

OXFORD

INTERNATIONAL
AQA EXAMINATIONS

INTERNATIONAL A-LEVEL
ECONOMICS
EC03

Unit 3 The Economics of Business Behaviour and the Distribution of
Income

Mark scheme

June 2022

Version: 1.0 Final Mark Scheme



Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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International A-level Economics mark scheme

How to mark

Aims

When you are marking your allocation of scripts your main aims should be to:

- recognise and identify the achievements of students
- place students in the appropriate mark band and in the appropriate part of that mark band (high, low, middle)
- record your judgements with brief notes, annotations and comments that are relevant to the mark scheme and make it clear to other examiners how you have arrived at the numerical mark awarded
- put into a rank order the achievements of students (not to grade them – that is done later using the rank order that your marking has produced)
- ensure comparability of assessment for all students, regardless of question or examiner.

Approach

It is important to be **open minded** and **positive** when marking scripts.

The specification recognises the variety of experiences and knowledge that students will have. It encourages them to study Economics in a way that is relevant to them. The questions have been designed to give them opportunities to discuss what they have found out about Economics. It is important to assess the quality of **what the student offers**.

Assessment Objectives

This component requires students to:

AO1	Demonstrate knowledge of terms/concepts and theories/models to show an understanding of the behaviour of economic agents and how they are affected by and respond to economic issues.
AO2	Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues.
AO3	Analyse issues within economics, showing an understanding of their impact on economic agents.
AO4	Evaluate economic arguments and use qualitative and quantitative evidence to support informed judgements relating to economic issues.

The marking grids

The marking grids cover all the Assessment Objectives indicated as being assessed in each question, followed by indicative content for individual tasks. These have been designed to allow assessment of the range of knowledge, understanding and skills that the specification demands.

The indicative content gives examples of the kind of things students might cover in their responses. They are neither exhaustive nor required – they are simply indicative of what could appear. Other valid content presented in student responses should always be credited.

Using the grids

These levels of response mark schemes are broken down into levels, each of which has descriptors. The descriptors for the level show the performance characteristics of the level. There is the same number of marks in each level. The number of marks per level varies depending upon the total number of marks allocated to the question.

Having familiarised yourself with the descriptors and indicative content, read through the answer and annotate it to identify the qualities that are being looked for and that it shows. You can now check the levels and award a mark.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptors for that level. The descriptors for the level indicate the different qualities that might be seen in the student's answer for that level.

When assigning a level, you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best-fit approach for defining the level and then use the variability of the response to help decide the mark within the level; ie if the response fulfils most but not all of level 3 with a small amount of level 4 material, it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark.

It is often best to start in the middle of the level's mark range and then check and adjust.

The exemplar materials used during standardisation should be referred to. There will be an answer in the standardising materials that will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is of the same standard, better or worse. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

An answer that contains nothing of relevance to the question must be awarded no marks.

Examiners are required to assign each of the students' responses to the most appropriate level according to its overall quality, then allocate a single mark within the level. When deciding upon a mark in a level, examiners should bear in mind the relative weightings of the Assessment Objectives and be careful not to over/under credit a particular skill. For example, in question 13 more weight should be given to AO3 than to AO1 and AO2. This will be exemplified and reinforced as part of examiner training.

Annotating scripts

Annotating scripts will help you with making accurate judgements and it will help any subsequent markers to identify how you are thinking. Please do not write negative comments about students' work; this is unprofessional and it impedes a positive marking approach.

Section A

Total for this section: 10 marks

Question	Part	Marking guidance	Total marks
01		<p>A firm that sells shoes merges with another firm that sells shoes.</p> <p>This is an example of</p> <p>Answer: B (horizontal integration.)</p>	<p>1</p> <p>AO1 = 1</p>

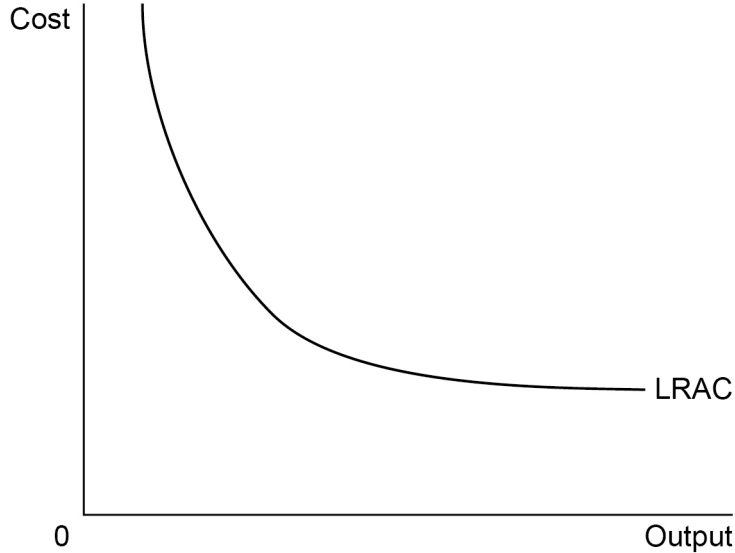
Question	Part	Marking guidance	Total marks
02		<div style="text-align: center;"> <p>Cumulative % of incomes</p> <p>Country X</p> <p>Country Y</p> <p>Cumulative % of population</p> </div> <p>Which one of the following can be concluded from Figure 1?</p> <p>Answer: A (Income inequality is greater in Country Y than in Country X.)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
03		<p>Which type of efficiency is the firm least likely to experience when the market is in equilibrium in the long run?</p> <p>Answer: B (Dynamic efficiency)</p>	<p>1</p> <p>AO1 = 1</p>

Question	Part	Marking guidance	Total marks										
04		<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Sales (units)</th> <th>Average revenue (\$)</th> </tr> </thead> <tbody> <tr> <td>4</td> <td>23 000</td> </tr> <tr> <td>5</td> <td>20 000</td> </tr> <tr> <td>6</td> <td>17 000</td> </tr> <tr> <td>7</td> <td>14 000</td> </tr> </tbody> </table> <p>At which level of sales will the firm maximise its total revenue?</p> <p>Answer: C (6 units)</p>	Sales (units)	Average revenue (\$)	4	23 000	5	20 000	6	17 000	7	14 000	<p>1</p> <p>AO2 = 1</p>
Sales (units)	Average revenue (\$)												
4	23 000												
5	20 000												
6	17 000												
7	14 000												

Question	Part	Marking guidance	Total marks
05		<p>At which level of output will the firm make normal profits?</p> <p>Answer: C (OG)</p>	<p>1</p> <p>AO2 = 1</p>

Question	Part	Marking guidance	Total marks
06		Which one of the following is the most likely reason for this increase? Answer: C (The introduction of a trade union into the industry.)	1 AO1 = 1

Question	Part	Marking guidance	Total marks
07		 <p>Which one of the following is the most likely reason for the shape of this curve? Answer: C (The firm is experiencing technical economies of scale.)</p>	1 AO1 = 1

Question	Part	Marking guidance	Total marks
08		Which one of the following is the most likely reason why this value is -0.2 ? Answer: B (Labour costs are a low proportion of total costs.)	1 AO2 = 1

Question	Part	Marking guidance	Total marks
09		<p>Which one of the following areas shows the change in consumer surplus following the introduction of the subsidy?</p> <p>Answer: B (GHMK)</p>	<p>1</p> <p>AO3 = 1</p>

Question	Part	Marking guidance	Total marks
10		<p>Which one of the following would be the most likely effect if this change is introduced?</p> <p>Answer: A (The amount that firms invest in research and development will increase.)</p>	<p>1</p> <p>AO2 = 1</p>

Section B

Total for this section: 10 marks

Question	Part	Marking guidance	Total marks
11	1	<p>Define 'decreasing returns to scale'.</p> <p>A full and precise definition is given (2 marks)</p> <p>Examples of acceptable definitions worth 2 marks:</p> <ul style="list-style-type: none"> • an increase in output which is less than proportional to the corresponding increase in inputs • when an increase in the scale of production increases output by a smaller percentage. <p>The substantive content of the definition is correct, but there may be some imprecision or inaccuracy (1 mark)</p> <p>Examples of definitions worth 1 mark:</p> <ul style="list-style-type: none"> • when an increase in one type of input leads to a proportionally smaller increase in output • when an increase in the scale of production causes output to decrease. 	<p>2</p> <p>AO1 = 2</p>

Question	Part	Marking guidance	Total marks																					
11	2	<table border="1" data-bbox="379 331 1297 672"> <thead> <tr> <th data-bbox="379 331 684 421">Number of workers employed</th> <th data-bbox="689 331 991 421">Total product (output in units)</th> <th data-bbox="995 331 1297 421">Marginal product (output in units)</th> </tr> </thead> <tbody> <tr> <td data-bbox="379 427 684 483">1</td> <td data-bbox="689 427 991 483">130</td> <td data-bbox="995 427 1297 483"></td> </tr> <tr> <td data-bbox="379 490 684 546">2</td> <td data-bbox="689 490 991 546"></td> <td data-bbox="995 490 1297 546">200</td> </tr> <tr> <td data-bbox="379 553 684 609">3</td> <td data-bbox="689 553 991 609">600</td> <td data-bbox="995 553 1297 609"></td> </tr> <tr> <td data-bbox="379 616 684 672">4</td> <td data-bbox="689 616 991 672"></td> <td data-bbox="995 616 1297 672">180</td> </tr> </tbody> </table> <p data-bbox="368 703 1265 739">Calculate the marginal product (output) of labour of the third worker.</p> <p data-bbox="368 772 528 808">Calculation:</p> <p data-bbox="368 840 991 875">Total product of two workers = $130 + 200 = 330$</p> <p data-bbox="368 875 1034 911">Marginal product of third worker = $600 - 330 = 270$</p> <table border="1" data-bbox="368 943 1302 1373"> <thead> <tr> <th data-bbox="368 943 1147 1037">Response</th> <th data-bbox="1152 943 1302 1037">Max 2 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="368 1043 1147 1167">For the correct answer: 270 (With or without working shown)</td> <td data-bbox="1152 1043 1302 1167">2 marks</td> </tr> <tr> <td data-bbox="368 1173 1147 1373">For the correct calculation of the total product of two workers: 330 OR For the correct method but with the wrong answer</td> <td data-bbox="1152 1173 1302 1373">1 mark</td> </tr> </tbody> </table>	Number of workers employed	Total product (output in units)	Marginal product (output in units)	1	130		2		200	3	600		4		180	Response	Max 2 marks	For the correct answer: 270 (With or without working shown)	2 marks	For the correct calculation of the total product of two workers: 330 OR For the correct method but with the wrong answer	1 mark	<p data-bbox="1329 300 1353 336">2</p> <p data-bbox="1329 369 1445 436">AO1 = 1 AO2 = 1</p>
Number of workers employed	Total product (output in units)	Marginal product (output in units)																						
1	130																							
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For the correct calculation of the total product of two workers: 330 OR For the correct method but with the wrong answer	1 mark																							

Question	Part	Marking guidance	Total marks						
11	3	<p>Calculate the average product (output) of labour when four workers are employed.</p> <p>Calculation:</p> <p>Total product of four workers = 600 + 180 = 780</p> <p>Average product of four workers = $\frac{780}{4} = 195$</p> <table border="1" data-bbox="368 638 1287 1070"> <thead> <tr> <th data-bbox="368 638 1131 734">Response</th> <th data-bbox="1136 638 1287 734">Max 2 marks</th> </tr> </thead> <tbody> <tr> <td data-bbox="368 741 1131 864">For the correct answer: 195 (With or without working shown)</td> <td data-bbox="1136 741 1287 864">2 marks</td> </tr> <tr> <td data-bbox="368 871 1131 1070">For the correct calculation of the total product of four workers: 780 OR For the correct method but with the wrong answer</td> <td data-bbox="1136 871 1287 1070">1 mark</td> </tr> </tbody> </table>	Response	Max 2 marks	For the correct answer: 195 (With or without working shown)	2 marks	For the correct calculation of the total product of four workers: 780 OR For the correct method but with the wrong answer	1 mark	<p>2</p> <p>AO1 = 1 AO2 = 1</p>
Response	Max 2 marks								
For the correct answer: 195 (With or without working shown)	2 marks								
For the correct calculation of the total product of four workers: 780 OR For the correct method but with the wrong answer	1 mark								

Question	Part	Marking guidance	Total marks
11	4	Explain, using a diagram, the law of diminishing returns.	4 AO1 = 2 AO2 = 2

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> Shows good knowledge and understanding of the law of diminishing returns. Includes a relevant diagram that will, at the top of this level, be accurate and used appropriately.
1	1–2	<ul style="list-style-type: none"> Shows some limited knowledge and understanding of the law of diminishing returns. May include a relevant diagram but the diagram is not used and/or is inaccurate in some respects.
	0	No creditworthy material.

Indicative content:

The expected diagram involves a downward-sloping marginal product curve, although a straight line may be used (diagram A). Also accept an upward-sloping total product curve (diagram B) with a decreasing gradient or a diagram showing a downward-sloping average product curve (diagram C).

The diagram does not have to include numbers but they could be used to aid the explanation. Students may choose to use whole numbers for their points in all three diagrams or may plot the points against 0.5, 1.5, etc (as for MP in diagram A). Accept either approach.

Acceptable labels include:

Curve:

- diagram A – marginal product, marginal output
- diagram B – total product, total output
- diagram C – average product, average output.

Vertical axis:

- diagram A – marginal product, quantity, output, production
- diagram B – (total) product(ion), output, quantity
- diagram C – output, product(ion), quantity.

Horizontal axis:

number of workers, variable inputs, workers, employment, variable factor.

Accept suitable abbreviations such as Q for quantity, MP for marginal product etc.

An example of an acceptable explanation:

The law states that (after a certain point) as more units of a variable input are added to a firm's production, a smaller increase in output will occur. For example, in diagram A this happens after the third worker is employed, because adding a fourth worker causes marginal product (output) to fall from 3000 units when the third worker is employed, to about 2700 for the fourth. Therefore, the MP curve slopes upwards when adding the initial workers before it begins to slope downwards from the point marked M on the diagram. The curve to the right of point M represents diminishing returns.

Credit valid alternative content.

Diagram A

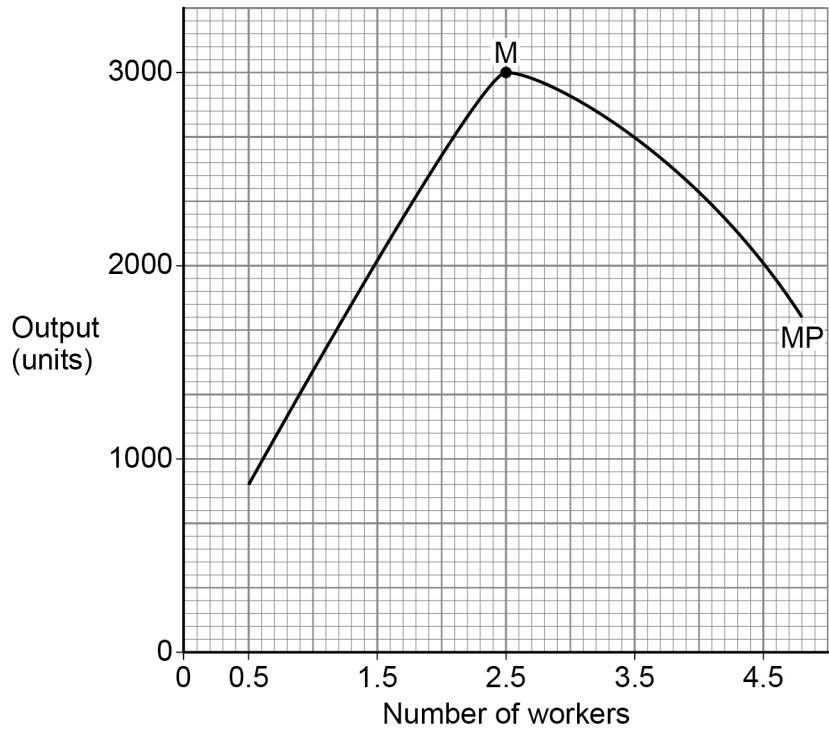


Diagram B

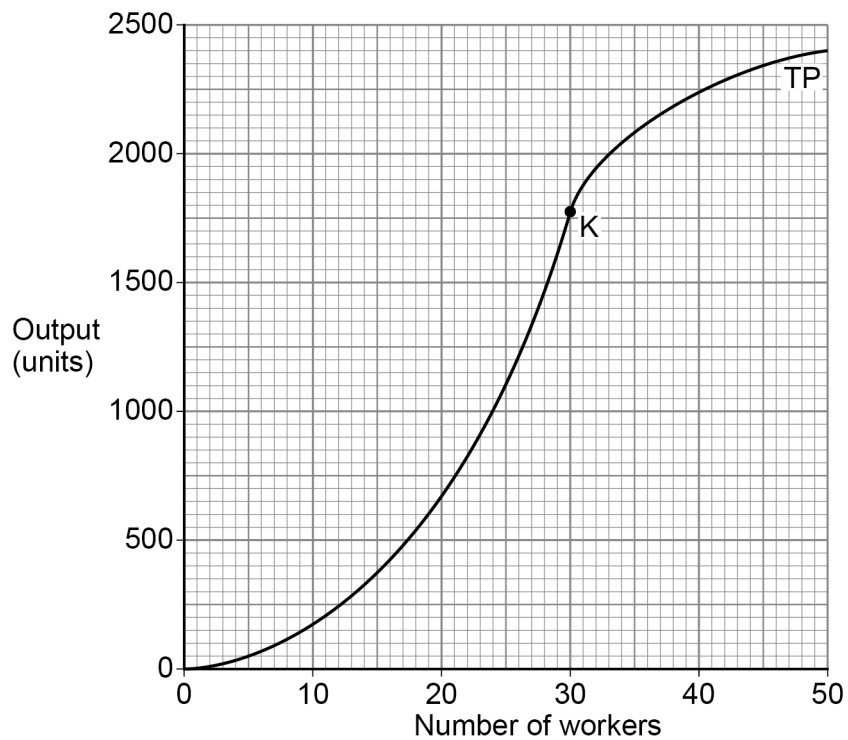


Diagram C



MAXIMUM FOR QUESTION 11: 10 MARKS

Section C

Total for this section: 45 marks

Question	Part	Marking guidance	Total marks
12	1	<p>Extract B (lines 12–13) states: ‘The way firms create or use new technologies and the degree of market concentration affect the profits that can be earned.’</p> <p>Explain why the degree of market concentration affects a firm’s ability to make high profits.</p>	<p>4</p> <p>AO1 = 1 AO2 = 1 AO3 = 2</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> Shows sound knowledge and understanding of relevant economic terminology, concepts and principles. Includes reasonable application of relevant economic principles to support the response. Includes well-focused analysis with a clear, logical chain of reasoning.
1	1–2	<ul style="list-style-type: none"> Shows some limited knowledge and understanding of relevant economic terminology, concepts and principles. May include some application of relevant economic principles to the question. May include some attempted analysis but the analysis is not adequately developed and/or may be confused.
	0	No creditworthy material.

Indicative content:

- definitions of market concentration and profit
- monopoly power and price-setting ability
- explanation of why a high degree of market concentration may allow firms to earn high profits
- explanation of why a low degree of market concentration may force firms to keep prices low, reducing profits
- significance of barriers to entry for the level of profit which incumbent firms can earn within a market
- large companies can dominate markets, increasing market share and profits, for reasons including economies of scale, ability to benefit from technological change, network effects or by colluding
- ability of large firms to buy smaller rivals, increasing degree of concentration and profits.

Note: Some students may support their answer with a diagram, but this is not needed for full marks.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
12	2	<p>To what extent do the data suggest that the degree of market concentration affects a firm's ability to make high profits in the global market for social media?</p> <p>Use the data in Extract A to support your answer.</p>	<p>4</p> <p>AO1 = 1 AO2 = 1 AO4 = 2</p>

Examiners are reminded that AO1, AO2 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question.

Level	Marks	Descriptor
2	3–4	<ul style="list-style-type: none"> Includes sound evidence that indicates the extent to which the degree of market concentration affects a firm's ability to make high profits in the global market for social media. Includes a supported judgement concerning the extent to which the degree of market concentration affects a firm's ability to make high profits in the global market for social media.
1	1–2	<ul style="list-style-type: none"> Includes some limited evidence that indicates the extent to which the degree of market concentration affects a firm's ability to make high profits in the global market for social media. May attempt a judgement concerning the extent to which the degree of market concentration affects a firm's ability to make high profits but this is not adequately supported by the data.
	0	No creditworthy material.

Indicative content:

- a high degree of market concentration may allow a firm to make high levels of profit
- the global social media market is highly concentrated with a 4-firm ratio of at least 91.7% in each year between 2011 and 2021 and the market leader has experienced increasing profits over this period
- the market became increasingly concentrated over the period from 2012 (when the 4-firm ratio was 91.7%) to 2017 when it peaked at 98.1%. Over this period profits grew significantly (from \$0.65bn to \$11.52bn)
- between 2019 and 2021, the 4-firm ratio fell slightly, from 95.9% to 94.4%, but the profits of Facebook continued to rise, from \$19.55bn to \$33.74bn
- between 2011 and 2013 the market was highly concentrated, however profits were relatively low (compared to later years, despite similar levels of market concentration) ranging from \$0.66bn to just \$0.07bn
- there was a \$33.08bn (5012%) increase in profit levels over the time period despite concentration levels remaining relatively unchanged
- in the more recent years there is evidence to suggest that the level of market concentration may allow a firm to make high profits, but there is no information about how the 4-firm concentration ratio is made up or how its composition changes
- other factors will also affect the level of profit which can be made eg market size, patents etc
- the likely conclusion is that, on balance, based on the global social media market only, high market concentration has led to high profits.

Credit valid alternative content.

MAXIMUM FOR QUESTION 12: 8 MARKS

Question	Part	Marking guidance	Total marks
13		<p>Extract B (lines 21–22) states: ‘technological change can reduce contestability in some markets.’</p> <p>Explain how technological change may affect contestability in different markets.</p>	<p>12</p> <p>AO1 = 3 AO2 = 3 AO3 = 6</p>

Examiners are reminded that AO1, AO2 and AO3 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO3 than AO1 and AO2.

Level	Marks	Descriptor
3	9–12	<ul style="list-style-type: none"> 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 that is accurate and used appropriately to support their explanation.
2	5–8	<ul style="list-style-type: none"> 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.
1	1–4	<ul style="list-style-type: none"> 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.
	0	No creditworthy material.

Indicative content:

- explanation and examples of technological change
- explanation of contestability
- explanation of factors that influence contestability
- how new technologies have changed barriers to entry in certain markets eg impact of network effects including Google search engine, new e-commerce markets, IT reducing marketing/sunk costs
- impact of technological change on cost structures of firms and link to market contestability
- relationship between technological change and development of new products/services and markets

- ways that technological advances promote creative destruction and its impact on market structures and contestability
- how certain online markets may exhibit features of natural monopoly
- the Internet as a means of allowing smaller companies to enter markets more easily, allowing more hit-and-run competition.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
14		<p>Extract C (lines 1–3) states: ‘Concerns have grown about the market dominance of tech sector firms in recent years and governments are trying to ensure that their high market shares do not cause consumers to suffer.’</p> <p>Evaluate the case for and against increased government intervention to limit the monopoly power of large firms.</p>	<p>25</p> <p>AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response includes well-focused analysis with clear, logical chains of reasoning includes supported evaluation throughout the response and in a final conclusion.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response includes some well-focused analysis with clear, logical chains of reasoning includes some reasonable, supported evaluation.
3	11–15	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response includes some reasonable analysis but which might not be adequately developed or becomes confused in places includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren’t well-supported by arguments and/or data.
2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely includes some limited application of relevant economic principles to the given context and/or data to the question includes some limited analysis but it may lack focus and/or become confused includes some evaluation which is weak and unsupported.
1	1–5	<p>A very weak response that:</p> <ul style="list-style-type: none"> includes little relevant knowledge and understanding of economic terminology, concepts and principles includes application to the given context which is, at best, very weak includes attempted analysis which is weak and unsupported.
	0	No creditworthy material.

Indicative content:

- explanation of monopoly power
- impact of monopoly power on:
 - consumers, eg prices, product choice, quality
 - suppliers and other firms
 - workers, eg job security, scope for low-wage exploitation
 - different forms of economic efficiency
 - costs and profits.
- evaluation of the costs and benefits of increased competition in different markets
- analysis and evaluation of the desirability and effectiveness of government intervention, or provision/control of natural monopolies
- the extent to which government/regulatory interventions can keep pace with changes in dynamic markets
- analysis of the need for international agreement or action to control monopolies which increasingly operate across national boundaries
- acknowledgement of different approaches to competition policy, with potential to refer to examples of dogmatic/per se approach versus pragmatic/rule of reason in specific countries
- evaluation of the effectiveness of different forms of government intervention:
 - price and profit controls, eg windfall taxes on online retailers' profits
 - regulating mergers and takeovers, eg forced demerger of Facebook, Instagram etc
 - increased regulatory powers
 - use of different forms of taxes
 - measures to improve competition and contestability, eg incentives for small firms etc
 - legislation (Australian laws relating to payment for re-use of news content).
- evaluation of the impact of nationalisation/state ownership
- arguments relating to market failure and government failure, such as regulatory capture
- an overall assessment of whether governments should increase intervention to limit the monopoly power of large firms.

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.

Credit valid alternative content.

Section D

Total for this section: 25 marks

Question	Part	Marking guidance	Total marks
15		<p>Economists make assumptions to help them understand consumer behaviour. A key assumption has been that consumers will aim to maximise their own economic welfare.</p> <p>Assess the view that consumers always aim to maximise their utility when making economic decisions.</p>	<p>25</p> <p>AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9</p>

Examiners are reminded that AO1, AO2, AO3 and AO4 are regarded as interdependent. When deciding on a mark all should be considered together using the best fit approach. In doing so, examiners should bear in mind the relative weightings of the Assessment Objectives in this question. More weight should therefore be given to AO4 and AO3 than AO1 and AO2.

Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response includes well-focused analysis with clear, logical chains of reasoning includes supported evaluation throughout the response and in a final conclusion.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response includes some well-focused analysis with clear, logical chains of reasoning includes some reasonable, supported evaluation.
3	11–15	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response includes some reasonable analysis but which might not be adequately developed or becomes confused in places includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely includes some limited application of relevant economic principles to the given context and/or data to the question includes some limited analysis but it may lack focus and/or become confused includes some evaluation which is weak and unsupported.

1	1–5	<p>A very weak response that:</p> <ul style="list-style-type: none"> • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which is, at best, very weak • includes attempted analysis which is weak and unsupported.
	0	No creditworthy material.

Indicative content:

- meanings of utility, utility maximisation and welfare
- the assumption that consumers will act rationally to maximise utility
- discussion of the extent to which this assumption can be relied upon
- problems with measuring utility and therefore being able to maximise it
- analysis of the importance of (imperfect) information in the decision making process
- evaluation of reasons why consumers may not act rationally, eg altruism, bounded rationality and bounded self-control
- analysis of how/why decisions are affected by biases, eg computational problems, inertia, rules of thumb, anchoring, social norms
- analysis of the way that decision making is affected by choice architecture and the importance of framing in relation to information provision and the presentation of options
- discussion of the role of nudges by:
 - governments to influence consumer behaviour in different areas of public policy, eg pensions, healthcare, consumption of demerit goods etc
 - firms to influence consumer behaviour.
- consideration of the word ‘always’
- an overall assessment of whether consumers always aim to maximise their utility when making economic decisions.

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.

Credit valid alternative content.

Question	Part	Marking guidance	Total marks
16		<p>A recent report by the International Labour Organization (ILO) found that, during 2020, wage rates had fallen in many countries. The report also found that women and low-paid workers had been particularly badly affected.</p> <p>Evaluate policies a government could use to reduce differences in wage rates.</p>	<p>25</p> <p>AO1 = 4 AO2 = 3 AO3 = 9 AO4 = 9</p>

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Level	Marks	Descriptor
5	21–25	<p>Sound, focused analysis and well-supported evaluation that:</p> <ul style="list-style-type: none"> is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response includes well-focused analysis with clear, logical chains of reasoning includes supported evaluation throughout the response and in a final conclusion.
4	16–20	<p>Sound, focused analysis and some supported evaluation that:</p> <ul style="list-style-type: none"> is organised, showing sound knowledge and understanding of economic terminology, concepts and principles but some minor errors may be present includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response includes some well-focused analysis with clear, logical chains of reasoning includes some reasonable, supported evaluation.
3	11–15	<p>Some reasonable analysis but generally unsupported evaluation that:</p> <ul style="list-style-type: none"> focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response includes some reasonable analysis but which might not be adequately developed or becomes confused in places includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgements but these aren't well-supported by arguments and/or data.
2	6–10	<p>A fairly weak response with some understanding that:</p> <ul style="list-style-type: none"> includes some limited knowledge and understanding of economic terminology, concepts and principles is shown but some errors are likely includes some limited application of relevant economic principles to the given context and/or data to the question includes some limited analysis but it may lack focus and/or become confused includes some evaluation which is weak and unsupported.
1	1–5	<p>A very weak response that:</p> <ul style="list-style-type: none"> includes little relevant knowledge and understanding of economic terminology, concepts and principles includes application to the given context which is, at best, very weak includes attempted analysis which is weak and unsupported.
	0	No creditworthy material

Indicative content:

- meaning of wage rates
- reasons for differences in wage rates, eg due to differences in MRP
- functions of differences in wage rates, eg incentives
- discussion of the degree of imperfection present in different labour markets and impact on wage differences
- use of direct taxation to influence supply of and demand for labour (where tax policies are related to reducing wage differences)
- evaluation of competition policy and impact on monopsony power and wage rates offered compared to those available in more competitive markets
- analysis of different government policies/laws influencing trade union power and ability to affect wage rates
- evaluation of the effectiveness of minimum wage legislation including:
 - level of minimum wage relative to market equilibrium or ‘average’ wages
 - degree to which evasion may affect wage differentials
 - the significance of elasticities for the number of workers affected by minimum wage laws.
- evaluation of the impact of other forms of legislation such as:
 - impact of anti-discrimination legislation on wage rates
 - how employment protection legislation may affect the labour market
 - how effectively legislation addresses all/most causes of wage differences.
- how forms of maximum wage control may affect wage differences
- the role of the government as an employer and how this may affect wage rates
- the impact of (de)regulation in product markets and how this can affect wage rate differences
- analysis of the impacts of deregulation of labour markets on wage rates eg labour market reforms influencing labour market flexibility, impacts of growth of gig economy etc
- market failure versus government failure arguments
- evaluation of specific supply-side policies, such as government-run training schemes, where these are specifically linked to reducing wage rate differences
- knowledge and experience of particular countries
- overall assessment of the relative desirability/effectiveness of government policies to reduce differences in wage rates.

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.

Credit valid alternative content.

Assessment Objectives Grid

	AO1	AO2	AO3	AO4	Total
Section A					
01	1				1
02		1			1
03	1				1
04		1			1
05		1			1
06	1				1
07	1				1
08		1			1
09			1		1
10		1			1
Section B					
11.1	2				2
11.2	1	1			2
11.3	1	1			2
11.4	2	2			4
Section C					
12.1	1	1	2		4
12.2	1	1		2	4
13	3	3	6		12
14	4	3	9	9	25
Section D					
15 and 16	4	3	9	9	25
Unit total	23	20	27	20	90