
AS

Economics

ECON1/2 Markets and Market Failure
Mark scheme

2140
June 2016

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 Assessment Writer.

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.

Further copies of this mark scheme are available from aqa.org.uk.

Advanced Subsidiary Economics

June 2016

ECON1/1

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

June 2016

KEY LIST

ECON1/1

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

Total

A	6
B	7
C	5
D	7
	<u>25</u>

Advanced Subsidiary Economics

June 2016

ECON1/2

Mark Scheme**Section B: Data Response****General Instructions**

Marks awarded to candidates should be in accordance with the following mark scheme and examiners should be prepared to use the full range of marks available. The mark scheme for most questions is flexible, permitting the candidate to score full marks in a variety of ways. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required for full marks. But conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation, **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, you must in the first instance telephone your team leader to discuss how to proceed.

Two approaches have been used in the construction of the mark scheme:

- (i) **An issue based approach.** The mark scheme for questions **01, 02, 03, 05, 06** and **07** of the data response questions adopts this approach. The mark scheme lists the marks that can be awarded for particular issues (and associated development) that the candidate might include in the answer.

A levels approach. This approach is used for marking questions **04** and **08** of the data response questions. The Levels Mark Scheme on the next page identifies five levels representing differences in the quality of work. A range of marks is allocated at each level. First decide the level into which an answer falls. The level chosen should be the one which **best fits** the answer provided by the candidate. It is **not** intended that the answer should satisfy every statement in the level description. Then think in terms of awarding the mid-point mark which has been identified for that level (eg 13 marks for Level 3). Move up and down from this notional mark by considering the extent to which the answer meets the level description overall. Strength in one skill can outweigh weakness in another. When using the Levels Mark Scheme the marker **must** identify where a particular skill is being demonstrated. The **key** to be used to identify the skill is given after the levels descriptions. The question-specific mark scheme summarises the information which could be used to answer the question, but without attaching marks to particular issues.

**LEVELS OF RESPONSE MARK SCHEME
FOR USE WITH QUESTIONS 04 AND 08 ONLY**

AS LEVELS OF RESPONSE	AO1 KNOWLEDGE and UNDERSTANDING of theories, concepts and terminology	AO2 APPLICATION of theories, concepts and terminology	AO3 ANALYSIS of economic problems and issues	AO4 EVALUATION of economic arguments and evidence, making informed judgements
Level 5 22-25 marks (mid-point 24) Good analysis and good evaluation	Good throughout the answer with few errors and weaknesses	Good application to issues Good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning	Good with a clear final judgement
Level 4 17-21 marks (mid-point 19) Good analysis <u>but</u> limited evaluation OR Reasonable analysis and reasonable evaluation	Good throughout the answer with few errors and weaknesses Good throughout much of the answer with few errors and weaknesses	Good application to issues Good use of data to support answer Some good application to issues. Some good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning Largely relevant and well organised with reasonable logic and coherence	Limited but showing some appreciation of alternative points of view Reasonable, showing an appreciation of alternative points of view
Level 3 10-16 marks (mid-point 13) Reasonable answer, including some correct analysis but very limited evaluation	Satisfactory but some weaknesses shown	Reasonable application to issues Reasonable use of data to support answer	Reasonably clear but may not be fully developed and is perhaps confused in places with a few errors present	Superficial, perhaps with some attempt to consider both sides of the issue(s)
Level 2 4-9 marks (mid-point 7) Weak with some understanding	Limited and some errors are made	Partial application to issues with some errors Limited use of data to support answer	Partial but confused at times, lacking focus and development Limited logic and coherence	A very basic and simplistic attempt is made which is unsupported by analysis
Level 1 0-3 marks (mid-point 2) Very weak	Weak with a number of errors	Little, if any, application to issues No use of data to support answer	Poor and lacking clarity and focus	No relevant evaluation

THE KEY TO BE USED WHEN USING THE LEVELS MARK SCHEME

- D** Where a particular economic term is correctly **DEFINED** in order to help the candidate to answer the question properly.
- I** Where a relevant **ISSUE** is raised by the candidate.
- K** Where the candidate demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the candidate's response to the question. This should also be used where the candidate quotes relevant examples.
- Ap** Where the candidate demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.
- An** Where the candidate demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.
- E** Where the candidate **EVALUATES** and makes judgements about the significance of various issues and arguments.

QUALITY OF WRITTEN COMMUNICATION

Quality of Written Communication (QWC) will be assessed in Questions 04 and 08 only.

Candidates will be assessed according to their ability to:

- ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear
- select and use a form and style of writing appropriate to purpose and complex subject matter
- organise information clearly and coherently, using specialist vocabulary when appropriate.

No specific marks are awarded for QWC.

However, examiners should take into account QWC when determining the mark to be awarded for an answer. This means an answer could be taken either up (for exceptional QWC) or down (for very poor QWC) by 1 mark (and no more).

EITHER

Context 1

Total for this Context: 50 marks

01	Define the term ‘external costs’. (Extract B , line 5).	[5 marks]
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<p>For an acceptable definition e.g.</p> <ul style="list-style-type: none"> • the negative spillover effects of an economic activity / production / consumption or reference to price mechanism • the negative effects on third parties of an economic activity • exists when the social cost of an economic transaction is greater than the private cost • a cost that is not accounted for in the transaction / price mechanism 	5 marks
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Full marks should be awarded to a candidate who demonstrates a clear understanding of the term ‘external costs’ even if the definition is not exactly the same as the acceptable examples quoted above.

If the definition is inaccurate or incomplete, a maximum of 4 marks can be awarded which may be broken down, for example as follows:

The negative spillover effects (no reference to economic activity)	4 marks
When the marginal social costs are greater than the marginal private costs	3 marks
A cost outside of the market	3 marks
A diagram which illustrates external costs (1 mark labelling; 1 mark information shown) (ext cost / neg ext needs to be identified correctly for 2 marks)	2 marks
Stating that it is a negative externality	1 mark
Defining social cost (in this case do not reward an example)	1 mark
An example of an externality, e.g. air pollution, environmental degradation	max 1 mark

Maximum of 4 marks if definition is incomplete or inaccurate

MAXIMUM FOR PART 01: 5 MARKS

02 Use **Extract A** to identify **two** significant **differences** in the contribution to electricity production by various fuel types between 2013 and 2014.

[8 marks]

Award up to 4 marks each for **each** significant point made.

Identifies a significant difference. Makes accurate use of the data to support the difference identified. Unit of measurement given accurately.	4 marks
Identifies a significant difference. Makes partially inaccurate use of the data to support the difference identified. However, no unit of measurement is given and/or the unit of measurement is used/applied inaccurately and/or the dates are not quoted or are inaccurate.	3 marks
Identifies a significant difference. Makes no correct use of the data to support the difference identified.	2 marks
Identifies a significant feature of the data but does not identify a difference between the two years. Makes use of the data to support the feature identified. Unit of measurement given accurately.	1 mark

If a candidate identifies more than two significant differences, reward the best two.

Significant differences include:

- Coal made the greatest contribution to electricity generation in 2013 at 33.6% whereas gas made the greatest contribution in 2014 at 38.6%.
- Renewables increased its contribution to electricity generation from 13.6% to 17.8%.
- The contribution to electricity generation from coal fell from 33.6% to 20.1%.
- The contribution to electricity generation from nuclear fell from 23.5% to 20.8%.

Do NOT reward the point that oil made the lowest contribution in 2013 and 2014

MAXIMUM FOR PART 02: 8 MARKS

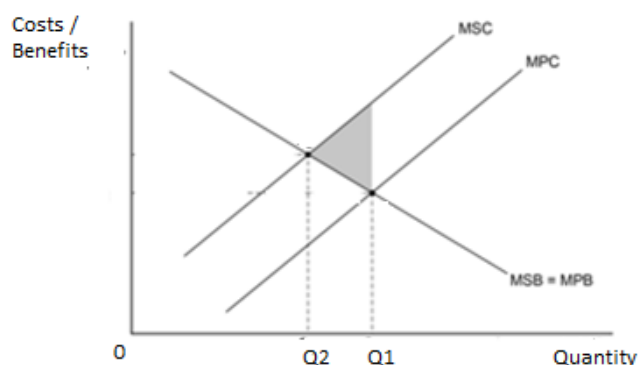
03 **Extract C** (lines 20 and 21) states: 'If fracking goes ahead, tough regulation is likely to be required.'

Using a diagram to help you, explain why regulation of firms involved in the fracking process is likely to be necessary.

[12 marks]

The anticipated response for the diagram:

It is expected that candidates will draw a negative externality in production diagram as illustrated below. However, full marks for the diagram can also be awarded for a demand and supply diagram which illustrates a leftwards shift of the supply curve; and also for a negative externalities in consumption diagram.



For labelling both axes, MPB=MSB and MPC curves, and co-ordinate drawn in at the private optimum quantity and a label such as Q_1 .	1 mark
An accurately-drawn MSC curve.	1 mark
Co-ordinate drawn in at the socially optimum quantity and a label such as Q_2 .	1 mark
Any other relevant feature of the diagram (eg identifying the overproduction / negative externality / MEC; the deadweight welfare loss).	1 mark per feature (max 2)

For a demand and supply diagram:

For labelling both axes, demand and supply curves, and a co-ordinate drawn at the market optimum and a label such as Q_1	1 mark
A leftwards shift of the supply curve	1 mark
Co-ordinate drawn in at the social optimum and a label such as Q_2 .	1 mark
Any other relevant feature of the diagram (eg identifying the overproduction)	1 mark per feature (max 2)

Note: (i) To earn the first mark in the grids, all the listed tasks must have been attempted and been completed correctly.

(ii) For the task of labelling the axes: Vertical: price / P; costs *and* benefits; a monetary value such as a £ sign. Price level is not acceptable. Horizontal: quantity / Q / output.

Up to a **MAXIMUM** of 3 marks for diagram

The anticipated written response:

Define regulation, market failure, social cost, private cost or any other relevant term: (Do not reward external cost or negative externality; or demerit good)	1 mark per definition Maximum of 2 marks for definitions
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Award 2 marks for each logical link in the chain of reasoning, eg	
Firms involved in the fracking process are likely to aim to maximise profits (2) . Left to the free market economic agents such as firms only consider the private costs of their actions (2) such as the costs of wages (1 eg) or the machinery involved in the process (only reward one example) The (marginal) social cost of fracking is greater than the (marginal) private cost (2 marks) They do not consider the negative externalities / external costs of their actions (2) such as degradation of the environment (1 eg only reward one example) so the full social costs are not accounted for (2) and so they will produce at the privately optimum level of production / where $MPC=MPB$ (2) where there is overproduction (2 marks) and the price is too low (2 marks) rather than the socially optimum level of output / where $MSC = MSB$ (2) hence governments might use regulation such as laws / licences (1 eg reward one example of regulation) to force the firms to take account of the externalities they cause / to internalise the externality (2) to reduce output / achieve social optimum (2 marks) and correct the market failure / resource misallocation that exists (2)	Up to 10 marks

MAXIMUM of 10 marks for the written explanation**MAXIMUM FOR PART 03: 12 MARKS**

04 **Extract B** (lines 11 and 12) states: ‘Whatever the reason, many believe that it is vital for more energy to be generated from renewable sources.’

Using the data and your knowledge of economics, to what extent do you agree with the view that markets can be relied upon to encourage the development of renewable energy? Justify your answer.

[25 marks]

Candidates will need to demonstrate that they are able to evaluate issues and arguments to support a conclusion if they are to be awarded **more than 13 marks**.

A maximum of 21 marks may be awarded if there is no **explicit** reference to the data.

Level 5	Good analysis <u>and</u> good evaluation	22 to 25 marks <i>Mid-Point 24 marks</i>
Level 4	Good analysis <u>but</u> limited evaluation OR Reasonable analysis <u>and</u> reasonable evaluation	17 to 21 <i>Mid-Point 19 marks</i>
Level 3	Reasonable including some correct analysis <u>but</u> very limited evaluation	10 to 16 marks <i>Mid-Point 13 marks</i>
Level 2	Weak with some understanding	4 to 9 marks <i>Mid-Point 7 marks</i>
Level 1	Very weak	0 to 3 marks <i>Mid-Point 2 marks</i>

There are a number of prompts in all three extracts to help identify potential market failure within energy markets, and the difficulties faced by firms in renewable energy provision. There is also evidence to suggest that markets may work well.

Candidates are expected to consider the arguments for and against the view that markets cannot be relied upon to develop renewable energy, and some may consider the method(s) of government intervention that is / are most appropriate, though this should not be the main focus of the question.

Better answers are likely to question the ‘extent’ of the government support, if they do believe that markets need some support.

An answer which discusses different policies without considering the arguments for and against intervention should be restricted to a maximum mark at the top of Level 3.

Issues and areas for discussion include:

<p>Introduction</p>	<ul style="list-style-type: none"> • market mechanism • market failure • resource depletion / degradation • renewable energy • negative externalities • inequalities • government intervention
<p>Developing the response to the question: (Application)</p>	<ul style="list-style-type: none"> • Drawing on the information in: <ul style="list-style-type: none"> • Extract A, B and C regarding the development of renewable energy, and the progress that has been made • Extract B regarding market failure associated with negative externalities, the need for renewables • Extract B regarding market failure associated with inequalities / high prices, the need for renewables • Extract C regarding problems encountered by firms in renewable energy markets • Extract C regarding regulation • Drawing on the candidate's own knowledge / experience of renewable energy / knowledge re energy markets / current issues
<p>Developing the response to the question: (Analysis)</p>	<ul style="list-style-type: none"> • Developing a chain of reasoning to explain: <ul style="list-style-type: none"> • why energy markets work well, price / profit functions • why energy markets / provision of renewables may be a source of market failure • why governments might wish to intervene to correct the market failure • why governments should not intervene – government failure arguments / opportunity cost / benefits of the market • the strengths / weaknesses of particular methods of government intervention • Use of externality diagrams to develop the analysis
<p>Evaluation</p>	<ul style="list-style-type: none"> • Questioning the assumptions made when developing the chains of reasoning outlined above • Discussing: <ul style="list-style-type: none"> • whether markets can work well in some areas and not others • whether government intervention works better in some markets rather than others • the most appropriate method of government intervention • market failure versus government failure • Evaluating the evidence in the data • Overall evaluation of the case for versus the case against

Examiners should note that credit can be given for basic evaluation if a candidate simply states but does not develop arguments for and against government intervention. Stronger evaluation is provided by candidates who are able to support arguments both for and against the view that markets cannot be relied upon to develop renewable energy, and by clearly stating the assumptions underlying the arguments being used. Reward the relevant use of diagrams to support arguments, eg externalities diagrams.

**USE THE DETAILED LEVELS MARK SCHEME ON PAGES 3 & 4
FOR FURTHER CLARIFICATION**

MAXIMUM FOR PART 04: 25 MARKS

OR

Context 2

Total for this Context: 50 marks

05 Define the term 'social benefits'. (**Extract E**, line 7).

[5 marks]

For an acceptable definition eg

- the private benefit plus the external benefit of an economic activity / consumption
- the benefit to an economic agent carrying out an activity plus the positive spillover effects / effects on third parties
- the private benefit of an economic activity plus the positive externality it creates

5 marks

Full marks should be awarded to a candidate who demonstrates a clear understanding of the term social benefits even if the definition is not exactly the same as the acceptable examples quoted above.

If the definition is inaccurate or incomplete, maximum of 4 marks which may be broken down, for example as follows:

The private benefit plus the external benefit (no reference to economic activity)	4 marks
The benefit to society (as a whole)	3 marks
The marginal private benefit plus the marginal external benefit	3 marks
A diagram to illustrate a social benefit (1 mark labelling; 1 mark information shown)	2 marks
Defining external benefit / positive externality (in this case do not reward an example)	1 mark
An example of a social benefit, eg from a 'merit good'.	1 mark max

Maximum of 4 marks if definition is incomplete or inaccurate

MAXIMUM FOR PART 05: 5 MARKS

06 Using **Extract D**, identify **two** significant points of comparison between the visitor attendance figures for London theatres and selected London museums over the period shown.

[8 marks]

Award up to 4 marks each for each significant point made:

Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison identified. Unit of measurement given accurately.	4 marks
Identifies a significant point of comparison. Makes partially inaccurate use of the data to support the feature identified. However, no unit of measurement is given and/or the unit of measurement is used/applied inaccurately and/or the dates are not quoted or are inaccurate.	3 marks
Identifies a significant point of comparison. Makes no correct use of the data to support the comparison identified.	2 marks
Identifies a significant feature of the data but no comparison is made. Makes use of the data to support the feature identified. Unit of measurement given accurately.	1 mark

If a candidate identifies more than two significant points of comparison, reward the best two.

Significant points include:

- Attendance figures for both London theatres and selected London museums increased over the period shown, for theatres from 12 351 000 visitors to 14 587 000, and for museums, from 13 391 000 visitors to 18 234 000.
- Attendance figures for London theatres peaked in 2013 at 14 587 000 visitors, and similarly, attendance figures for selected London museums peaked in 2013 at 18 234 000.
- Attendance figures for London theatres was lowest in 2006 at 12 351 000 visitors, and similarly, selected London museums saw the lowest attendance figures in 2006 at 13 391 000 visitors.
- Attendance at selected London museums was always higher than attendance at London theatres except in 2008 when theatre attendance was 13 892 000 visitors and museum attendance was 13 718 000.
- Attendance at selected London museums rose every year whereas attendance at London theatres rose every year with the exception of the period 2009 to 2011. For example, between 2009 and 2010 attendance at theatres fell from 14 258 000 visitors to 14 152 000, yet for museums, visitor numbers rose from 14 718 000 to 15 764 000.

MAXIMUM FOR PART 06: 8 MARKS

07 **Extract F** (lines 13 to 14) states: 'Between 2010 and 2014, the ticket price rose from £85 to £119, during which time the number of tickets on sale increased from 8 000 to 14 000'.

All other things being equal, calculate the price elasticity of supply of tickets for the music festival held in the north of England between 2010 and 2014 to one decimal place **and** explain the factors that might determine the price elasticity of supply of tickets for this music festival.

[12 marks]

The anticipated written response:

Define price elasticity of supply or write the formula, supply, or any other relevant term:	1 mark per definition Maximum of 2 marks for definitions
Accurate calculation of PES to 1dp: +1.9 / 1.9	3 marks
Maximum of 2 marks if the answer to the calculation is inaccurate as follows:	
Accurate calculation, but with negative sign -1.9	2 marks
Accurate but unrounded answer of 1.875	2 marks
Inaccurate answer of 1.8 or 1.87, or -1.875	1 mark
Accurate percentage changes (either 75% QS and / or 40% price) but inaccurate answer (with or without + sign)	1 mark

Award 2 marks for each logical link in the chain of reasoning, eg	
<p>Price elasticity of supply can be determined by the period of time (2) so in the long run PES is likely to be more elastic, (2) due to the ability to change the capacity / (theoretically, to have a flexible production process) (2) whilst in the momentary period capacity is fixed / perfectly inelastic (2) Here the answer of +1.9 suggests that the PES is price elastic (2) which means that the proportionate change in quantity supplied is greater than the proportionate change in price (2). The quantity of tickets supplied / available has been responsive to the increase in price (2) as over time (2) the festival organisers have been able to increase capacity (2) by moving to a larger site (2)</p> <p>Candidates are likely to include a range of determinants of PES, such as spare capacity (2) the availability of factors of production (2) such as land (2); barriers to entry (2) such as high costs of expansion (2)</p>	Up to 10 marks
<p>Candidates are not required to use a diagram, however, should one be used it can be awarded up to 3 marks: for labelling both axes, supply and demand curves, coordinates drawn at the equilibrium and labels such as P_1 and Q_1 (1) rightwards shift in the demand curve (1) co-ordinates drawn at the new equilibrium and labels such as P_2 and Q_2 (1)</p>	Up to 3 marks

Alternatively, for labelling both axes, supply curve, with / without co-ordinates drawn and labels such as P_1 and Q_1 (1) co-ordinates drawn at another price and quantity and labels such as P_2 and Q_2 . (1)	
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In addition, candidates who explain that there has been an increase in capacity in the long run (between 2010 and 2014) may show a rightwards shift in the (vertical) supply curve **(1)**

Note: For the task of labelling the axes: Vertical: price / P; a monetary value such as a £ sign. Price level is not acceptable. Horizontal: quantity / Q.

Award a MAXIMUM of 10 marks for the response if there is no attempt to calculate PES

Diagram marks can only be rewarded if the diagram is referred to, and used in the appropriate context

MAXIMUM FOR PART 07: 12 MARKS

08 **Extract E** (lines 2 to 4) states that Arts Council England is an organisation that ‘champions, develops and invests in artistic and cultural experiences that enrich people’s lives’.

Using the data and your knowledge of economics, evaluate the view that providing subsidies is the best way to ensure that sufficient resources are devoted to the arts and cultural activities.

[25 marks]

Candidates will need to demonstrate that they are able to evaluate issues and arguments to support a conclusion if they are to be awarded **more than 13 marks**.

A maximum of **21 marks** should be awarded if there is no **explicit** reference to the data.

Level 5	Good analysis <u>and</u> good evaluation	22 to 25 marks Mid-Point 24 marks
Level 4	Good analysis <u>but</u> limited evaluation OR Reasonable analysis <u>and</u> reasonable evaluation	17 to 21 marks Mid-Point 19 mark
Level 3	Reasonable including some correct analysis <u>but</u> very limited evaluation.	10 to 16 marks Mid-Point 13 marks
Level 2	Weak with some understanding	4 to 9 marks Mid-Point 7 marks
Level 1	Very weak	0 to 3 marks Mid-Point 2 marks

There is a number of prompts in Extracts D, E and F to support the use of subsidies for encouraging a greater participation in the arts and cultural activities, but the extracts also point towards other methods of intervention / market approach. It is expected that candidates will refer to at least one cultural activity but this is not essential. Please be aware that candidates might choose other cultural activities not referred to in the extracts which is also acceptable, for example, ballet / opera / craftwork. Answers which do not refer to at least one other method should be restricted to a maximum mark at the top of Level 3.

Issues and areas for discussion include:

<p>Introduction</p>	<ul style="list-style-type: none"> • market failure • positive externalities • the arts and cultural activities • government intervention • subsidies • education • correcting information failure • market mechanism
<p>Developing the response to the question: (Application)</p>	<ul style="list-style-type: none"> • Drawing on the information in: <ul style="list-style-type: none"> – Extract D, E and F regarding the arts and cultural activities – Extract E regarding market failure associated with positive externalities, the need for government intervention – Extract F regarding market failure associated with inequalities / youth unemployment / high prices, the need for government intervention – Extract E regarding the cost of subsidies / benefits of subsidies – Extract E regarding alternative methods such as education – Extract E regarding a more market-based approach – Extract F regarding the costs involved in cultural activities – Extract F regarding the benefits of subsidies • Drawing on the candidate's own knowledge / experience and knowledge of the arts and cultural activities / current issues
<p>Developing the response to the question: (Analysis)</p>	<ul style="list-style-type: none"> • Developing a chain of reasoning to explain: <ul style="list-style-type: none"> – the nature of the market failure / why there is a need for government intervention – how subsidies work to correct the market failure – the arguments for and against the use of subsidies (strengths and weaknesses) – how education / correcting information failure / other methods such as maximum price work to correct the market failure – the arguments for and against the use of other methods of intervention – the arguments for and against leaving it to the market mechanism • Use of subsidy diagrams, externality diagrams and any other relevant diagrams to develop the analysis
<p>Evaluation</p>	<ul style="list-style-type: none"> • Questioning the assumptions made when developing the chains of reasoning outlined above. • Discussing: <ul style="list-style-type: none"> – whether subsidies provide the best solution and why / providing the most significant argument – whether another form of government intervention would provide a better solution and why – the extent of the market failure – whether the market is best left to the market mechanism – market failure versus government failure • Evaluating the evidence in the data • Overall evaluation to support the use of subsidies or an alternative as the best method

Examiners should note that credit can be given for basic evaluation if a candidate simply states but does not develop arguments. Basic evaluation (and good analysis) would allow the answer to achieve low Level 4. Stronger evaluation is provided by candidates who are able to support arguments which fully justify why one method is likely to be the best compared to an alternative(s). Reward the relevant use of diagrams to support arguments.

USE THE DETAILED LEVELS MARK SCHEME ON PAGES 3 & 4 FOR FURTHER CLARIFICATION

MAXIMUM FOR PART 08: 25 MARKS