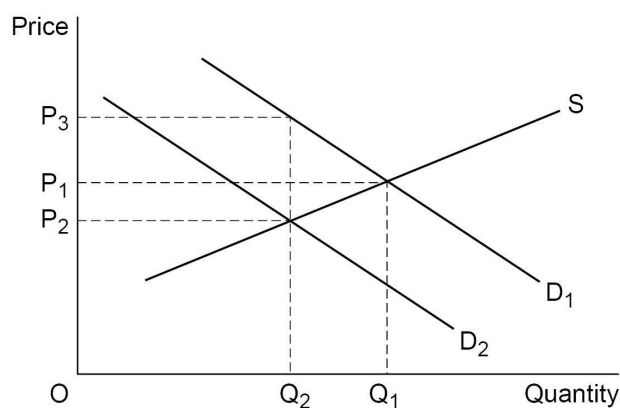


3

0 3

The following diagram shows the free market supply (S) and demand (D_1) for a good when there is imperfect information. D_2 shows the level of demand if consumers had full information about the effects of consuming the good.

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Which one of the following government policies is most likely to result in the social optimum level of consumption?

- A A maximum price equal to P_3
- B A minimum price equal to P_2
- C A subsidy per unit equal to $P_1 - P_2$
- D A tax per unit equal to $P_3 - P_2$

☐
☐
☐
☐

[1 mark]

0 4

Firms in the steel industry in an economy move abroad to where costs are lower. The redundant steel workers are occupationally immobile. This situation represents a market failure because

- A domestic steel production is replaced by imported steel.
- B some factors of production will not be fully employed.
- C there is no government provision of training schemes.
- D there will be underproduction of a merit good.

☐
☐
☐
☐

[1 mark]

Turn over ►



0 3

IB/M/Jun19/7135/1

4

Do not write
outside the
box**0 5** A public good always has the characteristic that

- A** consumption by one person does not reduce availability to others. ☐
- B** it is provided free of charge by the government to all citizens. ☐
- C** its consumption gives rise to positive externalities for others. ☐
- D** the supply is funded from a government's tax revenue. ☐

[1 mark]**0 6** Which one of the following best describes the market conditions for a firm in a perfectly competitive market?

- A** Limited consumer information and no product differentiation ☐
- B** Low entry barriers and some product differentiation ☐
- C** No entry barriers and low price-setting power ☐
- D** No price-setting power and unlimited consumer information ☐

[1 mark]

0 4

IB/M/Jun22/7135/1

23

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

Context 2

Total for this context: 50 marks

DENTAL CARE

Use the insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 7 Define 'competitive market' **Extract F** (line 17).

[3 marks]

2 8 **Extract F** (line 6) states: 'Currently, about 60 000 people are admitted to hospital each year because of tooth decay...'

If the population increases by 2.25% in the following year, other things being equal, calculate, to the nearest child, the number of children expected to be admitted to hospital because of tooth decay.

[4 marks]

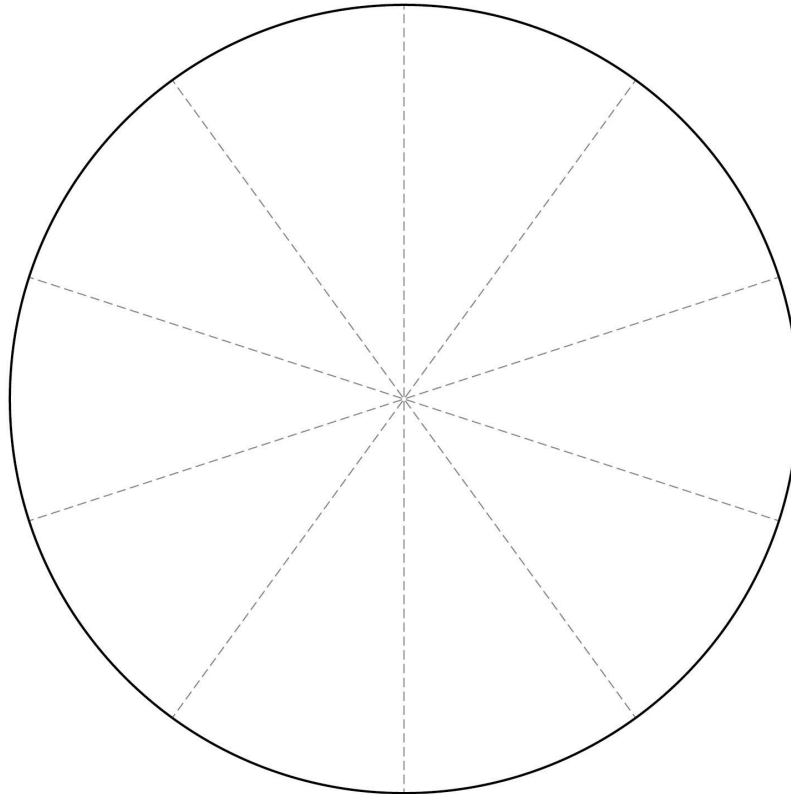
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15

Do not write
outside the
box**2 4**

Use the data in **Extract B** to complete the pie chart to show the market shares in the supermarket industry of each of the following in December 2015: Asda, Morrisons, Sainsbury's, Tesco and 'the rest'.

[4 marks]

As a guide, each sector of the pie chart above represents 10% of the total market share. Use of a protractor is not required.

Turn over for the next question**Turn over ►**

IB/G/Jun17/7135/1

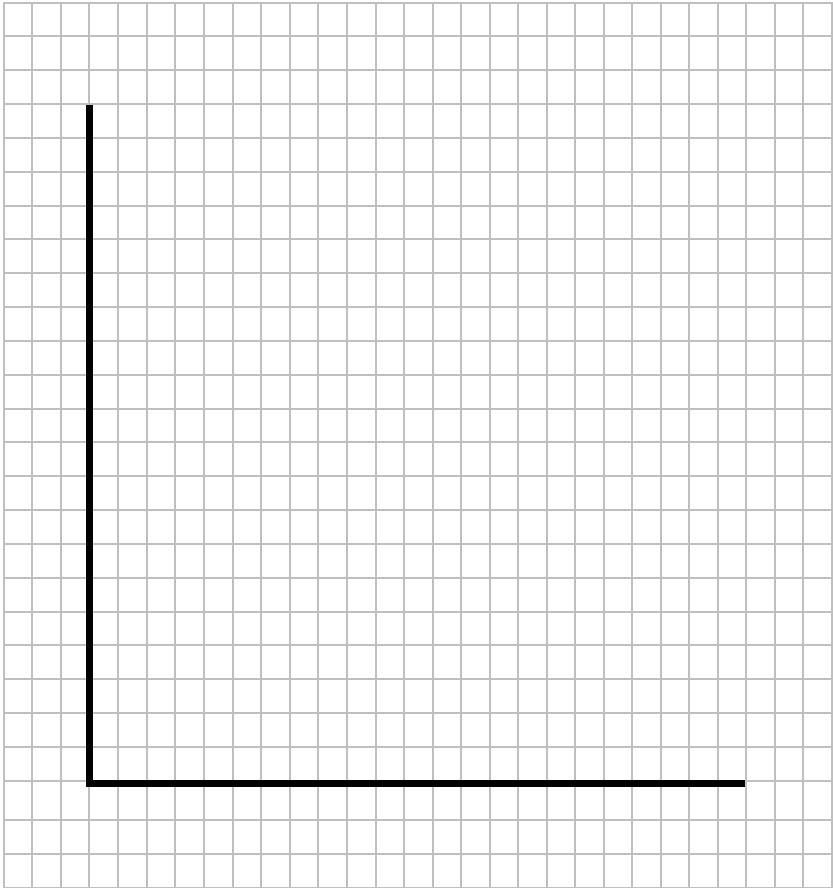
30

Extract E (lines 2–3) states: ‘The minimum age for buying alcohol is 18, although in some countries, such as the US, the minimum age is 21’.

Draw a diagram to show the impact on the market for alcohol of raising the age for buying alcohol in the UK from 18 to 21.

[4 marks]

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Turn over for the next question

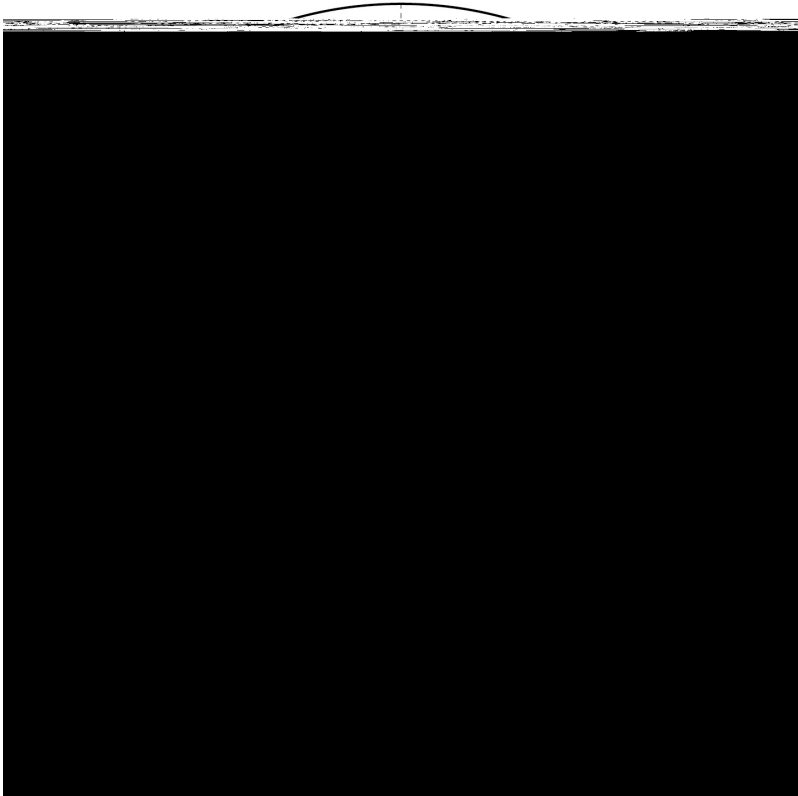
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24

Use the data in **Extract A (ii)** to complete the pie chart to show the market shares of each of the following oil producers in 2019: Canada, OPEC, Russia, the United States and Others.

[4 marks]



As a guide, each sector of the pie chart above represents 10% of the total market share. Use of a protractor is not required.

Turn over for the next question

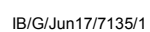
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[10 marks]

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27

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Extra space



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[10 marks]

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IB/M/Jun23/7135/1

17

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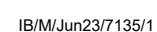


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[25 marks]

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[illegible]

20

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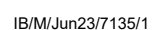
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22

Do not write
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50



23

Do **not** answer Context 2 if you have answered Context 1.Do not write
outside the
box

OR

Context 2

Total for this context: 50 marks

DRONES

Use the Insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 | 7 Define 'factors of production' **Extract F** (line 2).

[3 marks]

2 | 8 **Extract F** (lines 10–12) states: 'The total cost of a delivery consists of £150 for the drone and another £350 to carry out the whole operation. The drone carries food weighing 110 pounds (50 kilos), enough for 50 people for a day.'

Calculate the average total cost of delivering food weighing one pound. Give your answer to the **nearest penny**.

[4 marks]

Turn over ►



IB/M/Jun23/7135/1

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SUB-TOPIC 4.1.8.3

PUBLIC GOODS, PRIVATE GOODS AND QUASI-PUBLIC GOODS

Sub-topic 4.1.8.3 · 3 questions · 5 marks · lowest tariff first



7

1 | 1

A clothes retailer has experimented with changing the prices of various items of clothing sold in their shop. The table below shows the different prices per item in 2 years.

	Year 1	Year 2
Socks	£6	£8
T-shirts	£15	£11
Trainers	£40	£42
Trousers	£33	£38

Other things being equal, which one of the following changes from **Year 1** to **Year 2** is the retailer most likely to experience?

- A** A decrease in revenue from socks if the price elasticity of demand is minus one
- B** A decrease in revenue from T-shirts if the price elasticity of demand is elastic
- C** An increase in revenue from trainers if the price elasticity of demand is inelastic
- D** An increase in revenue from trousers if the price elasticity of demand is elastic

☐☐☐☐

[1 mark]

1 | 2

The benefit one person obtains from breathing clean air does not reduce the benefits other people can obtain from the clean air. This characteristic represents

- A** non-excludability of a public good.
- B** non-rivalry of a public good.
- C** optimum provision of a public good.
- D** the free-rider problem of a public good.

☐☐☐☐

[1 mark]

Turn over for the next question

Turn over ►



0 7

IB/M/Jun19/7135/1

4

Do not write
outside the
box**0 5** A public good always has the characteristic that

- A** consumption by one person does not reduce availability to others. ☐
- B** it is provided free of charge by the government to all citizens. ☐
- C** its consumption gives rise to positive externalities for others. ☐
- D** the supply is funded from a government's tax revenue. ☐

[1 mark]**0 6** Which one of the following best describes the market conditions for a firm in a perfectly competitive market?

- A** Limited consumer information and no product differentiation ☐
- B** Low entry barriers and some product differentiation ☐
- C** No entry barriers and low price-setting power ☐
- D** No price-setting power and unlimited consumer information ☐

[1 mark]

0 4

IB/M/Jun22/7135/1

12

Section B

Look at the insert and choose to answer **EITHER** Context 1 **OR** Context 2.

Answer **EITHER** Questions 21 to 26 in the spaces below

OR

Questions 27 to 32 on pages 23 to 32 of this answer booklet.

There is a total of 50 marks for either Context.

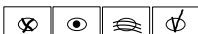
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Shade the circle below to indicate which context you have answered.

Context	0	1	
---------	---	---	---

Context	0	2	
---------	---	---	---

WRONG METHODS



CORRECT METHOD



EITHER

Context 1

Total for this Context: 50 marks

LIBRARIES

Use the insert provided to study **Questions 21 to 26** and **Extracts A, B and C**, and then answer the questions in the spaces which follow.

2	1
---	---

Define 'public good' **Extract C** (line 18).

[3 marks]

Extra space _____



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SUB-TOPIC 4.1.8.4

POSITIVE AND NEGATIVE EXTERNALITIES

Sub-topic 4.1.8.4 · 5 questions · 7 marks · lowest tariff first



2

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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

Demerit goods represent a type of market failure because

- A their consumption results in positive externalities. 
- B their production results in negative production externalities. 
- C they are over-consumed in a free market. 
- D they are under-consumed when left to free market forces. 

[1 mark]

0 2

Which one of the following sets of characteristics can best be used to distinguish between different market structures?

- A The concentration ratio and the income elasticity of demand 
- B The ease of entry to the industry and the degree of product differentiation 
- C The number of buyers in the market and the productivity of firms 
- D The scale of production in the industry and the presence or absence of externalities 

[1 mark]



IB/G/Jun17/7135/1

5

0 8

Which one of the following is an example of the economic resource capital?

Do not write
outside the
box**A** A bank loan to a small business☐**B** A scientific research laboratory☐**C** Government subsidies for wind power☐**D** Money in a savings account☐**[1 mark]****0 9**

Training provided by firms in a free market economy may be underprovided because some of the benefits from training may be captured by other firms when the workers change jobs. Which one of the following best describes this situation?

A A negative production externality and a missing market☐**B** A negative production externality and partial market failure☐**C** A positive production externality and a missing market☐**D** A positive production externality and partial market failure☐**[1 mark]****1 0**The income elasticity of demand for baked beans is -0.4 .

Weekly sales of baked beans are 73 000 tins.

If household incomes fall by 5%, then the new weekly sales of baked bean tins would be

A 63 875☐**B** 71 540☐**C** 74 460☐**D** 82 125☐**[1 mark]**

0 5

Turn over ►

IB/G/Jun18/7135/1

4

0 5

A government plans to build a new road to bypass a small town. The table below shows the costs and benefits of two possible routes for the new road.

	'Blue route'	'Green route'
	£ million	
Private costs	44	34
Private benefits	72	46
External costs	9	8
External benefits	18	17

The government intends to choose the route that has the higher ratio of social benefits to social costs. This ratio (correct to one decimal place) is

A 1.5:1

☐

B 1.7:1

☐

C 2.0:1

☐

D 2.1:1

☐**[1 mark]****0 6**

The market for crab sandwiches experiences an increase in the price and an increase in the output of crab sandwiches. Which of the following combinations of events is the only one that could have caused these changes?

A A fall in the price of tuna sandwiches and a fall in the price of crab

☐

B A new tax on food packaging and a fall in labour productivity

☐

C A rise in the price of prawn sandwiches and a rise in the price of bread

☐

D New entry of firms into the sandwich market and a reduction in the minimum wage

☐**[1 mark]**

0 4

IB/M/Jun19/7135/1

8

1 | 2

Table 1 shows the market shares of supermarkets in an economy in 2020.

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box

Table 1

Company	% share of market
Fresh Co	35
Food Co	28
Value Co	16
Other companies	21

In 2021, **Value Co** fails to make any profits and decides to leave the market.

The most likely result is that the

[1 mark]

- A** market becomes more competitive.
- B** monopoly power of Fresh Co increases.
- C** other companies' market share rises to 37%.
- D** two-firm concentration ratio becomes 63%.

☐
☐
☐
☐

1 | 3

Hedges around fields encourage wildlife and bring widespread benefits but many farmers choose to have wire fences instead.

Which one of the following best describes the resulting failure in the market for hedges?

[1 mark]

- A** The social optimum output is greater than the free market output because the private benefit is greater than the social benefit.
- B** The social optimum output is greater than the free market output because the private benefit is less than the social benefit.
- C** The social optimum output is less than the free market output because the private benefit is greater than the social benefit.
- D** The social optimum output is less than the free market output because the private benefit is less than the social benefit.

☐
☐
☐
☐


0 8

IB/M/Jun23/7135/1

23

Do not write
outside the
boxDo **not** answer Context 2 if you have answered Context 1.**OR****Context 2****Total for this Context: 50 marks****GAMBLING**

Use the source booklet provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 7Define 'external costs' **Extract F** (line 18).**[3 marks]**

Extra space

2 8

Use **Extract E** to calculate, to **one** decimal place, the percentage change in the number of workers in the gambling sector between 2011 and 2015.

[4 marks]

**Turn over ►**

IB/G/Jun17/7135/1

SUB-TOPIC 4.1.8.5

MERIT AND DEMERIT GOODS

Sub-topic 4.1.8.5 · 2 questions · 2 marks · lowest tariff first



4

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0 4

A soap manufacturer experiences a fall in long-run average costs. This is most likely to be the result of

[1 mark]

- A** fewer external economies of scale.
- B** lower labour productivity.
- C** opportunities for internal economies of scale.
- D** total costs increasing by more than output.

☐☐☐☐

0 5

A government decides that visitor centres in nature reserves are merit goods and therefore increases their provision.

It can be concluded that this decision

[1 mark]

- A** avoided government failure.
- B** did not have an opportunity cost.
- C** ensured provision of a public good.
- D** involved a normative judgement.

☐☐☐☐

0 6

The median income is higher in country W than in country Z.

It can be concluded that

[1 mark]

- A** incomes are more equitably distributed in country W than in country Z.
- B** incomes are more unequally distributed in country Z than in country W.
- C** the mean income may be higher or lower in country Z compared with country W.
- D** the ratio of the highest to lowest income is greater in country W than in country Z.

☐☐☐☐

IB/M/Jun23/7135/1

9

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1 4

Which one of the following is the most likely outcome of greater division of labour in a tractor factory?

[1 mark]

- A A reduction in labour costs
- B Higher job satisfaction
- C Less use of machinery
- D More skills acquired by workers

☐☐☐☐

1 5

A government sets a maximum price for fruit below the market price to try to encourage healthier eating.

All other things being equal, which one of the following will result in the lowest amount of excess demand for fruit at the maximum price?

[1 mark]

- A Demand is income elastic and supply is price elastic.
- B Demand is income inelastic and supply is price inelastic.
- C Demand is price elastic and supply is price elastic.
- D Demand is price inelastic and supply is price inelastic.

☐☐☐☐

1 6

Healthcare in the UK is provided by the public sector and by private firms. Public sector provision ensures that healthcare is free at the point of consumption for individuals without private health insurance and for those unable to pay for healthcare.

Which one of the following can be concluded about healthcare in the UK?

[1 mark]

- A Healthcare has the characteristics of a private and public good.
- B Production of healthcare addresses the basic economic questions of 'how' and 'for whom'.
- C Provision of healthcare is equitable.
- D The supply of healthcare achieves productive efficiency.

☐☐☐☐

Turn over ►



0 9

IB/M/Jun23/7135/1

SUB-TOPIC 4.1.8.8

PUBLIC OWNERSHIP, PRIVATISATION, REGULATION AND DEREGULATION

Sub-topic 4.1.8.8 · 2 questions · 26 marks · lowest tariff first



4

0 5

Ben owns a small business that makes hand-made guitars.

One year he sells 160 guitars, his total revenue is £78 400, and his total costs are £59 200.

The average profit that Ben earns on each guitar is

A £120☐**B** £370☐**C** £490☐**D** £860☐**[1 mark]****0 6**

Which one of the following is most likely to reduce the benefits of specialisation?

A A reduction in government regulations☐**B** An increase in competition☐**C** Taxes on pollution☐**D** Trade conducted by bartering☐**[1 mark]****0 7**

Smoking cigarettes generates negative consumption externalities.

This means that

A the private benefit from smoking includes the consumption externalities.☐**B** the social benefit from smoking is less than the private benefit.☐**C** the social benefit from smoking is negative.☐**D** the social optimum level of smoking is zero.☐**[1 mark]**

0 4

IB/G/Jun18/7135/1

28

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3	2
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Extract F (lines 17–18) states ‘should there be more regulations or taxes to try to reduce the effects of gambling, in terms of both its private and external costs?’

Use the extracts and your knowledge of economics to assess whether the UK government should intervene more in the gambling industry.

[25 marks]

[illegible]

IB/G/Jun17/7135/1

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IB/G/Jun17/7135/1

30

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Extra space



IB/G/Jun17/7135/1

31

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IB/G/Jun17/7135/1

32

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END OF QUESTIONS

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SUB-TOPIC 4.1.8.9

GOVERNMENT INTERVENTION IN MARKETS

Sub-topic 4.1.8.9 · 19 questions · 108 marks · lowest tariff first



5

0 8

Which one of the following is an example of the economic resource capital?

Do not write
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box**A** A bank loan to a small business☐**B** A scientific research laboratory☐**C** Government subsidies for wind power☐**D** Money in a savings account☐**[1 mark]****0 9**

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0 5

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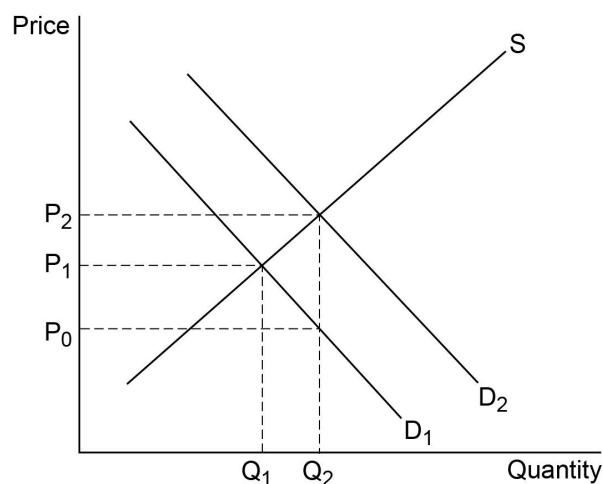
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7

1 2

In the following diagram D_1 shows the market demand for smoke alarms when consumers have imperfect information about the benefits of installing a smoke alarm. If consumers had full information, the market demand for smoke alarms would be D_2 .

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Which one of the following policies is most likely to ensure that consumption and production of smoke alarms are at the social optimum level?

A A maximum price set at P_0

☐

B A maximum price set at P_2

☐

C A subsidy per unit equal to $P_1 - P_0$

☐

D A subsidy per unit equal to $P_2 - P_0$

☐

[1 mark]

1 3

In an economy hit by a recession, the owner of a small firm decides to continue to operate despite making losses.

This decision suggests that

A firms may have objectives other than profit maximisation.

☐

B monopoly power is widespread in the economy.

☐

C some small firms produce merit goods.

☐

D the firm's average revenue is greater than its average cost.

☐

[1 mark]



0 7

Turn over ►

IB/G/Jun18/7135/1

10

*Do not write
outside the
box***1 7**

Which one of the following would generate a short-run disequilibrium with excess supply in the market for Cornish pasties?

A A minimum price for Cornish pasties is set above the current market price

☐

B Higher meat prices increase the cost of producing Cornish pasties

☐

C More advertising increases the demand for Cornish pasties

☐

D The government levies a new indirect tax on Cornish pasties

☐**[1 mark]****1 8**

One way to allocate road space in a congested city would be to charge drivers to use the roads.

One reason why this policy is likely to result in a more efficient allocation of resources is because

A incentives to build new roads would be higher.

☐

B only higher income drivers would choose to use the roads.

☐

C road use would be rationed to drivers who benefit from it the most.

☐

D the government would raise a large amount of revenue from drivers.

☐**[1 mark]****1 9**

Firms in an industry with a high concentration ratio will typically experience

A a large amount of competition.

☐

B a large degree of monopoly power.

☐

C few economies of scale.

☐

D low prices and profits.

☐**[1 mark]**

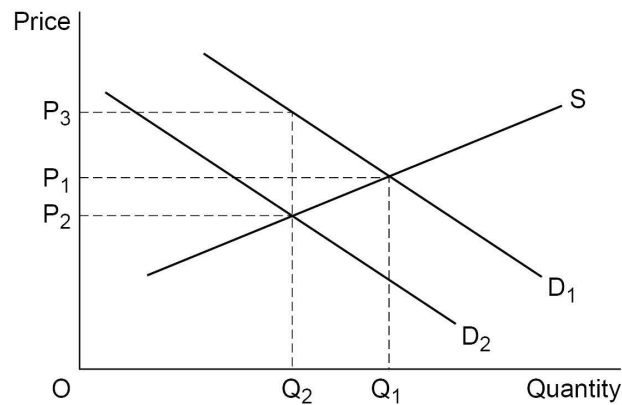
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3

0 3

The following diagram shows the free market supply (S) and demand (D_1) for a good when there is imperfect information. D_2 shows the level of demand if consumers had full information about the effects of consuming the good.



Which one of the following government policies is most likely to result in the social optimum level of consumption?

- A A maximum price equal to P_3
- B A minimum price equal to P_2
- C A subsidy per unit equal to $P_1 - P_2$
- D A tax per unit equal to $P_3 - P_2$

☐☐☐☐

[1 mark]

0 4

Firms in the steel industry in an economy move abroad to where costs are lower. The redundant steel workers are occupationally immobile. This situation represents a market failure because

- A domestic steel production is replaced by imported steel.
- B some factors of production will not be fully employed.
- C there is no government provision of training schemes.
- D there will be underproduction of a merit good.

☐☐☐☐

[1 mark]

Turn over ►



0 3

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10

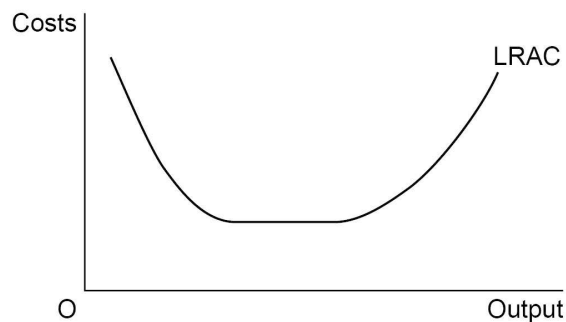
1 | 7

A government sets a maximum price below the current market price for rented housing. The likely long-run consequence is that

- A** fewer people can live in rented housing.
- B** the rationing function of prices will improve.
- C** there will be a fall in supply of owner-occupied housing.
- D** there will be excess supply of rented housing.

☐☐☐☐**[1 mark]****1 | 8**

The following diagram shows the long-run average cost curve (LRAC) for a firm.



From the diagram it can be concluded that

- A** average fixed costs will fall and then rise.
- B** economies of scale are present at some levels of output.
- C** the firm will inevitably experience diseconomies of scale.
- D** total costs must first fall and then rise.

☐☐☐☐**[1 mark]**

IB/M/Jun19/7135/1

5

0 7

Weekly sales of doughnuts are 20 000 and the market price is £1.20 per doughnut. The government introduces a new indirect tax of 15p per doughnut. Sales fall to 16 000 a week and the price rises to £1.30 per doughnut.

The share of the total weekly tax that is borne by doughnut producers is

A £800☐**B** £1000☐**C** £1600☐**D** £2400☐**[1 mark]****0 8**

An economist puts forward a hypothesis, collects evidence to test it, and then accepts, modifies, or rejects the hypothesis.

This is an example of

A a positive policy statement.☐**B** economic methodology.☐**C** how value judgements influence economic decisions.☐**D** normative economics.☐**[1 mark]**

Turn over for the next question

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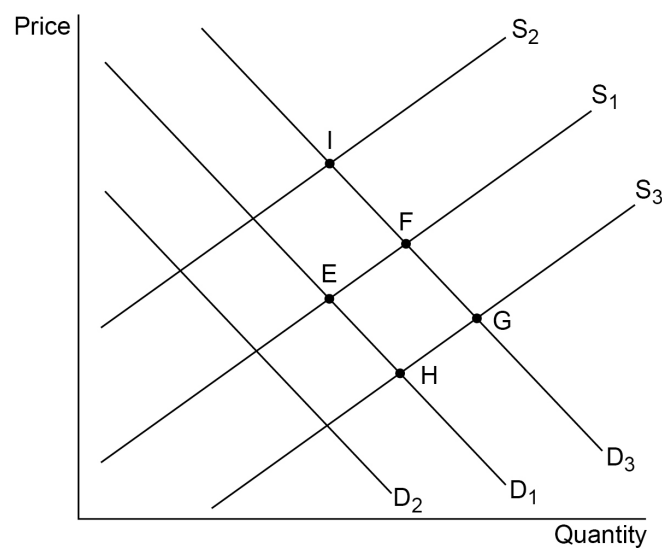
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0 5

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3

0 3**Figure 1** shows the demand (**D**) and supply (**S**) curves for scooters.Market equilibrium is initially at **E**, the intersection of **D₁** and **S₁**.Do not write
outside the
box**Figure 1**

The government announces a cut in the indirect tax on scooters and an increase in the indirect tax on bicycles, a substitute for scooters.

Which one of the following is most likely to be the new equilibrium in the market for scooters?

[1 mark]

- | | |
|------------|-----------------------|
| A F | ☐ |
| B G | ☐ |
| C H | ☐ |
| D I | ☐ |

Turn over ►

0 3

IB/M/Jun23/7135/1

9

Do not write
outside the
box**1 | 4**

Which one of the following is the most likely outcome of greater division of labour in a tractor factory?

[1 mark]

- A** A reduction in labour costs
- B** Higher job satisfaction
- C** Less use of machinery
- D** More skills acquired by workers

☐☐☐☐**1 | 5**

A government sets a maximum price for fruit below the market price to try to encourage healthier eating.

All other things being equal, which one of the following will result in the lowest amount of excess demand for fruit at the maximum price?

[1 mark]

- A** Demand is income elastic and supply is price elastic.
- B** Demand is income inelastic and supply is price inelastic.
- C** Demand is price elastic and supply is price elastic.
- D** Demand is price inelastic and supply is price inelastic.

☐☐☐☐**1 | 6**

Healthcare in the UK is provided by the public sector and by private firms. Public sector provision ensures that healthcare is free at the point of consumption for individuals without private health insurance and for those unable to pay for healthcare.

Which one of the following can be concluded about healthcare in the UK?

[1 mark]

- A** Healthcare has the characteristics of a private and public good.
- B** Production of healthcare addresses the basic economic questions of 'how' and 'for whom'.
- C** Provision of healthcare is equitable.
- D** The supply of healthcare achieves productive efficiency.

☐☐☐☐**Turn over ►**

0 9

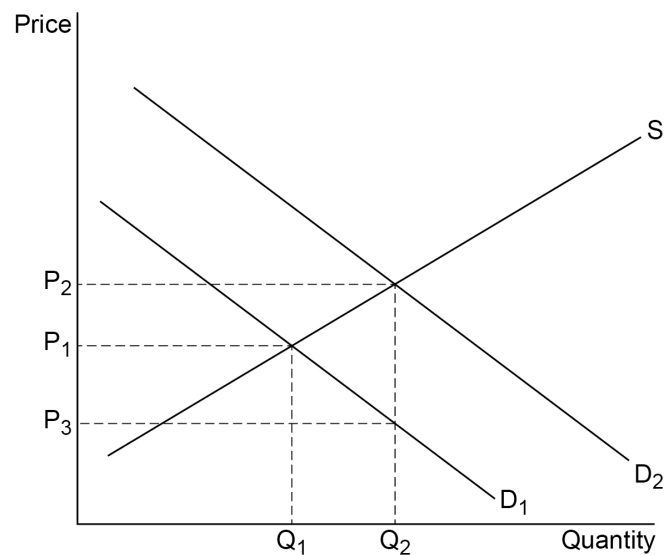
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1 | 7

Figure 4 shows the free market demand (D_1) and supply (S) curves for a merit good. D_2 is the demand curve if all the benefits from consuming the good are taken into account.

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Figure 4

Which one of the following government policies would be most likely to achieve the socially optimal level of consumption?

[1 mark]

- A** A maximum price of P_3
- B** A minimum price of P_2
- C** A subsidy of P_1 minus P_3 per unit
- D** A subsidy of P_2 minus P_3 per unit

☐☐☐☐

1 | 8

The income elasticity of demand for cheese sandwiches is -1.2 .

This means that cheese sandwiches

[1 mark]

- A** are a normal good.
- B** are an inferior good.
- C** have an income inelastic demand.
- D** have many substitutes.

☐☐☐☐

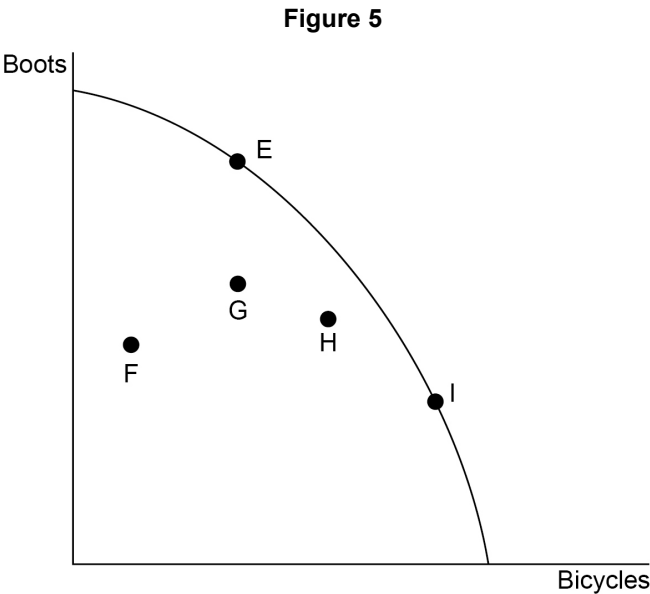
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1 9

Figure 5 shows the production possibility curve for an economy producing boots and bicycles. The initial combination of boots and bicycles produced is shown by point **E**.

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A change in consumer preferences causes the boot industry to contract and the bicycle industry to expand.

If labour is not fully mobile between the two industries, then the new combination of boots and bicycles produced is most likely to be at

[1 mark]

- A point F. ☐
- B point G. ☐
- C point H. ☐
- D point I. ☐

2 0

Which one of the following characteristics of firms can be used to distinguish between market structures?

[1 mark]

- A Firms' productivity and total costs ☐
- B The amount that firms choose to produce ☐
- C The extent to which firms differentiate their products ☐
- D The type of technology used by firms ☐

20

END OF SECTION A

Turn over ►



6

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0 8

In the market for apples, at the current market price of £3 per kilo, consumers buy 5000 kilos and farmers produce 6000 kilos each week.

It can be concluded that

- A consumers are unaware of the positive externalities from eating apples. ☐
- B the government must have set a maximum price for apples. ☐
- C the prices of substitute fruit such as oranges and pears have risen. ☐
- D there is disequilibrium in the apple market and the price is likely to fall. ☐

[1 mark]

0 9

An online streaming firm increased its paying subscribers by 300% over a 4-year period. The firm's share of the total time people spent watching television doubled and profits grew rapidly.

Which one of the following is the most likely explanation for the firm's success?

- A A low concentration ratio in the industry meant that the firm faced little competition ☐
- B A low income elasticity of demand enabled the firm to raise the price of its subscription and increase its profits ☐
- C The firm was able to cut average costs by producing and selling a homogeneous product ☐
- D The firm was innovative and this increased barriers to entry for firms wishing to join the industry ☐

[1 mark]

1 0

Which one of the following statements about price elasticity of supply is correct?

Price elasticity of supply

- A increases when a firm's labour costs increase. ☐
- B is affected by the amount of spare capacity. ☐
- C measures the responsiveness of price to a change in supply. ☐
- D tends to be lower in the long run than in the short run. ☐

[1 mark]



0 6

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7

1 1

Antonio sells ice creams in the local park. In a typical week, he sells 500 ice creams at £2 each and his total costs are £700. One week he does not work, so he sells no ice creams but his total costs are £200.

What are his variable costs in a typical week?

- A £200
B £300
C £500
D £700

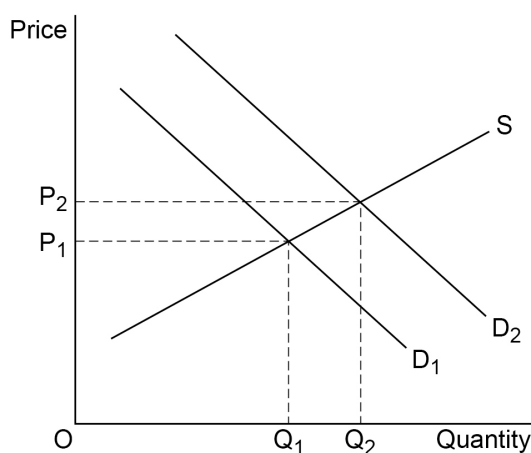
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[1 mark]

1 2

Figure 3 shows the market demand (D_1) and supply (S) of loft insulation material. If consumers have full information about the benefits of insulating their lofts, demand will be D_2 .

Figure 3



There is underproduction, $Q_2 - Q_1$, of loft insulation material because

- A at the social optimum, Q_2 , the price would be too high.
B firms have no incentive to increase output beyond Q_1 .
C firms lack information about the external benefits of loft insulation.
D the government has failed to set a minimum price for loft insulation.

☐
☐
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☐

[1 mark]

Turn over ►



0 7

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23

OR

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

Total for this context: 50 marks

AGRICULTURE

Use the insert provided to study **Questions 27 to 32** and **Extracts D, E and F**, and then answer the questions in the spaces which follow.

2 7Define 'minimum price' **Extract E** (line 6).**[3 marks]**

2 8

Extract E (lines 8–9) states: 'One prediction was that 20% of dairy farms would close in 2016'.

If there were 9633 dairy farms in England and Wales in January 2016, calculate, to the nearest whole number, how many dairy farms there would be in January 2017 if the prediction for the percentage of dairy farms closing in 2016 is correct.

[4 marks]



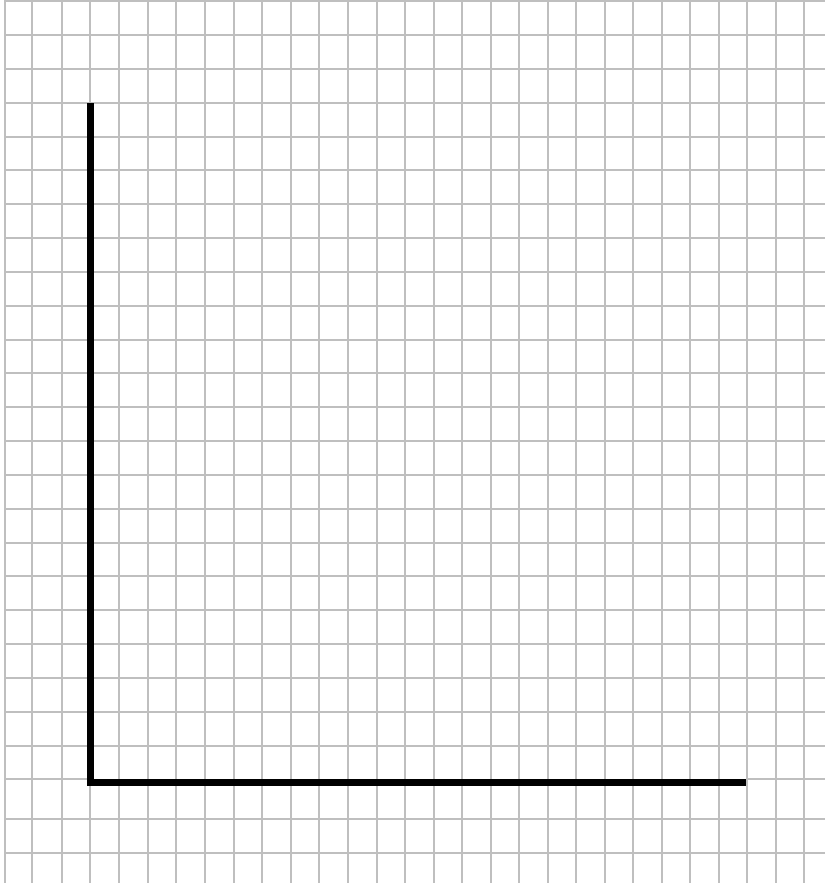
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15

2 | 4**Extract C** (line 20) states: 'Perhaps a maximum price should be set for water'.

Draw a diagram to show the impact on the market for water of setting a maximum price below the equilibrium.

[4 marks]**Turn over for the next question***Do not write
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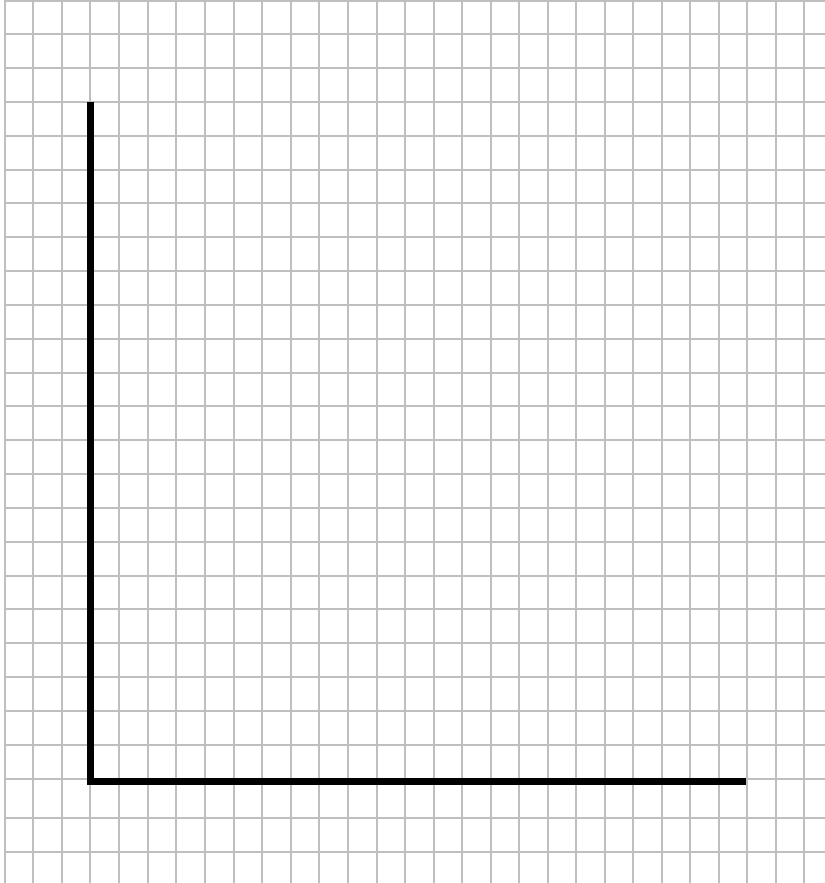
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23

3 0

Extract E (lines 10–12) states: ‘between 2006 and 2016, the price of tobacco rose by 43% more than general retail prices with the tax now being about 80% of the price.’

Draw a supply and demand diagram to show the effects on the market for cigarettes of the government imposing an indirect tax. The total amount of government tax revenue should be labelled clearly.

[4 marks]

Turn over for the next question

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70

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28

3	2
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Extract F (lines 18–19) states: ‘Should the UK government take an active role in agriculture, and if so, what policies should it implement?’

Use the extracts and your knowledge of economics to assess to what extent, if at all, the UK government should intervene in the agricultural sector.

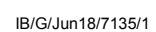
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32

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50

END OF QUESTIONS

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3	2
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Extract F (lines 19–20) states: ‘is there a need for the government to take more action to improve dental health in the UK, and if so, what should be done?’

Use the extracts and your knowledge of economics to evaluate whether the UK government should take more action to improve dental health in the UK.

[25 marks]

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83

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3	2
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Extract F (lines 20–21) states: ‘Cheap alcohol is wrecking lives and livelihoods in England as well as Scotland’.

Use the extracts and your knowledge of economics to assess whether a minimum price for alcohol should be introduced in England and Northern Ireland.

[25 marks]

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SUB-TOPIC 4.1.8.10

GOVERNMENT FAILURE

Sub-topic 4.1.8.10 · 2 questions · 2 marks · lowest tariff first



8

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1 3

A government builds a new road to reduce traffic congestion on existing roads. This project would inevitably result in government failure if

- A** local residents raised environmental objections to the new road. ☐
- B** the cost of the new road was twice as large as the original estimate. ☐
- C** the reduction in traffic congestion was smaller than forecast. ☐
- D** total benefits from the new road were less than the cost of the new road. ☐

[1 mark]

1 4

A supermarket has estimated values of the income elasticity of demand for some of its products as shown in the table below.

Product	Income elasticity of demand
Fruit	0.30
Cheese	0.20
Milk	0.10
Eggs	0.01

If incomes increase by 5%, for which of these grocery items will the quantity demanded increase by more than 1%?

- A** Eggs ☐
- B** Fruit ☐
- C** Fruit and cheese ☐
- D** Milk and eggs ☐

[1 mark]



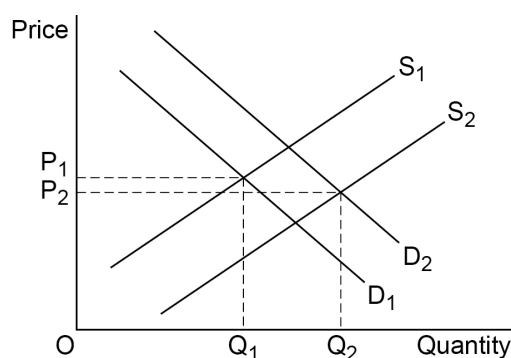
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3

0 2

Figure 1 shows demand (D) and supply (S) in the market for electric cars. Demand is initially at D_1 and supply at S_1 .

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Figure 1

Other things remaining the same, which one of the following combination of events could have caused demand to shift from D_1 to D_2 and supply from S_1 to S_2 ?

- A** Greater availability of roadside chargers for electric cars and a rise in workers' wages ☐
- B** Higher petrol prices and an increase in workers' productivity ☐
- C** Introduction of a road pricing scheme for all vehicles and higher diesel fuel prices ☐
- D** Lower rail and bus fares and the use of new technology for electric car production ☐

[1 mark]**0 3**

Government failure must have occurred when government intervention

- A** causes income inequality to increase. ☐
- B** has unintended consequences. ☐
- C** is based on imperfect information. ☐
- D** reduces total welfare in the economy. ☐

[1 mark]**Turn over ►**

0 3

IB/M/Jun20/7135/1

MARK SCHEMES

official mark schemes



MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

SECTION A

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

KEY LIST

1	C	11	C
2	C	12	B
3	D	13	C
4	B	14	B
5	B	15	A
6	C	16	D
7	B	17	A
8	D	18	B
9	B	19	B
10	D	20	A

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

SECTION A

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

KEY LIST

1	B (most resources are scarce.)	11	C (Labour productivity rose but production fell between January and February.)
2	A (1800)	12	B (A fall in workers' wages and a shift in preferences towards vegetarian food.)
3	D (Z to Y)	13	B (fixed costs become variable.)
4	A (demand that is elastic with respect to price.)	14	D (setting relative prices to determine the quantity of factors of production used in producing each good.)
5	A (consumption by one person does not reduce availability to others.)	15	C (£140)
6	D (No price-setting power and unlimited consumer information.)	16	C (New technology that increases the scope for economies of scale.)
7	A (£800)	17	D (substitute goods.)
8	B (economic methodology.)	18	D (the firm's output is too low.)
9	C (positive production externalities of £4 million.)	19	A (consumers cannot buy as much as they would like.)
10	B (movement along the supply curve for cocoa.)	20	D (A tax at the rate $P_2 P_3$)

Totals

A 5
B 5
C 4
D 6

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

Context 2 DENTAL CARE

Total for this context: 50 marks

2	7
---	---

 Define 'competitive market' **Extract F** (line 17).
[3 marks]

Level of response	Response	Max 3 marks
1	A full and precise definition is given.	3 marks
2	The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	2 marks
3	Some fragmented points are made.	1 mark

Examples of acceptable definitions worth 3 marks:

- a market with many buyers and sellers, good market information **and/or** ease of entry and exit (at least two categories required)
- a market where no single buyer or seller can influence market price and output
- a market where firms are trying to outdo their rivals.

Examples of a definition worth 2 marks:

- a market with many buyers and sellers, good market information **and/or** ease of entry and exit (only one category mentioned)
- a market where there are many firms selling identical products (ie confusion with perfectly competitive market).

Examples of a definition worth 1 mark:

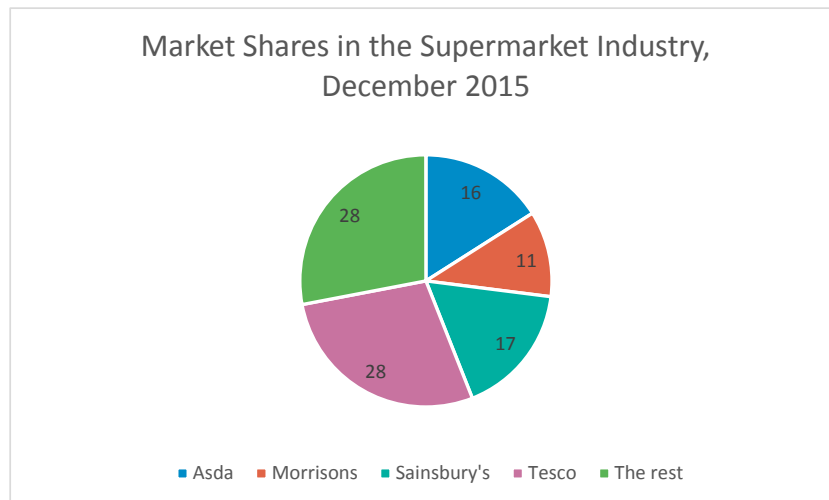
- a market with many firms
- a market where firms compete on price.

MAXIMUM FOR QUESTION 27: 3 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

- 24** Use the data in **Extract B** to complete the pie chart to show the market shares in the supermarket industry of each of the following in December 2015: Asda, Morrisons, Sainsbury's, Tesco and 'the rest'. **[4 marks]**

The correct diagram involves five sectors, with the correct areas and labels: Asda = 16%; Morrisons = 11%; Sainsbury's = 17%; Tesco = 28%; and 'the rest' = 28% **and/or** a key.



Accurately drawn and fully labelled pie chart, ie all five areas correct plus a clear indication of which sector is which.	4 marks
Accurately drawn pie chart, but with missing labels/key. OR Accurately labelled pie chart but with one or two sectors out of tolerance.	3 marks
Pie chart with missing labels/key and one or two sectors out of tolerance. OR Accurately labelled pie chart but with three or four sectors out of tolerance.	2 marks
Pie chart with one sector in tolerance and labelled/key. OR All sectors labelled/key but all sectors out of tolerance.	1 mark

Notes: The sectors can be in any order, with any starting point.
The sectors need to be named according to the supermarket and/or a key added, but the figures do not need to be written on the chart.
A title is not required.
Allow a margin of $\pm 2\%$.

MAXIMUM FOR PART 24: 4 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

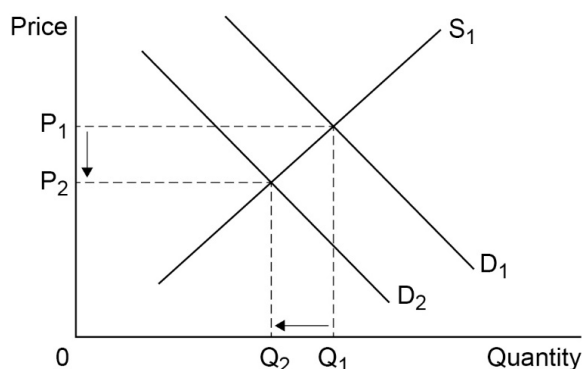
3 0

Extract E (lines 2–3) states: ‘The minimum age for buying alcohol is 18, although in some countries, such as the US, the minimum age is 21’.

Draw a diagram to show the impact on the market for alcohol of raising the age for buying alcohol in the UK from 18 to 21.

[4 marks]

The correct diagram involves a decrease in demand/shift to the left of the demand curve resulting in a decrease in quantity sold and a decrease in price.



Response	Max 4 marks
Accurately drawn D/S diagram showing a leftwards shift in D, old and new equilibrium price and quantity, eg P_1Q_1 , P_2Q_2 , with both axes and all curves and coordinates correctly labelled (arrows not needed).	4 marks
Accurately drawn D/S diagram showing a leftwards shift in D with one label missing or incorrect (on axis or curve). OR Accurately drawn D/S diagram showing a leftwards shift in D with one coordinate missing (P or Q).	3 marks
Accurately drawn D/S diagram showing a leftwards shift in D with two labels or coordinates missing/incorrect. OR Accurately drawn D/S diagram showing an initial equilibrium point and a leftwards shift in D but <u>also</u> a leftwards shift in S.	2 marks
Accurately drawn D/S diagram showing an initial equilibrium point with both axes, both original curves and both coordinates correctly labelled, eg P_1Q_1 . OR Accurately drawn D/S diagram showing an initial equilibrium point and a leftwards shift in D but <u>also</u> a leftwards shift in S <u>and</u> one or two labels missing.	1 mark

Notes: Horizontal axis allow: Quantity of alcohol, Quantity or Q (but not QD or QS or output).
Vertical axis allow: Price, P, £ or some monetary symbol (but not Price level).

MAXIMUM FOR QUESTION 30: 4 MARKS

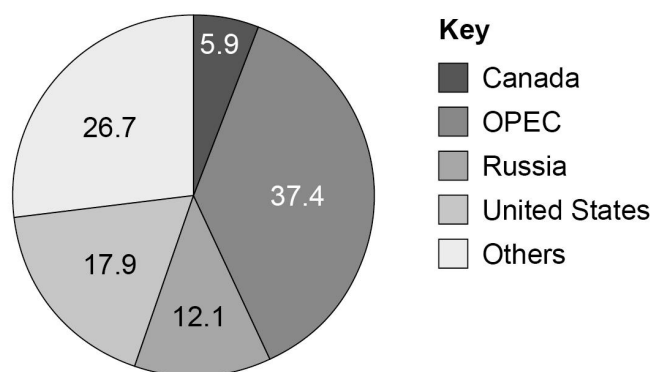
MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

- 2 4** Use the data in **Extract A (ii)** to complete the pie chart to show the market shares of each of the following oil producers in 2019: Canada, OPEC, Russia, the United States and Others.

[4 marks]

The correct diagram involves five sectors, with the correct areas and labels: Canada = 5.9%; OPEC = 37.4%; Russia = 12.1%; United States = 17.9%; and Others = 26.7% and/or a key.

Market shares of leading oil producers, 2019 (%)



Response	Max 4 marks
Accurately drawn and fully labelled pie chart, ie all five areas correct plus a clear indication of which sector is which	4 marks
Accurately drawn pie chart, but with missing labels/key OR Accurately labelled pie chart but with one or two sectors out of tolerance	3 marks
Pie chart with missing labels/key and one or two sectors out of tolerance OR Accurately labelled pie chart but with three or four sectors out of tolerance	2 marks
Pie chart with one sector in tolerance with label/key OR All sectors labelled/key but all sectors out of tolerance	1 mark

Notes: The sectors can be in any order, with any starting point.
The sectors need to be named according to the country and/or a key added, but the figures do not need to be written on the chart.
A title is not required.
Allow a margin of around $\pm 3\%$ points.

MAXIMUM FOR QUESTION 24: 4 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

31 *Extract E (lines 1-2) states that 'in 2007, before the recession, 68% of adults gambled, but by 2010, this had risen to 73%'.*

*Explain **two** factors that could have increased the percentage of adults who gamble.*
[10 marks]

	An answer that:	Max 10 marks
Level 3	- identifies two valid factors - 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 - may include a relevant diagram to support their explanation	8-10 marks
Level 2	- identifies at least one valid factor - 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 to support their explanation	4-7 marks
Level 1	- identifies at least one valid factor - 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 diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	1-3 marks

Relevant issues include:

- real income
- tastes/advertising/promotion
- technological changes making gambling more accessible
- perceived risk and reward/imperfect information
- availability of substitutes/variety of 'products'
- elasticity.

MAXIMUM FOR PART 31: 10 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

2 5 **Extract C** (lines 13–14) states: ‘Concerns about the impact of oil on the environment have led to the encouragement of renewable energy, such as solar, wind and tidal power’.

Explain how the development of renewable sources of energy is likely to affect the market for oil.

[10 marks]

Level of response	An answer that:	Max 10 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 • may include a relevant diagram to support their explanation.	8–10 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 to support their explanation.	4–7 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 diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	1–3 marks

Relevant issues include:

- meaning of ‘market’
- renewable energy and oil as substitute goods
- impact on the demand for oil
- impact on the price and quantity sold of oil
- impact on different markets for oil, eg fuel for transport, electricity generation, manufacture of fertiliser and plastics, etc
- significance of different elasticities, eg PED, PES and XED.

MAXIMUM FOR QUESTION 25: 10 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

2 6**Extract C** (lines 20–21) states: ‘Unstable prices, monopoly power, environmental concerns and a vital resource – should governments intervene more in the oil industry?’*Use the extracts and your knowledge of economics to evaluate ways in which governments could deal with the market failures in the oil industry.***[25 marks]****Areas for discussion include:**

- uses and importance of oil
- oil as a finite resource
- meanings and examples of market failures in the oil industry
- recent trends in the price of oil and impact of unstable prices
- evidence and significance of monopoly power
- environmental concerns
- analysis and evaluation of taxation of oil/products using oil
- analysis and evaluation of regulation
- analysis and evaluation of subsidising alternatives to oil
- analysis and evaluation of other possible ways in which governments could deal with the market failures in the oil industry
- who gains, who loses – impact on oil exporters, oil importers, businesses, consumers, etc
- significance of elasticities
- is there a viable substitute for all uses of oil?
- recognition that different policies may be needed for different market failures
- time taken to bring about substantial changes
- importance and difficulty of dealing with other governments involved in the oil industry or with different perspectives
- equity versus efficiency
- whether there is a need for more action
- market failure versus government failure
- an overall assessment of the different ways in which governments could deal with the market failures in the oil industry.

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.

MAXIMUM FOR QUESTION 26: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

SECTION A

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

KEY LIST

1	C	11	C
2	C	12	B
3	D	13	C
4	B	14	B
5	B	15	A
6	C	16	D
7	B	17	A
8	D	18	B
9	B	19	B
10	D	20	A

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

SECTION A

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

KEY LIST

1	B (most resources are scarce.)	11	C (Labour productivity rose but production fell between January and February.)
2	A (1800)	12	B (A fall in workers' wages and a shift in preferences towards vegetarian food.)
3	D (Z to Y)	13	B (fixed costs become variable.)
4	A (demand that is elastic with respect to price.)	14	D (setting relative prices to determine the quantity of factors of production used in producing each good.)
5	A (consumption by one person does not reduce availability to others.)	15	C (£140)
6	D (No price-setting power and unlimited consumer information.)	16	C (New technology that increases the scope for economies of scale.)
7	A (£800)	17	D (substitute goods.)
8	B (economic methodology.)	18	D (the firm's output is too low.)
9	C (positive production externalities of £4 million.)	19	A (consumers cannot buy as much as they would like.)
10	B (movement along the supply curve for cocoa.)	20	D (A tax at the rate $P_2 P_3$)

Totals

A 5
B 5
C 4
D 6

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

SECTION B

Context 1 LIBRARIES

Total for this context: 50 marks

21	Define 'public good' <i>Extract C</i> (line 18).	[3 marks]
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Level of response	Response	Max 3 marks
1	A full and precise definition is given.	3 marks
2	The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	2 marks
3	Some fragmented points are made.	1 mark

Examples of acceptable definitions worth 3 marks:

A product that is non-excludable and non-rival (an explanation of either term is an acceptable alternative, but both concepts need to be covered for 3 marks)

Examples of a definition worth 2 marks:

A product that is non-excludable or a product that is non-rival (as above, an explanation is acceptable)

Examples of a definition worth 1 mark:

A product that is provided by the government

A product that is non-rejectable (or explanation of non-rejectable)

MAXIMUM FOR PART 21: 3 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

SECTION A

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

KEY LIST

1	C	11	C
2	B	12	A
3	A	13	D
4	D	14	B
5	B	15	D
6	C	16	D
7	C	17	D
8	B	18	A
9	D	19	A
10	D	20	C

	<u>Total</u>
A	4
B	4
C	5
D	7
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

SECTION A

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

KEY LIST

1	D	11	C
2	C	12	D
3	C	13	A
4	A	14	B
5	A	15	D
6	D	16	D
7	B	17	A
8	B	18	C
9	D	19	B
10	C	20	A

	<u>Total</u>
A	5
B	4
C	5
D	6
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

SECTION A

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

KEY LIST

1	C	11	C
2	C	12	B
3	D	13	C
4	B	14	B
5	B	15	A
6	C	16	D
7	B	17	A
8	D	18	B
9	B	19	B
10	D	20	A

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

SECTION A

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

KEY LIST

1	A (Alternative uses for resources)	11	D (Higher profits providing an incentive to increase output)
2	A (−0.4)	12	B (monopoly power of Fresh Co increases.)
3	B (G)	13	B (The social optimum output is greater than the free market output because the private benefit is less than the social benefit.)
4	C (opportunities for internal economies of scale.)	14	A (A reduction in labour costs)
5	D (involved a normative judgement.)	15	D (Demand is price inelastic and supply is price inelastic.)
6	C (the mean income may be higher or lower in country Z compared with country W.)	16	B (Production of healthcare addresses the basic economic questions of 'how' and 'for whom')
7	B (Advertising to establish a brand)	17	D (A subsidy of P_2 minus P_3 per unit)
8	D (2.5)	18	B (are an inferior good.)
9	B (£290)	19	C (Point H.)
10	C (consumed together with another good.)	20	C (The extent to which firms differentiate their products)

Totals

A 3

B 7

C 5

D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

Context 2 GAMBLING**Total for this Context: 50 marks****27** Define 'external costs' *Extract F (line 18).***[3 marks]**

Level of response	Response	Max 3 marks
1	A full and precise definition is given.	3 marks
2	The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	2 marks
3	Some fragmented points are made.	1 mark

Examples of acceptable definition worth 3 marks:

- the harmful or negative side-effects/third-party effects of an economic activity/production/consumption
- the cost on third-parties of an economic activity/production/consumption
- where the social cost is greater than the private cost of an economic activity/production/consumption

Examples of a definition worth 2 marks:

- where the social cost is greater than the private cost
- the costs on third parties

Examples of a definition worth 1 mark:

- negative externalities
- the difference between the social cost and the private cost
- for a candidate who uses an example which shows that they understand that external costs are the costs imposed on a third-party

No marks should be awarded to a candidate who just states external costs equals social costs (or costs to society).

MAXIMUM FOR PART 27: 3 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

SECTION A

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

KEY LIST

1	A (Alternative uses for resources)	11	D (Higher profits providing an incentive to increase output)
2	A (−0.4)	12	B (monopoly power of Fresh Co increases.)
3	B (G)	13	B (The social optimum output is greater than the free market output because the private benefit is less than the social benefit.)
4	C (opportunities for internal economies of scale.)	14	A (A reduction in labour costs)
5	D (involved a normative judgement.)	15	D (Demand is price inelastic and supply is price inelastic.)
6	C (the mean income may be higher or lower in country Z compared with country W.)	16	B (Production of healthcare addresses the basic economic questions of 'how' and 'for whom')
7	B (Advertising to establish a brand)	17	D (A subsidy of P_2 minus P_3 per unit)
8	D (2.5)	18	B (are an inferior good.)
9	B (£290)	19	C (Point H.)
10	C (consumed together with another good.)	20	C (The extent to which firms differentiate their products)

Totals

A 3

B 7

C 5

D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

SECTION A

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

KEY LIST

1	A (Alternative uses for resources)	11	D (Higher profits providing an incentive to increase output)
2	A (−0.4)	12	B (monopoly power of Fresh Co increases.)
3	B (G)	13	B (The social optimum output is greater than the free market output because the private benefit is less than the social benefit.)
4	C (opportunities for internal economies of scale.)	14	A (A reduction in labour costs)
5	D (involved a normative judgement.)	15	D (Demand is price inelastic and supply is price inelastic.)
6	C (the mean income may be higher or lower in country Z compared with country W.)	16	B (Production of healthcare addresses the basic economic questions of 'how' and 'for whom')
7	B (Advertising to establish a brand)	17	D (A subsidy of P_2 minus P_3 per unit)
8	D (2.5)	18	B (are an inferior good.)
9	B (£290)	19	C (Point H.)
10	C (consumed together with another good.)	20	C (The extent to which firms differentiate their products)

Totals

A 3

B 7

C 5

D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

SECTION A

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

KEY LIST

1	D	11	C
2	C	12	D
3	C	13	A
4	A	14	B
5	A	15	D
6	D	16	D
7	B	17	A
8	B	18	C
9	D	19	B
10	C	20	A

<u>Total</u>	
A	5
B	4
C	5
D	6
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

32 *Extract F (lines 17-18) states 'should there be more regulations or taxes to try to reduce the effects of gambling, in terms of both its private and external costs?'*

Use the extracts and your knowledge of economics to assess whether the UK government should intervene more in the gambling industry.

[25 marks]

Areas for discussion include:

- recent changes and trends in, or affecting, the gambling industry, eg increased percentage of adults gambling; falling real incomes; technological changes
- possible market failures – imperfect information; negative externalities; gambling as a demerit good; inequality and inequity
- impact on individuals and their families, particularly the less well-off
- the determinants of demand and supply, plus the significance of different elasticities
- objectives of firms and the competitive market process
- the significance of other data included in the Extracts, such as: why people gamble; problems suffered by gamblers; odds of winning; minimum age and extent of enforcement of age restrictions; different interest groups
- reference to 'moral judgements' and relevance to people's views concerning the best option
- alternative forms of government intervention – regulation, tax, minimum age, etc.
- impact on revenue/expenditure of government
- arguments against more intervention – freedom of choice, sufficient regulation already, could drive some gambling underground
- the significance of the extent of, and changes in, gambling and the time period over which they've occurred. What might happen in future?
- market failure versus government failure
- how value judgements influence economic decision making and policy
- an overall assessment of whether the UK government should intervene more in the gambling industry.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the candidate's response the question.

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

MAXIMUM FOR PART 32: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

SECTION A

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

KEY LIST

1	D	11	C
2	C	12	D
3	C	13	A
4	A	14	B
5	A	15	D
6	D	16	D
7	B	17	A
8	B	18	C
9	D	19	B
10	C	20	A

<u>Total</u>	
A	5
B	4
C	5
D	6
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

SECTION A

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

KEY LIST

1	D	11	C
2	C	12	D
3	C	13	A
4	A	14	B
5	A	15	D
6	D	16	D
7	B	17	A
8	B	18	C
9	D	19	B
10	C	20	A

<u>Total</u>	
A	5
B	4
C	5
D	6
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

SECTION A

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

KEY LIST

1	D	11	C
2	C	12	D
3	C	13	A
4	A	14	B
5	A	15	D
6	D	16	D
7	B	17	A
8	B	18	C
9	D	19	B
10	C	20	A

<u>Total</u>	
A	5
B	4
C	5
D	6
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

SECTION A

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

KEY LIST

1	C	11	C
2	C	12	B
3	D	13	C
4	B	14	B
5	B	15	A
6	C	16	D
7	B	17	A
8	D	18	B
9	B	19	B
10	D	20	A

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

SECTION A

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

KEY LIST

1	C	11	C
2	C	12	B
3	D	13	C
4	B	14	B
5	B	15	A
6	C	16	D
7	B	17	A
8	D	18	B
9	B	19	B
10	D	20	A

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

SECTION A

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

KEY LIST

1	B (most resources are scarce.)	11	C (Labour productivity rose but production fell between January and February.)
2	A (1800)	12	B (A fall in workers' wages and a shift in preferences towards vegetarian food.)
3	D (Z to Y)	13	B (fixed costs become variable.)
4	A (demand that is elastic with respect to price.)	14	D (setting relative prices to determine the quantity of factors of production used in producing each good.)
5	A (consumption by one person does not reduce availability to others.)	15	C (£140)
6	D (No price-setting power and unlimited consumer information.)	16	C (New technology that increases the scope for economies of scale.)
7	A (£800)	17	D (substitute goods.)
8	B (economic methodology.)	18	D (the firm's output is too low.)
9	C (positive production externalities of £4 million.)	19	A (consumers cannot buy as much as they would like.)
10	B (movement along the supply curve for cocoa.)	20	D (A tax at the rate $P_2 - P_3$)

Totals

A 5
B 5
C 4
D 6

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

SECTION A

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

KEY LIST

1	A (Alternative uses for resources)	11	D (Higher profits providing an incentive to increase output)
2	A (−0.4)	12	B (monopoly power of Fresh Co increases.)
3	B (G)	13	B (The social optimum output is greater than the free market output because the private benefit is less than the social benefit.)
4	C (opportunities for internal economies of scale.)	14	A (A reduction in labour costs)
5	D (involved a normative judgement.)	15	D (Demand is price inelastic and supply is price inelastic.)
6	C (the mean income may be higher or lower in country Z compared with country W.)	16	B (Production of healthcare addresses the basic economic questions of 'how' and 'for whom')
7	B (Advertising to establish a brand)	17	D (A subsidy of P_2 minus P_3 per unit)
8	D (2.5)	18	B (are an inferior good.)
9	B (£290)	19	C (Point H.)
10	C (consumed together with another good.)	20	C (The extent to which firms differentiate their products)

Totals

A 3

B 7

C 5

D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

SECTION A

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

KEY LIST

1	A (Alternative uses for resources)	11	D (Higher profits providing an incentive to increase output)
2	A (−0.4)	12	B (monopoly power of Fresh Co increases.)
3	B (G)	13	B (The social optimum output is greater than the free market output because the private benefit is less than the social benefit.)
4	C (opportunities for internal economies of scale.)	14	A (A reduction in labour costs)
5	D (involved a normative judgement.)	15	D (Demand is price inelastic and supply is price inelastic.)
6	C (the mean income may be higher or lower in country Z compared with country W.)	16	B (Production of healthcare addresses the basic economic questions of 'how' and 'for whom')
7	B (Advertising to establish a brand)	17	D (A subsidy of P_2 minus P_3 per unit)
8	D (2.5)	18	B (are an inferior good.)
9	B (£290)	19	C (Point H.)
10	C (consumed together with another good.)	20	C (The extent to which firms differentiate their products)

Totals

A 3

B 7

C 5

D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

SECTION A

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

KEY LIST

1	A (Alternative uses for resources)	11	D (Higher profits providing an incentive to increase output)
2	A (−0.4)	12	B (monopoly power of Fresh Co increases.)
3	B (G)	13	B (The social optimum output is greater than the free market output because the private benefit is less than the social benefit.)
4	C (opportunities for internal economies of scale.)	14	A (A reduction in labour costs)
5	D (involved a normative judgement.)	15	D (Demand is price inelastic and supply is price inelastic.)
6	C (the mean income may be higher or lower in country Z compared with country W.)	16	B (Production of healthcare addresses the basic economic questions of 'how' and 'for whom')
7	B (Advertising to establish a brand)	17	D (A subsidy of P_2 minus P_3 per unit)
8	D (2.5)	18	B (are an inferior good.)
9	B (£290)	19	C (Point H.)
10	C (consumed together with another good.)	20	C (The extent to which firms differentiate their products)

Totals

A 3

B 7

C 5

D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2023

SECTION A

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

KEY LIST

1	A (Alternative uses for resources)	11	D (Higher profits providing an incentive to increase output)
2	A (−0.4)	12	B (monopoly power of Fresh Co increases.)
3	B (G)	13	B (The social optimum output is greater than the free market output because the private benefit is less than the social benefit.)
4	C (opportunities for internal economies of scale.)	14	A (A reduction in labour costs)
5	D (involved a normative judgement.)	15	D (Demand is price inelastic and supply is price inelastic.)
6	C (the mean income may be higher or lower in country Z compared with country W.)	16	B (Production of healthcare addresses the basic economic questions of 'how' and 'for whom')
7	B (Advertising to establish a brand)	17	D (A subsidy of P_2 minus P_3 per unit)
8	D (2.5)	18	B (are an inferior good.)
9	B (£290)	19	C (Point H.)
10	C (consumed together with another good.)	20	C (The extent to which firms differentiate their products)

Totals

A 3

B 7

C 5

D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

SECTION A

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

KEY LIST

1	A	11	C
2	B	12	B
3	D	13	A
4	D	14	C
5	C	15	B
6	D	16	C
7	A	17	A
8	D	18	B
9	D	19	A
10	B	20	A

Totals

A 6
B 5
C 4
D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

SECTION A

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

KEY LIST

1	A	11	C
2	B	12	B
3	D	13	A
4	D	14	C
5	C	15	B
6	D	16	C
7	A	17	A
8	D	18	B
9	D	19	A
10	B	20	A

Totals

A 6
B 5
C 4
D 5

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

Context 2 AGRICULTURE

Total for this context: 50 marks

27	Define 'minimum price' Extract E (line 6).	[3 marks]
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Level of response	Response	Max 3 marks
1	A full and precise definition is given.	3 marks
2	The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	2 marks
3	Some fragmented points are made.	1 mark

Examples of acceptable definition worth 3 marks:

The lowest (but not 'minimum') amount/price that can be charged by law/regulation/government
 A price floor set by law/regulation/government
 A price below which it is illegal to trade

Examples of a definition worth 2 marks:

The lowest amount/price that can be charged
 A price floor
 A price over the equilibrium set by law/regulation/government

Examples of a definition worth 1 mark:

Price set by the government (minimum not defined)
 A price over the equilibrium

MAXIMUM FOR PART 27: 3 MARKS

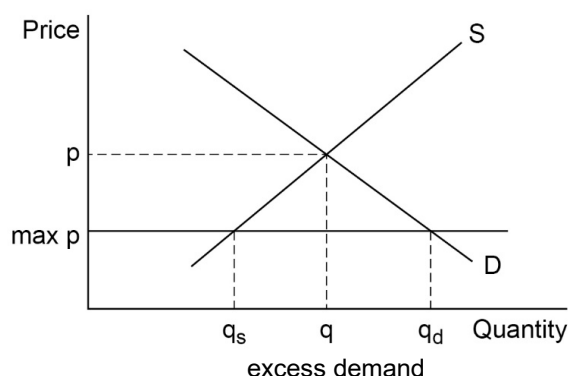
MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

2 4 **Extract C** (line 20) states: 'Perhaps a maximum price should be set for water'.

Draw a diagram to show the impact on the market for water of setting a maximum price below the equilibrium.

[4 marks]

The correct diagram involves a supply and demand diagram, illustrating an initial equilibrium point, a maximum price below equilibrium and some indication of excess demand, either by writing 'excess demand' in the appropriate place or by labelling the two coordinates for supply and demand at this new price (q_1 and q_2 would be acceptable, for example, instead of q_s and q_d).



Response	Max 4 marks
Accurately drawn D/S diagram showing initial equilibrium, a maximum price drawn below equilibrium, and the resulting disequilibrium with excess demand clearly illustrated, with both axes and all curves and coordinates correctly labelled. Excess demand could be illustrated by just showing q_d and q_s as above (for example) or by indicating the excess demand in some other meaningful way.	4 marks
Accurately drawn D/S diagram showing a maximum price below equilibrium with one label missing or incorrect (on axis or curve). OR Accurately drawn D/S diagram showing a maximum price below equilibrium with one coordinate missing or incorrect (P or Q).	3 marks
Accurately drawn D/S diagram showing a maximum price below equilibrium with two labels/coordinates missing/incorrect (treat excess demand as one label).	2 marks
Accurately drawn D/S diagram showing an initial equilibrium point with both axes, both original curves and both coordinates correctly labelled, eg p, q (max p may be missing or not below equilibrium).	1 mark

Notes: Horizontal axis allow: Quantity of water, Quantity or Q (but not QD or QS or output).
Vertical axis allow: Price, P, £ or some monetary symbol (but not Price level).

MAXIMUM FOR QUESTION 24: 4 MARKS

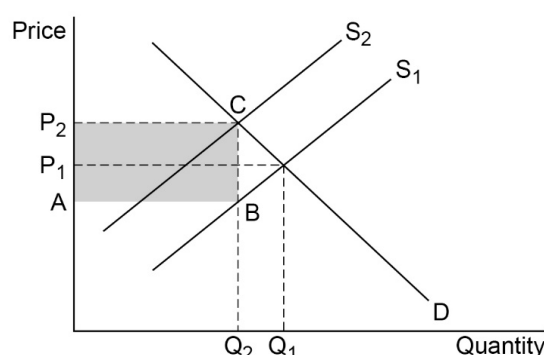
MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

3 0 **Extract E** (lines 10–12) states: 'between 2006 and 2016, the price of tobacco rose by 43% more than general retail prices with the tax now being about 80% of the price.'

Draw a supply and demand diagram to show the effects on the market for cigarettes of the government imposing an indirect tax. The total amount of government tax revenue should be labelled clearly.

[4 marks]

The correct diagram involves a decrease in supply/shift to the left of the supply curve resulting in a decrease in quantity sold and increase in price. The tax area should also be shown clearly and correctly through shading, labels such as $ABCP_2$ or the use of a key.



Response	Max 4 marks
Accurately drawn D/S diagram showing a leftwards shift in S, old and new equilibrium price and quantity, eg P_1Q_1 , P_2Q_2 , and correct area for tax, with both axes and all curves and coordinates correctly labelled.	4 marks
Accurately drawn D/S diagram showing a leftwards shift in S with correct tax area but one label or coordinate missing or incorrect (on axis or curve) OR Accurately drawn and labelled D/S diagram showing a leftwards shift in S but tax area missing or incorrect.	3 marks
Accurately drawn D/S diagram showing a leftwards shift in S, the correct tax area but two labels or coordinates missing/incorrect. OR Accurately drawn D/S diagram showing a leftwards shift in S but one label or coordinate missing/incorrect and tax area missing/incorrect.	2 marks
Accurately drawn D/S diagram showing an initial equilibrium point with both axes, both original curves and both coordinates correctly labelled, eg P_1Q_1 OR Accurately drawn D/S diagram showing an initial equilibrium point and a leftwards shift in S but with two labels missing.	1 mark

Notes: Horizontal axis allow: Quantity of tobacco (or cigarettes), Quantity or Q (but not QD or QS or output). Vertical axis allow: Price, P, £ or some monetary symbol (but not Price level).

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

3 1 **Extract E** (lines 1–2) states: ‘alcohol has traditionally been viewed as a demerit good, subject to high indirect taxes’.

Explain the likely effects of imposing indirect taxes on alcohol.

[10 marks]

Level of response	An answer that:	Max 10 marks
Level 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 - may include a relevant diagram to support their explanation.	8–10 marks
Level 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 to support their explanation.	4–7 marks
Level 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 diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	1–3 marks

Relevant issues include:

- meaning of ‘indirect taxes’ and/or ‘demerit goods’
- impact on price and quantity perhaps supported by a diagram
- the significance of price elasticity of demand
- incidence of taxation
- effect on different income groups
- impact on other economic agents – sellers, government, local communities, etc.

MAXIMUM FOR QUESTION 31: 10 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2018

MAXIMUM FOR PART 31: 10 MARKS

32 *Extract F (lines 18–19) states: ‘Should the UK government take an active role in agriculture, and if so, what policies should it implement?’*

Use the extracts and your knowledge of economics to assess to what extent, if at all, the UK government should intervene in the agricultural sector.

[25 marks]

Areas for discussion include:

- recent changes affecting UK agriculture, eg decision to leave the EU and resulting uncertainty, falling and/or volatile prices, falling value of the pound and higher costs, technological change but lack of finance for improvements
- possible market failures – unstable prices, inequality and inequity, positive and negative externalities, good food as a merit good, GM food as a possible demerit good (or even merit good)
- how markets and prices allocate resources
- the determinants of demand and supply of agricultural goods, plus the significance of elasticity
- objectives of firms and the competitive market process
- alternative forms of government intervention – subsidies, minimum prices, regulation and other controls
- effects on the environment and employment
- impact of alternatives on farmers and consumers, particularly the less well-off
- impact on revenue/expenditure of government
- opportunity cost of intervention in agriculture
- how value judgements influence economic decision making and policy
- strategic arguments
- market failure versus government failure
- the significance of other data included in the Extracts, eg trends in Extract D, % of food consumed in the UK that is produced here, challenge versus opportunity, possible diversification, experience of different farmers, organic versus GM food
- an overall assessment of to what extent, if at all, the UK government should intervene in the agricultural sector.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response the question.

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

MAXIMUM FOR PART 32: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2019

3 2 *Extract F (lines 19–20) states: ‘is there a need for the government to take more action to improve dental health in the UK, and if so, what should be done?’*

Use the extracts and your knowledge of economics to evaluate whether the UK government should take more action to improve dental health in the UK.

[25 marks]

Areas for discussion include:

- differences in ‘courses of treatment’ across the regions of England, plus possible explanations for this
- how the NHS dental care system works
- importance of, and recommended frequency of, check-ups with (good) dental care as a possible merit good
- concerns about the ability of the NHS dental care system to cope plus reasons why
- examples of the NHS dental care system failing plus what may happen if NHS treatment can’t be accessed
- negative externalities arising from poor dental health and poor dental care as a possible demerit good
- NHS dental care as a scarce resource and opportunity cost
- equity issues
- possible ‘actions’ – measures to attract and employ more dentists; increased government spending on dental care so NHS dentists are available throughout the UK; increased subsidy for dental care to reduce price or maybe provided free to all; education to reduce children’s sugar consumption, plus role of parents; education about dental health generally, possibly including tooth-brushing sessions in schools; tax on sugar-sweetened drinks and possible extension to other products; etc.
- the pros and cons of such government measures/actions to improve dental care
- who gains and who loses from government intervention
- whether there is a need for more action or whether the current system is still ‘fit for purpose’, with possible reference to the pros and cons of dental tourism
- market failure versus government failure
- an overall assessment of whether the UK government should take more action to improve dental health in the UK.

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 students marks for this question.

MAXIMUM FOR QUESTION 32: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2022

3 2

Extract F (lines 20–21) states: ‘Cheap alcohol is wrecking lives and livelihoods in England as well as Scotland’.

Use the extracts and your knowledge of economics to assess whether a minimum price for alcohol should be introduced in England and Northern Ireland.

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

- recent trends in affordability and pricing of alcohol
- alcohol as a demerit good and examples of private and external costs
- analysis of impact of a minimum price set above equilibrium
- current position on MUP in different parts of the British Isles
- problems and expectations in Scotland
- experience so far in Scotland
- significance of price elasticity of demand
- impact on different people – according to income, extent of alcohol use, etc
- equity issues
- analysis of impact of alternative/existing policies
- pros and cons of alternative policies
- effectiveness of MUP versus other policies
- whether there is a need for more action
- market failure versus government failure
- an overall assessment of whether a minimum price should be introduced in England and Northern Ireland.

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.

MAXIMUM FOR QUESTION 32: 25 MARKS

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2017

SECTION A

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

KEY LIST

1	C	11	C
2	B	12	A
3	A	13	D
4	D	14	B
5	B	15	D
6	C	16	D
7	C	17	D
8	B	18	A
9	D	19	A
10	D	20	C

	<u>Total</u>
A	4
B	4
C	5
D	7
	<u>20</u>

MARK SCHEME – AS ECONOMICS – 7135/1 – JUNE 2020

SECTION A

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

KEY LIST

1	A	11	C
2	B	12	B
3	D	13	A
4	D	14	C
5	C	15	B
6	D	16	C
7	A	17	A
8	D	18	B
9	D	19	A
10	B	20	A

Totals

A 6
B 5
C 4
D 5