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Examiners' Report
June 2015

GCE Economics 6EC01 01

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Introduction

Overall this paper was well received and it was pleasing to note a good standard of responses. This reflects improved use of diagrammatic analysis and also the information provided within the questions. There were a significant number of superior answers which scored very high marks, particularly in the supported choice section of the paper. Very few candidates struggled to answer at least some of the questions on the paper. However, there is scope for improvement, especially in the extended data response questions (d) and (e). Some candidates appeared to write down their notes without considering whether they were relevant to the question set. It is important to have a structure to these answers, for example, referring to up to four analytical points and three evaluative comments.

Most candidates completed the paper in the time available though some struggled to develop their answers for the very last question. It is important to practise past unit 1 papers under timed conditions to strengthen exam skills. The performance on individual questions is considered in the next section of the report and there are two examples of candidate work for each one. These examples act as a guide as to why a question was well answered and also how to improve further.

Section A: supported multiple choice questions

Most candidates found this method of testing highly accessible. The mean score for the supported multiple choice questions in June 2015 was the same as for the June 2014 paper at 24 out of a total of 32 marks. This is significantly higher than the first exam paper for the specification in January 2009 (20 out of 32 marks). It reflects greater use of suitable diagrammatic analysis to support answers, particularly for Q2 (The price of gold), Q7 (Increase in the national minimum wage in Bangladesh) and Q8 (Market failure in bus travel).

The key to success involves defining the main concept(s) in the question (awarded 1 or 2 marks) and applying appropriate economic theory and analysis (usually awarded up to 2 marks). Annotation of diagrams is always a good strategy, for example, Q1 (Opportunity cost along a production possibility frontier), Q3 (Fall in demand for DVDs and its impact on producer surplus) and Q6 (The effect of a government subsidy to producers of solar power). Marks are made available for using diagrams to answer questions.

The foundation of this paper is an understanding of the price mechanism model and its limitations. Any suitable opportunity to apply this model should be taken. In order to maximise candidate performance it is possible to achieve the full 3 explanation marks even when an incorrect option is selected. Quite often this arose in Q1 (Opportunity cost along a production possibility frontier) where some candidates selected incorrect option A but were fully versed in explaining the workings of the production possibility frontier.

Many candidates gained marks by using the rejection technique. Up to 3 marks are available for successfully eliminating 3 incorrect options (provided that three separate reasons are offered). There was a definite increase in the use of the rejection technique for this exam series. However, not all were successful - a simple reversal of an incorrect option is insufficient to gain a mark. It requires candidates to explicitly state the option key being rejected and then to offer an appropriate explanation. Unfortunately some candidates still fail to identify the incorrect option key and so the examiner may not be aware that the rejection technique is being offered. This was particularly noticed in Q3 (Fall in demand for DVDs and its impact on producer surplus) where some candidates identified the areas of consumer surplus being referred to in options A and B but offered no further comment on them. Several examples of how to successfully eliminate incorrect options are provided in the candidate responses shown in the report. A certain skill is required for this and it is important to practise the technique. As mentioned earlier, marks are not awarded for responses that simply reverse the incorrect option sentence without further explanation. Some value must be added to the answer.

Please note, it is perfectly acceptable to use a combination of techniques for securing the 3 explanation marks, for example, explaining the correct answer, diagrammatic analysis and eliminating one or more incorrect answers.

Section B: data response questions

The data response questions have a substantial weighting for evaluation marks (16 out of 48 marks). Consequently, it is vital that candidates make evaluative comments when required by the question. A 14 mark question comprises 6 evaluation marks (2+2+2 or 3+3) and a 10 mark question comprises 4 evaluation marks (2+2). Attention should be directed to the quality of written communication (QWC), especially in those questions identified by an asterisk in the question paper. Here, candidates should attempt to develop a coherent argument and take into account grammar and presentation. Although no explicit marks are awarded for QWC, it forms part of the overall impression that examiners take into account when awarding marks.

Both data response questions were accessible to candidates. Fifty-nine per cent of candidates selected Question 10 (The London Crossrail Project) and forty-one per cent chose Question 9 (The UK Housing Market). The mean score for both questions was almost identical at 25 marks. Data response questions had been set in previous exam series on related topics, for example, 'Proposals for a third runway at London Heathrow airport' in June 2013 and 'Difficult times in the housing market' in January 2012. Overall, questions (a) and (b) tended to differentiate well at the lower end of candidate performance whereas questions (c), (d) and (e) differentiated effectively at the top end. Questions 9(e) and 10(e) proved to be the most demanding on the paper, with their mean scores falling below half of the total marks available. In Question 9(e) some candidates misdirected their answers by focusing on government measures to reduce carbon emissions from the economy in general, rather than examine the case for reducing carbon emissions of new-build homes. In Question 10(e) some candidates only focused on the possibility of government failure in the construction of London Crossrail and did not consider the effects of the project once it was up and running. Consequently, these answers tended to be limited in ideas on how and whether government failure arises.

Finally, an attempt has been made to break down and justify how the marks were awarded in the candidate responses used in this report. One should note however, that the answer to each question is really considered in its entirety rather than relying solely upon the mechanical breakdown of individual points. The latter exercise is for the benefit of candidates and teachers reading this report as to how the mark scheme is interpreted in practice. The examiner develops an impression of the quality of each response and uses the mark scheme as a guide to award marks accordingly.

Question 1

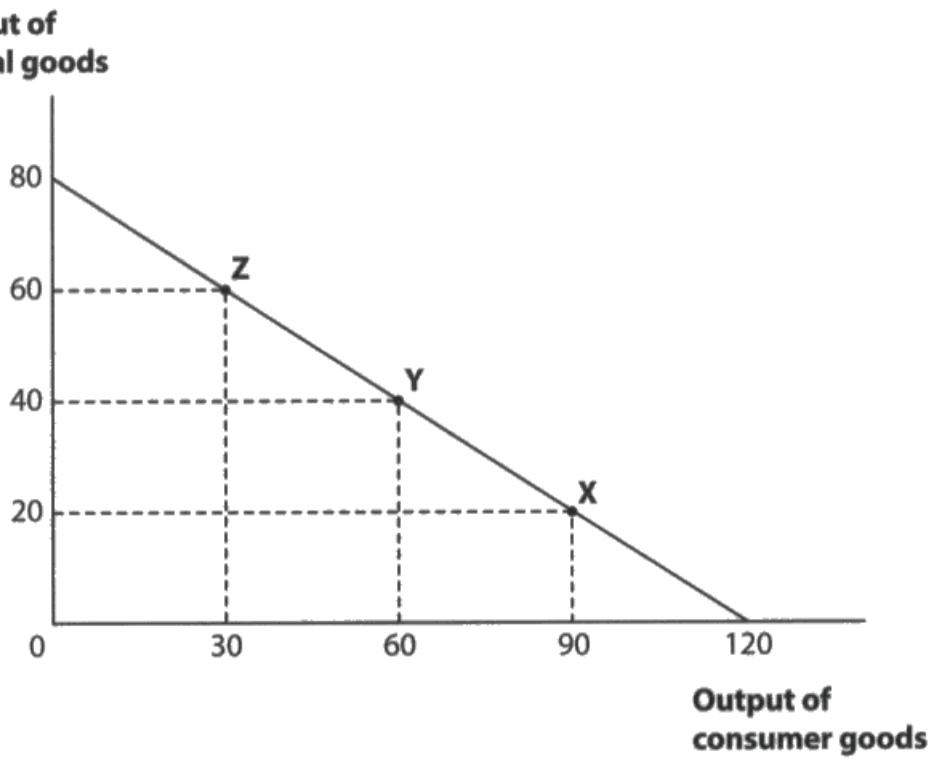
Most candidates achieved marks by defining the production possibility frontier and opportunity cost. The best answers made use of the data in the diagram and calculated the opportunity cost of producing 1 capital good to be 1.5 consumer goods (or 20 capital goods to cost 30 consumer goods). Furthermore, this value remains the same no matter the position of the economy on the production possibility frontier. A significant number of candidates selected incorrect option A (misunderstanding the opportunity cost of producing 90 consumer goods) and incorrect option B (failing to recognise the significance of capital goods for creating economic growth).

SECTION A

Answer all the questions in this section.

You should spend 35 minutes on this section. Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1



The diagram shows a production possibility frontier for an economy which is currently operating at point **X**. Which **one** of the following is true?

(1)

A The opportunity cost of producing 90 units of consumer goods is 20 capital goods

B Moving to point **Y** will decrease the rate of economic growth compared to point **X**

C The opportunity cost of increasing the output of capital goods is constant

D Moving to point **Z** will increase current living standards

Answer C

Production possibility frontier shows the combination of producing 2 goods in an economy using all available resources efficiently. Opportunity cost is the cost of the next best good foregone.
A is incorrect as the opportunity cost would be 60 capital goods, not 20.
The answer is C as the ppf curve is a straight line, showing it is constant.

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Examiner Comments

This answer achieved 4 out of 4 marks. Correct option C (1 mark).

The candidate begins by defining a production possibility frontier (1 mark) and opportunity cost (1 mark). Effective use is made of the rejection technique to eliminate incorrect option A by stating the opportunity cost to be 60 capital goods rather than 20 capital goods (1 mark). Finally, mention is made of the production possibility frontier being a 'straight line' so that opportunity cost is constant throughout (1 mark). Note a maximum of 3 explanation marks are available.

ResultsPlus
Examiner Tip

Make use of the data provided in the diagram of the question. In particular, calculate the opportunity cost ratio for producing capital goods.

Answer C

A PPF shows the maximum combinations of output achievable when all resources are fully utilised.

Opportunity cost is the value of the next best alternative foregone in an economic decision.

Option A is incorrect as the opportunity cost is 40 not 20. Capital goods.

ResultsPlus
Examiner Comments

This answer achieved 3 out of 4 marks. Correct option C (1 mark).

Definition of production possibility frontier (1 mark) and opportunity cost (1 mark). Rejection of option A is incorrect as the opportunity cost of producing 90 consumer goods is 60 capital goods.

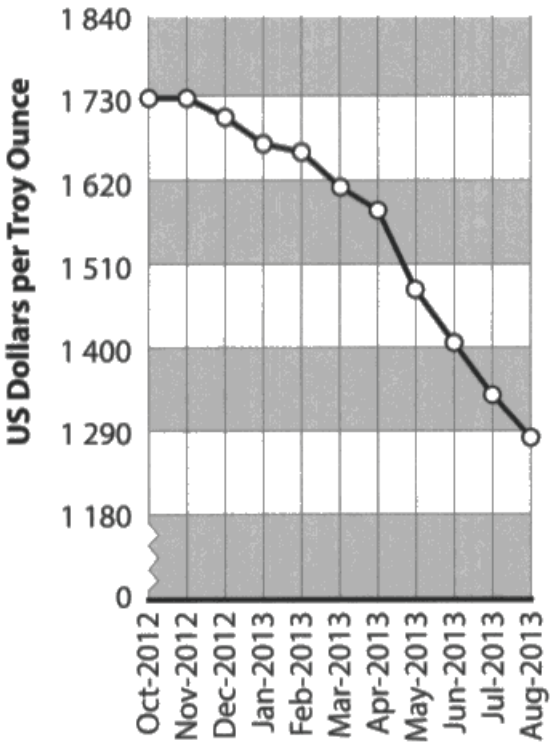
ResultsPlus
Examiner Tip

It is a good idea to double-check calculations to avoid making basic errors. Opportunity cost is 80 minus 20, which equal 60 capital goods.

Question 2

Most candidates achieved high marks by drawing a suitable supply and demand diagram depicting an increase in supply of gold and a fall in its price. However, only a minority explicitly referred to the price fall from $1730 to $1290 per Troy ounce of gold and so missed the possibility of securing an additional mark. Similarly, some responses did not reject options A and D properly. It is insufficient to repeat the incorrect option and reverse just one word. Nevertheless, many candidates achieved a mark by successfully rejecting option C (where an increase in the cost of machinery to mine gold will increase its production costs and so shift the supply curve inwards, raising its price).

2



(Source: http://www.indexmundi.com/commodities/?commodity=gold&months=60)

The graph shows the price of gold per Troy Ounce between October 2012 and August 2013. Which **one** of the following is a possible reason for the trend shown over the period?

(1)

A An increase in demand for gold jewellery in India and China

B The sale of gold reserves by several European Central banks including Cyprus and Germany

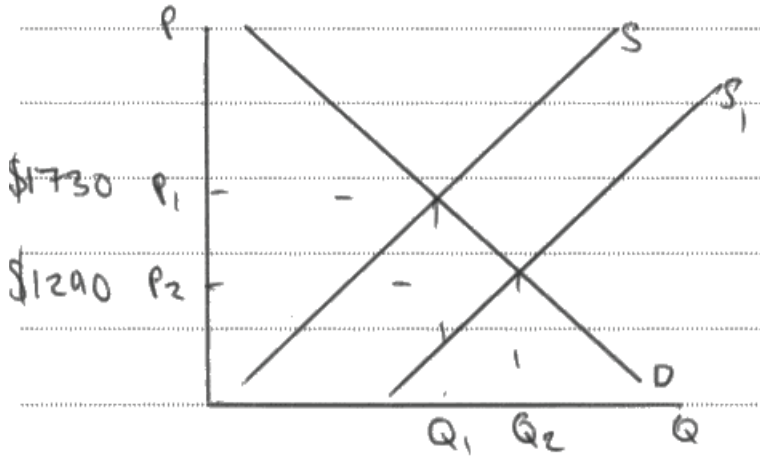
C An increase in the cost of machinery used in South African gold mining

D Speculative buying of gold following expectations of rising inflation

Answer B

~~It cannot~~ It is B as the sale of gold reserves by European Central Banks will increase the supply, resulting in

a fall in prices. In October 2012 the price of gold per Troy ounce was $1730, until it fell to around $1290 in August 2013.



It cannot be A because an increase in demand for gold jewelerry would cause the demand curve for gold to shift outwards, which would increase the price rather than follow the trend of decreasing price shown in the graph.

ResultsPlus
Examiner Comments

This answer achieved 4 out of 4 marks. Correct option B (1 mark).

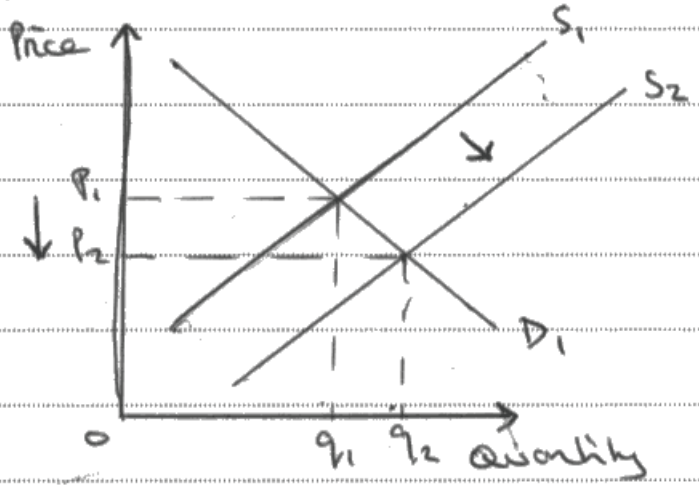
Explanation of the price of gold falling with reference to the figures involved (1 mark). Correctly labelled diagram depicting an increase in supply and fall in equilibrium price of gold (1+1 marks). Rejection of option A (1 mark). The candidate makes explicit the link between the demand for gold jewellery and the demand for gold. Note a maximum of 3 explanation marks are available.

ResultsPlus
Examiner Tip

Be prepared to offer suitable diagrammatic analysis in your answer, especially when invited to do so within the question. This response makes full use of the data provided in the graph.

Answer B

A commodity is a raw material used in the production of other goods. A sale of gold reserves will cause an increased supply on the market, causing a shift from S_1 to S_2 and a price drop from P_1 to P_2 at quantity q_1, q_2, as shown in the diagram.



ResultsPlus
Examiner Comments

This answer achieved 3 out of 4 marks.
Correct option B (1 mark).

Correctly labelled diagram with explanation of an increase in supply and a fall in the equilibrium price of gold (1+1 marks).

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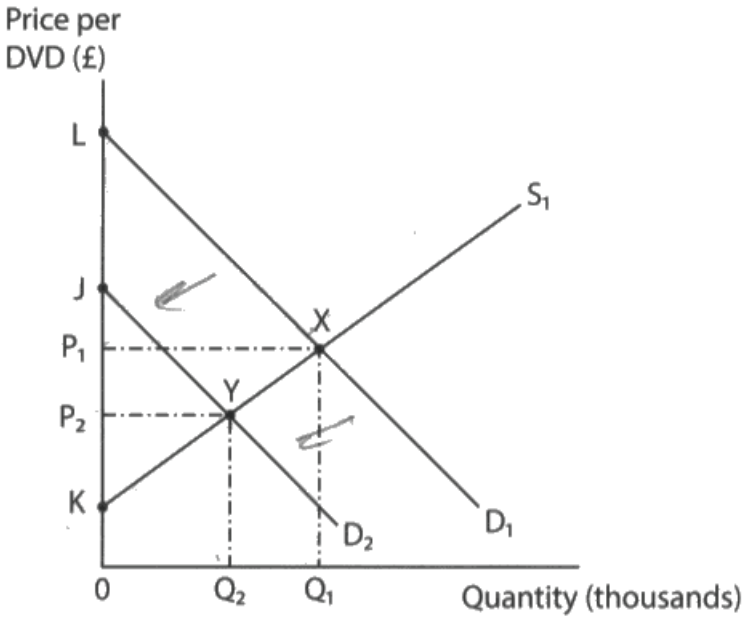
Examiner Tip

Use the data in the graph on the price of gold. 1 mark is available for referring to the fall in price of gold from $1730 to $1290 per troy ounce over the period shown.

Question 3

The question on the fall in demand for DVDs and its impact on producer surplus was highly accessible to most candidates. Many achieved maximum marks. The most efficient answers defined the concept and then identified the original area of producer surplus (P1XK) as well as the area of producer surplus lost (P1P2YK). Many responses wasted time by defining consumer surplus which was not relevant to the question. However, some gained rejection marks by explicitly identifying option A (P2JY) as the new consumer surplus area and option B (LXP1) as the original consumer surplus area. Candidates must state that they are rejecting these particular options - it is insufficient to just refer to these as areas of consumer surplus without mentioning whether they are the 'new' or 'original' areas.

3



The diagram shows the market for DVDs. A decrease in demand from D_1 to D_2 will cause a fall in

(1)

- ~~A~~ producer surplus to P_2JY
- ~~B~~ consumer surplus to LXP_1
- **C** producer surplus to P_2YK
- ~~D~~ consumer surplus to $0P_2YQ_2$

Answer C

Producer surplus is the difference between the price producers are willing to sell their products and the market price. The fall in demand from D_1 to D_2 has caused the price to fall from P_1 to P_2. Therefore:

Original producer surplus = $P_1 X K$

New producer surplus = $P_2 Y K$

Change in producer surplus = $P_1 X Y P_2$

Since there is a fall in price, producers would now earn less than before thereby resulting in the producer surplus of $P_2 Y K$. So, answer C is correct.

ResultsPlus
Examiner Comments

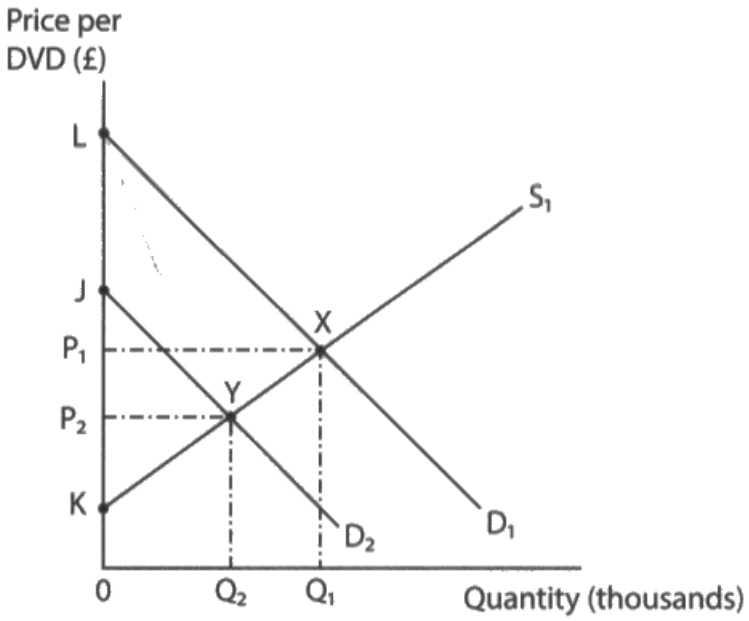
This answer achieved 4 out of 4 marks. Correct option C (1 mark).

A definition of producer surplus (1 mark) is supported by identifying the original area (P1XK) (1 mark) and the loss of area (P1XYP2) (1 mark).

ResultsPlus
Examiner Tip

Be prepared to annotate the diagram provided in a question. Some candidates gained marks by identifying the original area of producer surplus and the area lost on the diagram itself.

3



The diagram shows the market for DVDs. A decrease in demand from D_1 to D_2 will cause a fall in

(1)

A producer surplus to P_2JY

B consumer surplus to LXP_1

C producer surplus to P_2YK

D consumer surplus to $0P_2YQ_2$

Answer C

Producer Surplus is the difference between the market price and the price at which producers are willing to sell.
The original producer surplus is P1XK. As demand decreased, the new producer surplus is P2YK and has decreased

ResultsPlus
Examiner Comments

This answer achieved 3 out of 4 marks.
Correct option C (1 mark).

A definition of producer surplus (1 mark) is supported by identifying the original area of producer surplus (P1XK) (1 mark).

ResultsPlus
Examiner Tip

Some candidates correctly identified the new area of producer surplus as P2YK. This is fine to do but it is important to recognise that a mark has already been awarded for this when selecting the correct option C. Double awarding of marks is not possible here. It is a good idea to consider how to achieve the final explanation mark available. This is through working out the area of producer surplus lost.

Question 4

This was another high scoring question. The most common method was to define price elasticity of demand (or identify the formula) and then calculate it using the data provided as well as showing the workings. Candidates are typically well versed in calculating 'percentage change' from figures provided and then inserting these into the elasticity formula. Many found this an easy way to gain marks.

A −2.5

B −1.25

C +0.4

D +2.5

Answer A

Explanation

(3)

PED measures the responsiveness of quantity demanded to a change in price

$$PED = \frac{\%\Delta Q_D}{\%\Delta P} = \frac{25\%}{-10\%} = -2.5$$

$$\%\Delta P = \frac{180-200}{200} \times 100 = -10\%$$

$$\%\Delta Q_D = \frac{25-20}{20} \times 100 = 25\%$$

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Examiner Comments

This answer achieved 4 out of 4 marks. Correct option A (1 mark).

The definition (or formula) for price elasticity of demand (1 mark) is supported by relevant calculations of the percentage change in price (-10%) and the percentage change in demand (25%) for designer bracelets (1+1 marks). The overall answer is then shown as -2.5.

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Examiner Tip

Always show the workings in calculation questions since marks are awarded for this.

4 A jewellery retailer reduces the price of designer bracelets from £200 to £180 each. As a result, quantity demanded rises from 20 to 25 per month. The best estimate of price elasticity of demand for this jeweller's designer bracelets is

(1)

A −2.5

B −1.25

C +0.4

D +2.5

200 → 180

10%

20 → 25

Answer C

Explanation

(3)

PED = %ΔQD / %ΔP

= −10% / +25% = 0.4

200 − 180 = 20 , 20/200 × 100 = 10%

20 + 5 = 25 , 5/20 × 100 = 25%

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Examiner Comments

This answer achieved 2 out of 4 marks. Incorrect option C (0 mark).

The formula for price elasticity of demand (1 mark) is supported with calculations for the percentage change in price and demand (1 mark). Unfortunately these are applied incorrectly (upside down) to the elasticity formula.

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Examiner Tip

Always show the workings in calculation questions as marks are available even when the answer is incorrect.

Question 5

This question recorded the highest mean mark out of all the supported choice questions. The vast majority of candidates explained that fruit and vegetables are normal goods with a positive income elasticity of demand whilst processed foods are inferior goods with a negative income elasticity of demand. Often these answers started with a suitable definition of income elasticity of demand and proceeded to apply to the goods at hand. The most common limitation to candidate answers was the absence of any direct application to the goods.

Answer B

Explanation

(3)

Income elasticity of demand refers to the responsiveness of ~~price~~ demand to a change in income.

B is right because when income falls ('fell by 7.5%') the demand for normal goods decrease ('reduced expenditure on fruit and vegetables') and demand for inferior goods increases ('increased it on processed foods')

A is wrong because no information is provided about the price of the foods. It's about YED not CPED.

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Examiner Comments

This answer achieved 4 out of 4 marks. Correct option B (1 mark).

A definition of income elasticity of demand (1 mark) is supported with an explanation of normal and inferior goods (1 mark). Application to the two sets of goods was also credited (1 mark). Suitable rejection of option A is undertaken by mentioning the lack of information on cross price elasticity of demand for the goods (1 mark). Note a maximum of three explanation marks is available.

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Examiner Tip

Always state the incorrect option key when using the rejection technique as the candidate has done in this case (option A).

5 The Institute for Fiscal Studies reported that between 2007 and 2012, average real incomes fell by 7.5% for families with young children. Over the same period it found that these families reduced their expenditure on fruit and vegetables but increased it on processed foods which contain high levels of fat and sugar.

Other things being equal, this information suggests that

(1)

A the change in quantity of fruit and vegetables demanded in response to a change in price of processed foods is negative

B fruit and vegetables are normal goods and processed foods are inferior goods

C the price of fruit and vegetables has risen more slowly than the price of processed foods

D fruit and vegetables are inferior goods and processed foods are normal goods

Answer B

Explanation

(3)

Income elasticity of demand is the measure of the sensitivity of quantity demanded to a change income. Normal goods are when income rises quantity demand increase. Inferior goods are when income rises quantity demanded decreases.

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Examiner Comments

This answer achieved 3 out of 4 marks. Correct option B (1 mark).

Definition of income elasticity of demand (1 mark) supported by definitions of inferior and normal goods (1 mark). Note there is a maximum of up to 2 marks available for defining key concepts in supported choice questions.

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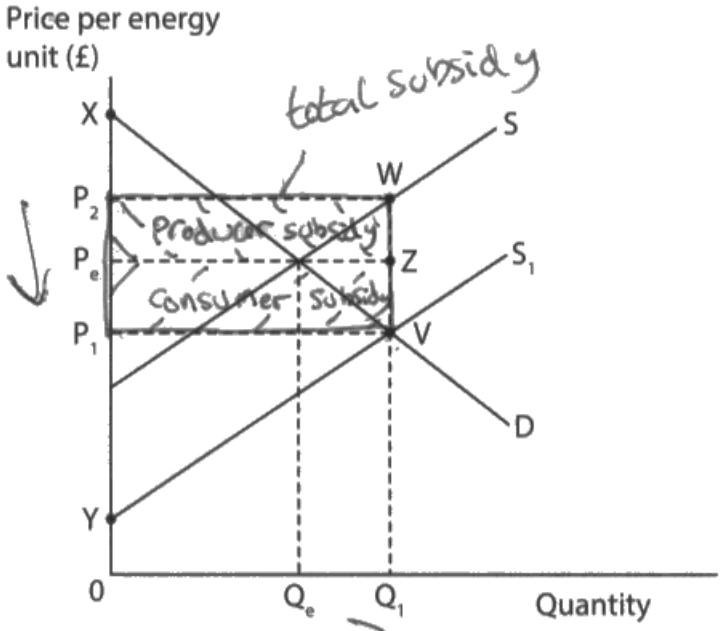
Examiner Tip

Apply to the context of the question. This requires some reference to fruit, vegetables and processed foods.

Question 6

The government subsidy question offered scope for candidates to secure marks by defining the concept and explaining how it acts to reduce production costs for producers of solar panels. The best responses outlined the parts of government subsidy allocated to consumers (P1PeZV) and producers (P2PeZW) respectively. A common mistake was to select incorrect option C (which only shows the area of subsidy going to consumers). Another typical error was to confuse consumer and producer subsidies with consumer and producer surpluses, especially when annotating the diagram provided. This question recorded the lowest mean score out of all the supported choice questions.

6



The diagram shows the effect of a government subsidy to producers of solar power.
The total government expenditure on the subsidy will be

(1)

A $0P_2WQ_1$

B P_2P_eZW

C P_1VZP_e

D P_1VWP_2

Answer D

(3)

A subsidy is a government grant used to decrease production costs, this decreases price and increases quantity supplied. Answer B is wrong as it is producer subsidy and C is incorrect as is the consumer subsidy.

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Examiner Comments

This answer achieved 4 out of 4 marks. Correct option D (1 mark).

Annotation of the diagram depicting consumer and producer subsidy areas (1+1 marks). This is supported with a definition of a subsidy in terms of a government grant to decrease market price and increase supply of solar panels (1 mark) along with the notion that it helps to reduce production costs for firms (1 mark). Note a maximum of three explanation marks is available. Rejection of option C is unnecessary since the candidate has already been awarded for identifying the consumer subsidy area and double awarding is not available.

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Examiner Tip

Be prepared to annotate diagrams provided in questions as marks are usually available for this.

Answer A

A subsidy is a government grant with the aim to reduce a firms costs of production and increase its real output. Therefore supply shifts right causing an extension in demand. Option B is incorrect as the area does not cover the increase in output to S_1. Option D is incorrect as price would not rise to P_2, the subsidy aims to reduce market prices to p_1.

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Examiner Comments

This answer achieved 2 out of 4 marks. Incorrect option A (0 mark).

Definition of a government subsidy (grant to increase output and reduce market price of a good) (1 mark). Explanation of the subsidy helping to reduce a firm's costs of production (1 mark). The rejection of option B is insufficient and the rejection of option D is inappropriate since it is the correct answer.

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Examiner Tip

Try and annotate the diagram provided in the question. When it comes to subsidies (and indirect taxes) remember to start your analysis from the new equilibrium position (in this case V) rather than the old one. This will help to identify the area of subsidy as VW multiplied by VP1.

Question 7

The vast majority of candidates selected correct option A and many proceeded to draw a suitable minimum wage diagram offering some explanation. The best answers inserted both the original and the new minimum wage lines on the diagram, along with the increase in unemployment or job losses created. It was common to see candidates successfully reject option D concerning the price of clothing in shops. Overall, there were many ways to gain the explanation marks. Indeed, it was possible to achieve maximum marks without the use of a diagram.

A affect the level of employment among clothing workers

B decrease the supply of labour in the clothing industry

C increase the demand for labour in the clothing industry

D decrease the price of clothing in shops

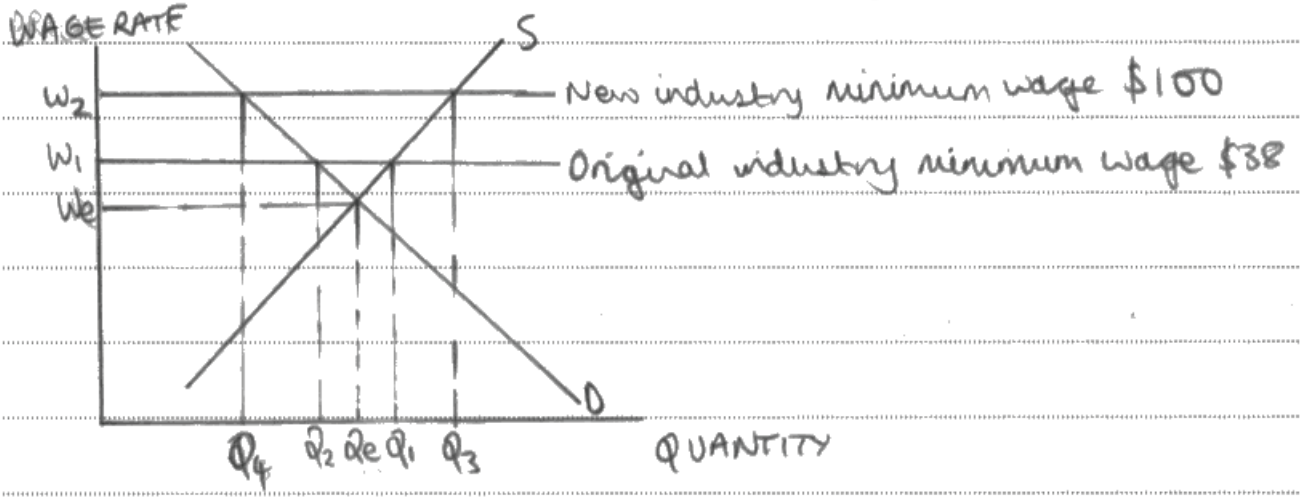
Answer A

Explanation

You may use a supply and demand diagram in your answer.

(3)

The national minimum wage is the legal minimum hourly rate of pay employers must pay employees.



An increase in the industry minimum wage would lead to greater unemployment as excess supply increases from Q_1-Q_2 to Q_3-Q_4 and therefore, the level of employment falls as the cost of production to firms rises.

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Examiner Comments

This answer achieved 4 out of 4 marks. Correct option A (1 mark).

A definition of the national minimum wage (1 mark) is supported with relevant diagrammatic analysis depicting the original and new minimum wage lines (1 mark). Its impact on employment is also clearly identified as excess supply in the labour market increases from Q1-Q2 to Q3-Q4 (1 mark). Labelling the minimum wage lines with the data from the question ($38 and $100) is also worthy of credit (1 mark). Note a maximum of three explanation marks is available.

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Examiner Tip

Make sure diagrams are carefully explained as in this case. All too often candidates constructed a minimum wage diagram but did not explain the increase in unemployment or job losses involved. Consequently many did not secure the marks available from the diagram.

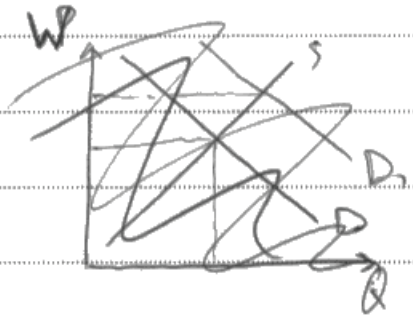
Answer A

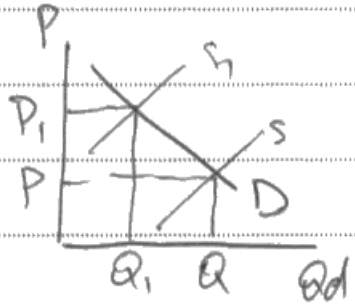
Explanation

You may use a supply and demand diagram in your answer.

(3)

PED = $\frac{\%\Delta Qd}{\%\Delta P}$





When a NMW had increased so much, the demand for workers had decreased because it became much more expensive to keep them all in production.

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Examiner Comments

This answer achieved 2 out of 4 marks. Correct option A (1 mark).

The answer is mainly irrelevant but the candidate is credited by suggesting that the large increase in minimum wage would cause a decrease in demand for labour as they are too expensive to keep in production (1 mark). The diagram is not relevant here. It appears to show a product market rather than labour market diagram and no explanation is offered.

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Examiner Tip

Try to extend your answers when it is clear that the 3 explanation marks have not been gained. Use of the rejection technique would be an obvious approach when uncertain over how to draw a suitable minimum wage diagram. For example, option B is incorrect since the higher wage rate will provide an incentive for more labour to seek work in the clothing industry. Similarly, option D is incorrect since a higher wage rate will increase the costs of production for clothing firms and so they may pass on these extra costs to their customers via higher prices of clothing.

Question 8

This question on market failure was handled well by most candidates. Many responses started with a definition of market failure and then followed up with a positive externality diagram. Both were valid for achieving marks. Sometimes the definition of market failure was insufficient, for example, 'resources are allocated inefficiently'. There needs to be some reference to the market or price mechanism leading to market failure here. It appears that some attempts at defining economic concepts are too brief for their own good. Furthermore, relatively few answers were directly applied to bus travel and how increased usage may help reduce road congestion and overall motor vehicle pollution. It was typically the stronger responses that offered some application to external benefits of bus travel.

8 Market failure may arise in an economy when

(1)

A train fares rise in response to an excess demand for rail travel

B government taxes on petrol reduce the number of motor vehicle journeys

C external benefits from bus travel are ignored by the price mechanism

D loss making taxi firms exit the market

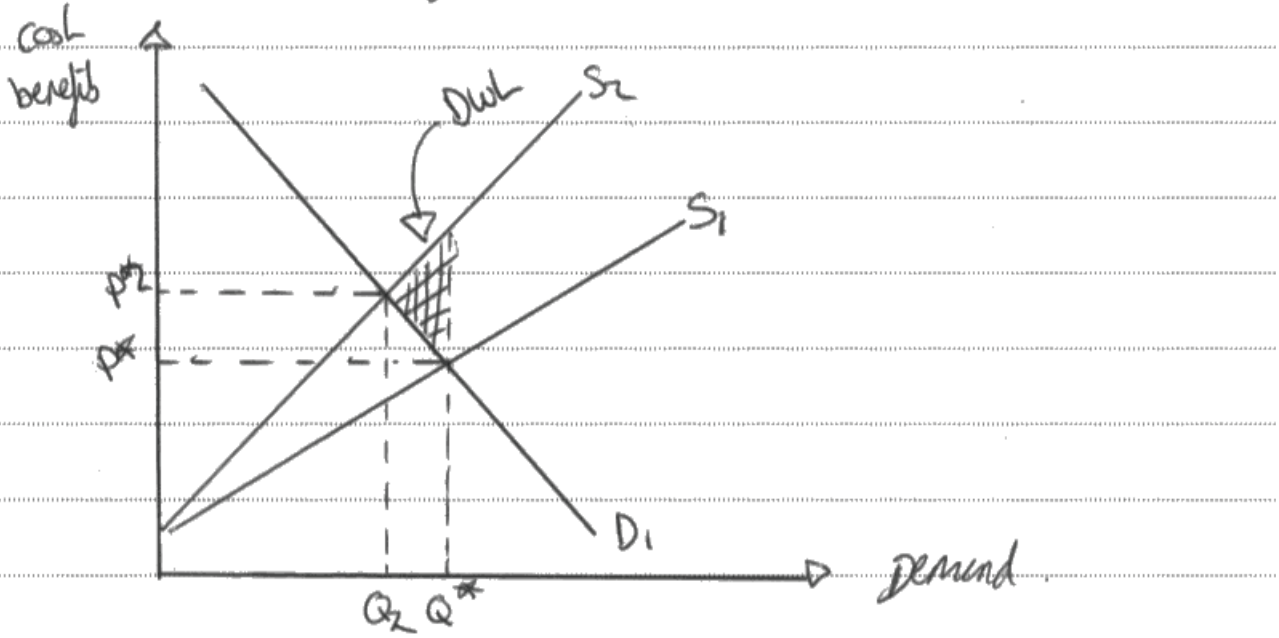
Answer C

Explanation

You may use a supply and demand diagram in your answer.

(3)

Market failure is when the price mechanism fails to allocate resources efficiently.



ResultsPlus
Examiner Comments

This answer achieved 2 out of 4 marks. Correct option C (1 mark).

A definition of market failure (1 mark) is accompanied with a diagram but there is no explanation of it. The curves on the diagram are not properly labelled (for example, marginal social costs and private costs and benefits). Consequently no mark was awarded for the diagram.

ResultsPlus
Examiner Tip

Ensure that diagrams used in answers are carefully labelled and include a brief explanation.

Answer C

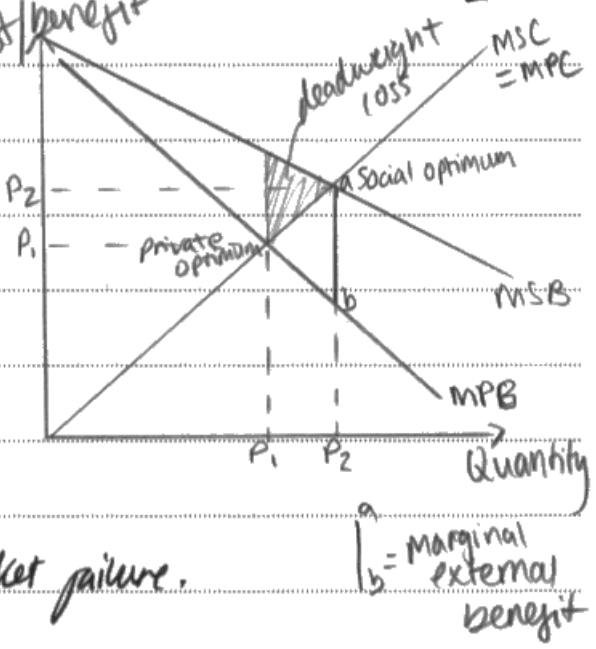
Explanation

You may use a supply and demand diagram in your answer.

(3)

Market failure ~~of~~ occurs when the price mechanism fails to efficiently allocate resources. In a free market economy, bus travel is under produced and under consumed ~~e~~ by $P_2 - P_1$ as the price mechanism ignores the external benefits of this, such as decreased ~~co~~ CO_2 emissions. This is market failure as resources are misallocated and should be allocated ~~to~~ ~~more~~ ~~necessary~~ bus travel.

B is not correct as this is an example of government intervention to reduce market failure from negative externalities, not an example of market failure.



ResultsPlus
Examiner Comments

This answer achieved 4 out of 4 marks. Correct option C (1 mark).

The definition of market failure (1 mark) is supported with an explanation of a relevant and accurate external benefits diagram (1+1 marks). There is good application to bus travel and effective rejection of option B (which indicates that government intervention via taxes on petrol helps reduce market failure from negative externalities such as C02 pollution) (1 mark). Note a maximum of three explanation marks are available for this question.

ResultsPlus
Examiner Tip

Always apply to the context of the question since in most cases marks are available. The candidate refers to how bus travel can help reduce C02 emissions (presumably as motorists leave their vehicles at home and take the bus).

Question 9 (a)

The question on explaining two likely reasons why UK house prices increased in the 12 months to August 2013 effectively differentiated between candidates and just under half achieved either 3 or 4 marks. Some eleven per cent gained the full 6 marks available. The best responses focused on two reasons and developed each of them rather than just repeating the information in the extract. The most popular reasons given for the house price increases included more foreign buyers in London, low interest rates and the government 'help to buy' scheme.

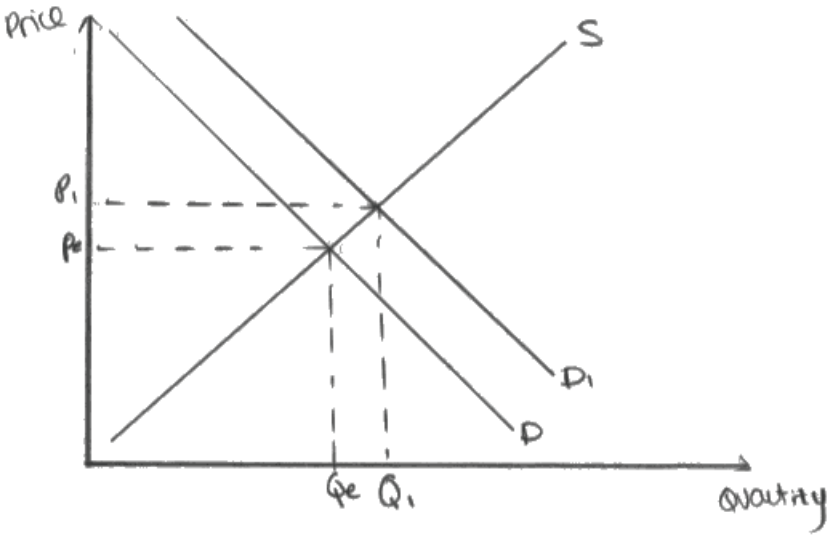
(a) With reference to Extract 1, explain **two** likely reasons why UK house prices increased in the 12 months to August 2013.

(6)

Extract 1 states that house prices were at their highest level ever at £247,000 in August 2013'.

One possible reason for this is due to the 'sustained period' of low interest rates. Low interest rates encourage consumption as people earn less from savings, but particularly they increase demand for housing as people are more likely to take out mortgages as the interest repayments will be low so its more affordable. As demand shifts right from D_0 to D_1, price increases to P_1.

Another reason is the government 'help to buy scheme' which enables buyers of 'new-built homes to borrow up to 95% of new home value'. This means that more people are able to buy houses, as they become more affordable as they do not need savings. Once again demand curve shifts outwards to D_1 and price rises to P_1, whilst quantity rises to Q_1.



ResultsPlus
Examiner Comments

6 out of 6 marks awarded. The answer begins with a data reference to house prices reaching £247,000 (1 mark) and then considers the impact of a sustained period of low interest rates leading to low mortgage repayments and so making house purchase more affordable (1+1 marks). It is interesting to see the candidate suggest there is little incentive to save with such low interest rates and more reason given to spend such as on mortgages.

The second reason offered is the government 'help to buy' scheme where first time buyers need to accumulate less savings as they can borrow up to 95% of the house value, making it more affordable (1+1 marks). This is reinforced with a suitable diagram explaining the impact of an increase in demand on house prices (1 mark).

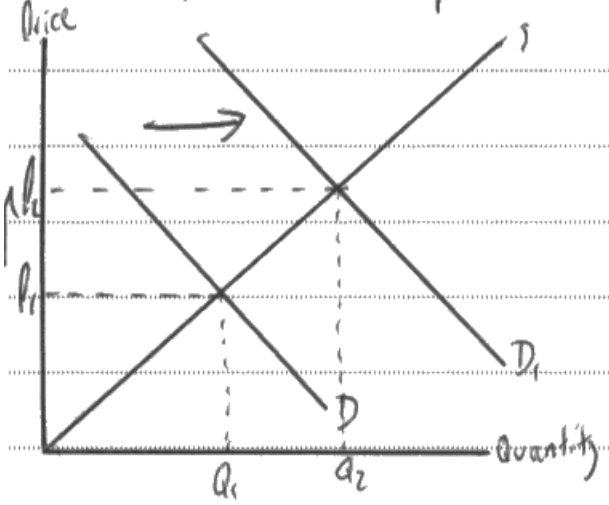
ResultsPlus
Examiner Tip

Always make explicit use of the data provided, for example, refer to the actual rise in house prices or new level of average house prices. It is an easy mark to gain and a good way to begin your answer.

(a) With reference to Extract 1, explain **two** likely reasons why UK house prices increased in the 12 months to August 2013.

(6)

Extract 1 states that House prices "reached their highest level ever at £247,000 in August 2013". One reason could be "increased purchases from foreign buyers" as Extract 1 states was the case in London. This increase in demand for house prices would cause demand to shift right from D to D_1 with the price increase from P_1 to P_2. Another reason for the price increase in August 2013 could be down to an increase in loans taken out by households as interest rates are low according to extract 1. This would also shift the demand curve right, increasing the price of housing.



ResultsPlus
Examiner Comments

4 out of 6 marks awarded. Explicit reference to the new level of house prices (£247,000) (1 mark) is followed by identifying two reasons, namely, increased purchase from foreign buyers and low interest rates (1+1 marks). Neither of these reasons is sufficiently developed. A diagram depicting the effects of an increase in demand on house prices is also shown (1 mark).

ResultsPlus
Examiner Tip

Try and add value to the reasons mentioned in the extract. For example, the increased purchase from foreign buyers may represent an investment and an attempt to spread risks by diversifying into different assets. Furthermore, low interest rates mean monthly mortgage repayments are more affordable. Banks are more likely to lend on the basis that there is less danger of mortgage default.

Question 9 (b)

The question required candidates to explain the likely impact of rising house prices on the share prices of major house builders. Around two-thirds of candidates achieved 2 or 3 marks out of the 4 marks available. Typical responses mentioned that rising house prices have caused an increase in share prices of house builders since profits are likely to have risen. However, relatively few responses were able to develop further by investigating the link between profits and dividends on shares.

(b) With reference to Figure 1, explain the likely impact of rising house prices on the share prices of major house builders.

(4)

The share prices of Persimmon homes had increased by 63.3% in the year to November 2013 and Taylor-Wimpey had a 59.5% increase in share prices. The impact of rising house prices is that it will increase the share prices significantly because the building companies will gain higher profits on every house that they sell which will mean that there will be greater speculative buying on the building companies shares because people will expect to gain greater dividends from the increased profits

ResultsPlus
Examiner Comments

4 out of 4 marks awarded. Data reference to share prices rising for Persimmon and Taylor-Wimpey builders (1 mark) caused by increased house prices (1 mark). The building companies have higher profits from each house they sell (1 mark) and so there may be greater speculative buying of shares as people expect to gain greater dividends (1 mark).

ResultsPlus
Examiner Tip

Make use of the information in the extract but also try and develop it further. It is important to add value to the information rather than just repeat sentences from the extract. This candidate has been successful in investigating the link between house prices, share prices and dividends.

(b) With reference to Figure 1, explain the likely impact of rising house prices on the share prices of major house builders.

(4)

The rising house prices have caused share prices of major house builders to increase. The top Seven companies have all seen % changes in share prices of more than 29%. Companies like Persimmon have even seen share price growth of as high as +63.3% increases. The increased prices have meant a greater profit for the house builders and consequently seen their share prices raise a lot.

ResultsPlus
Examiner Comments

3 out of 4 marks awarded. This candidate begins well by making it clear that rising house prices have caused rising share prices of house builders (1 mark) with data reference to Persimmon (1 mark). The link is also made between rising house prices and greater profit for house builders (1 mark) but no further development is offered.

ResultsPlus
Examiner Tip

Answer the question directly (as carried out by this candidate in the first sentence). Far too many responses did not make explicit the link between rising house prices and rising share prices and so left it open to the examiner to determine whether the candidate is answering the question.

Question 9 (c)

The question asked candidates to discuss whether the supply of new housing is likely to be price elastic or price inelastic. It proved to differentiate effectively between the quality of responses particularly at the top and lower end of the mark range. A good way of gaining marks is to make use of the information in Extract 2 and place in the correct context. For example, supply of new houses appears to be price inelastic since there is a skills shortage and construction materials shortage. Moreover, brick-making firms have been reluctant to invest in new kilns and so the supply of materials is uncertain. It means that firms have been unable to respond to rising demand and rising house prices through building extra homes. Extract 2 also offered evaluative pointers by referring to extra training schemes set up and that some companies have re-opened plants and so supply may become relatively elastic in the long run. As with previous questions in this area a minority of candidates confused price elasticity of supply with price elasticity of demand. Indeed, some twenty per cent of candidates achieved less than 2 marks out of the 10 marks available.

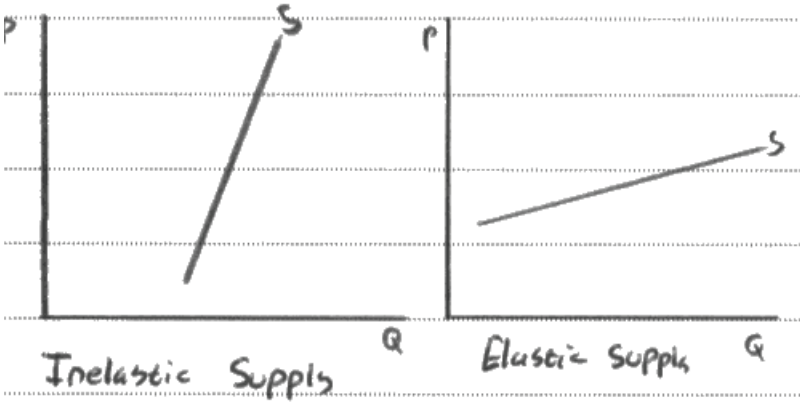
- Stockpiles -Time - Time to build - time to enter -Resources - land - raw

(c) With reference to Extract 2 and your own knowledge, discuss whether the supply of **new** housing is likely to be price elastic or price inelastic. - enter Market

(10)

Supply of housing is likely to be price inelastic.

This is because it takes a long time for a house to be built.



PeS measures the responsiveness of supply to a change in price

Secondly houses take up alot of land. It can be difficult to locate a ideal location for a house. Land is scarce.

Thirdly, it has a lower availabilities of resources, ie 'brick making firms are reluctant to invest in new kilns', and the delivery time for construction materials have increased.

There is also a 'skill shortage'. It will be inelastic if house

building firms struggle to find adequet labour.

It is also difficult to enter the market due to the lack of labour. This means new firms wanting to react to a rise in price cant enter easily.

Houses cannot be stockpiled to be released onto the market if the price rises. This means that it is more inelastic as it cant react fast to a price rise.

On the other hand it could become more elastic because of the 'increased training schemes' increasing the availability of labour. Secondly, brick makers are reopening plants increasing the availability of resources.

ResultsPlus
Examiner Comments

8 out of 10 marks awarded. The candidate achieves all 6 knowledge, application and analysis marks available. The definition of price elasticity of supply (1 mark) is followed by diagrams distinguishing between inelastic and elastic supply (1 mark). Explanation that supply is price inelastic since it takes a long time to build houses, due to a lack of available resources (land is scarce, firms reluctant to invest in new kilns and a shortage of materials) (2 marks). This is further reinforced by explaining the existence of a skills shortage which also makes it difficult for new firms to enter the industry despite rising house prices (2 marks). Reference is also made to the idea that new houses cannot be stockpiled.

The final paragraph included evaluative comments (supply might become more elastic over time due to increased training schemes and firms re-opening brick making plants) (1+1 marks). However, neither of these points were developed.

ResultsPlus
Examiner Tip

Make sure you develop ideas from the extract rather than just repeat them. For example, the increased training schemes for builders could be successful as the UK unemployment rate is 7.7% and so it should be easy to recruit labour on to the programmes. Similarly, it might be possible to recruit skilled labour from overseas by advertising the job vacancies since the UK is part of the EU single labour market. This should make the supply of housing more elastic over time.

(c) With reference to Extract 2 and your own knowledge, discuss whether the supply of **new** housing is likely to be price elastic or price inelastic.

(10)

Price elasticity of supply is the responsiveness of supply due to a change in price of a good.

$$PES = \frac{\%\Delta S}{\%\Delta P}$$

In the short run new housing is likely to be ~~price elastic~~ price inelastic as an increase in price is unlikely to have a change in supply.

One reason for this is due to building workers leaving the industry during the recession. So are unable to react to a sudden ~~else~~ increase in price.

A second reason for housing being price inelastic in the short run, is that we do not have a fast supply of materials. So will take a long time for builders being able to produce new houses.

However in the long run supply of new housing will be price elastic.

firstly because of increased training schemes, increasing the supply and skills of building workers in order to build the new houses and react to the change in price. So more houses can be supplied making housing supply price elastic.

Secondly because of brick makers re-opening plants. So there will be an increase in the supply of bricks. Therefore will take less time for housing makers to get needed materials. So the supply of housing will increase, ~~over~~ making the supply of housing price elastic.

ResultsPlus
Examiner Comments

6 out of 10 marks awarded. A definition of price elasticity of supply (1 mark) is followed by reasons why supply is likely to be inelastic in the short run, namely, building workers have left the industry and there is a slow supply of materials (1+1 marks). The next two paragraphs offer evaluative comments where the candidate suggests supply will become more elastic in the long run due to extra training schemes to raise supply of skilled labour and brick makers re-opening plants (1+2 marks). An attempt is made to develop both evaluative comments. The main limitation of this answer is a lack of analysis rather than evaluation.

ResultsPlus
Examiner Tip

Be prepared to explain the distinction between price elastic and inelastic supply. This could be shown by diagram or by use of proportionate changes in supply and price. There is usually a mark available for this.

Question 9 (d)

The question invited candidates to discuss the likely reasons for house price differences between London and one other region, using the information provided and their own knowledge. There was much evidence in the question which gave candidates an opportunity to analyse and evaluate possible reasons. High marks were available for those able to structure their answer and make effective use of the information. The most popular reasons offered were the high number of foreign buyers in the London housing market, differences in regional average earnings, differences in unemployment rates and availability of land to build on. The best responses evaluated effectively, in particular, by questioning their conclusions based on the evidence provided. Around five per cent of candidates achieved 12 or more marks from the 14 marks available.

avg

demand in London / competition
less space
earn more

*(d) With reference to the first paragraph of Extract 1, the data in Figure 2 and your own knowledge, discuss the likely reasons for house price differences between London and **one** other region.

(14)

The house price ~~differences~~ variations in different areas are the result of a number of factors.

For example in London the average house price is £437,000 and in the north East the average house price is £149,000. One reason for this could be that the individuals in London earn more £39,312 on average whereas in the north East the annual average earning is £25,584. This shows that in London where individuals earn more they can afford to pay the higher house prices.

However in London houses could be argued to also be less affordable even though the individuals have increased earnings, as a house in London costs approximately 11 times the average earning, whereas in the North East, a house only costs 6 times the average earning. So the fact that individuals earn more may not be a relevant factor as to why house prices were so high.

Another reason as to why house prices may be higher in London is that the ~~popo~~ population in London is greater e.g there are less 'houses per head'. This will create more

competition and thus allow housing firms to charge higher prices as the demand for housing could potentially be more price inelastic as people are more willing to pay the higher prices.

Although it can be argued that the price of housing is inelastic in demand, it can also be argued that £437,000 is only an average house price, there will be houses cheaper and other options such as to rent which will be more elastic in demand.

Within London ~~there~~ there is less space and so restrictions reduce the supply of housing and thus price rises as the firms costs of production will rise and they are likely to pass on the higher prices.

However supply could be reduced outside of London due to green belt planning restrictions so there could potentially be a greater supply ~~in~~ of housing in London

ResultsPlus
Examiner Comments

14 out of 14 marks awarded. Data reference for London and the North-East house prices (1 mark). This is supported with three reasons for house price differences. The first relates to differences in average earnings between North-East and London, considering affordability and making use of figures (2 marks); the second reason refers to the greater population in London where the competition for housing is acute, allowing building firms to charge higher prices. This answer is well developed (3 marks); the third reason focuses on the lack of available space to build in London (2 marks).

Three evaluative comments are provided: a good discussion is made of the ratio of house prices to average earnings between regions, suggesting that earnings differentials may not be the main factor explaining regional house prices (3 marks); furthermore, London's house price of £437 000 is only an average and cheaper properties exist within the region. There are other options such as rental properties affecting the market (2 marks). Finally, there is some discussion of green belt restrictions and how they may change over time (1 mark).

ResultsPlus
Examiner Tip

Consider investigating up to four reasons for regional house price differentials and offer up to three evaluative comments. A good way of extending an answer is to take a symmetrical approach. This involves looking at house prices being more expensive in London and also being less expensive in another region. For example, many wealthy foreign buyers may purchase properties in London as an investment. However, relatively few foreign buyers have ventured into investing in the North-East housing market, so there is less pressure on house prices here. It may reflect a lack of information on the housing markets outside of London.

*(d) With reference to the first paragraph of Extract 1, the data in Figure 2 and your own knowledge, discuss the likely reasons for house price differences between London and **one** other region.

(14)

From extract 1, London house prices had an ~~regional house price differences~~ increase of e.7%, the highest increase in house prices.

In London, the average house price is £437 000 and in the North East, house prices is £149 000 a large difference of £288 000. This is due to London having higher earnings than in the North East. London has an average annual earnings of £39 312 while North East has an average annual earning of £25 584. In London, the houses are higher because more people can afford the high prices of the houses there.

Another reason for house price differences is the unemployment rate. The unemployment rate in London is 8.3% while the unemployment rate in North East is 10.4%. In London, more people are with income so, they will demand more of houses causing a rise in house prices which, increases house price differences.

London also has limited amount of land so people are constantly

in competition to build a house in London. There is fewer land compared to the North East which probably has more land and more space to build a house, since London is the main business districts in the UK, the house prices will be higher compared to houses in North East.

But, unemployment rate might not play a big role in house price differences because South East and East of England has lower unemployment rate, at 5.8% and 6.7% respectively. Yet, the house price difference in South East and East of England is £304 000 and £257000.

ResultsPlus
Examiner Comments

9 out of 14 marks awarded. Data reference to house price differences between London and the North-East (1 mark); three reasons given for the regional house price differences, namely, average earnings (2 marks), unemployment rates (2 marks) and availability of building land (2 marks). The final paragraph offers an evaluative comment suggesting that regional unemployment differences may not be a significant determinant (2 marks).

ResultsPlus
Examiner Tip

Consider offering up to three evaluative comments in questions with a 14 mark base. This response is limited by having just one evaluative comment.

Question 9 (e)

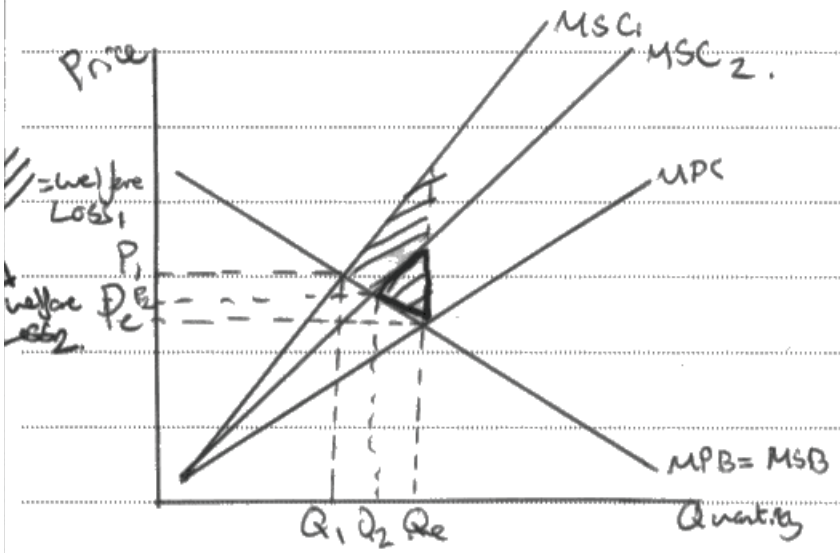
The question required candidates to examine the case for reducing carbon emissions from new-build houses using the information provided and their own knowledge. It proved to be another question which differentiated well between the quality of responses. Just over a third of answers achieved between 6 to 8 marks from a total of 14 marks. The best responses remained focused on the question and considered the importance of reducing market failure from the negative externalities caused. Good responses also raised the issue of complying with government emissions reduction targets and regulations as well as the idea of promoting sustainable growth. However, some answers lost focus by concentrating on solutions to reducing carbon emissions in general, referring to tradable permits and indirect taxes on fossil fuels. Around a quarter of answers achieved 4 or less marks.

Evaluation took various forms, with many candidates considering the cost to house builders and house buyers of implementing energy efficiency schemes as well as the difficulty of measuring the savings made in carbon emissions. The effectiveness of the scheme was another popular issue raised since it applies only to new-build homes rather than all properties and just in the UK rather than all countries.

*(e) With reference to Extract 3 and your own knowledge, examine the case for reducing carbon emissions from new-build homes.

(14)

~~Ext~~. Carbon emissions are a significant externality cost. ~~This~~ Area external cost is the cost to someone other than the producer or the consumer e.g. a third party. This is represented in the external cost diagram by the MSC to society to higher than the private costs resulting in a net welfare loss.



Cutting carbon ~~costs~~ would result in the MSC shifting to the right closer to the MPC leading to a reduced welfare as shown in the diagram as the area bordered in blue. This reduction in externalities

would lead to lower cost to society such as less pollution meaning better air quality which would lead to greater health for the general population as less respiratory illnesses. Also the reduction in energy loss would lead to warmer homes lead to a decrease in cold related deaths. All the this would result in better health. Whilst lower carbon pollution would slow global warming leading to a reduction in the problems of rising sea levels and desertification. As a decrease to carbon emissions would help society as a whole.

However there is little knowledge about the actually effect a reduction in carbon emissions will have. A reduction in carbon emissions could be off set by an increase in carbon emissions in China or the USA. Also the cost to the consumer of reducing carbon inefficiencies in homes is likely to be high meaning that not many people will do it so the magnitude could be lower than the effects mentioned in extract 3 such as "Same impact as taking every car off the road" This means that the case for reducing emissions in new build homes is ~~lower than previously thought~~ less important than first thought. Also these are new build homes so the old homes will continue to pollute as much as they

used to lessening the impact.

ResultsPlus
Examiner Comments

12 out of 14 marks awarded. Explanation of how the scheme might reduce external costs such as air pollution and respiratory illnesses (2 marks) is supported with a well explained diagram (2 marks). Further development is offered by considering how warmer homes could lead to less cold related deaths resulting in better health (2 marks). Reference is also made to the bigger picture of slowing down global warming (1 mark).

The final paragraph has several evaluative ideas that question the effectiveness of the scheme. These include a lack of knowledge, the limited scope of the scheme in only applying to new-builds and the fact that other countries continue to increase their carbon emissions (5 marks). Overall it is a sophisticated answer completed in a very short period of time.

ResultsPlus
Examiner Tip

Be prepared to offer a suitable diagram even when not prompted by the question. The candidate is highly successful in applying an externality diagram to the context of reducing carbon emissions. In hindsight, the mark scheme could have awarded more marks for such high quality diagrammatic analysis.

10 : 26.

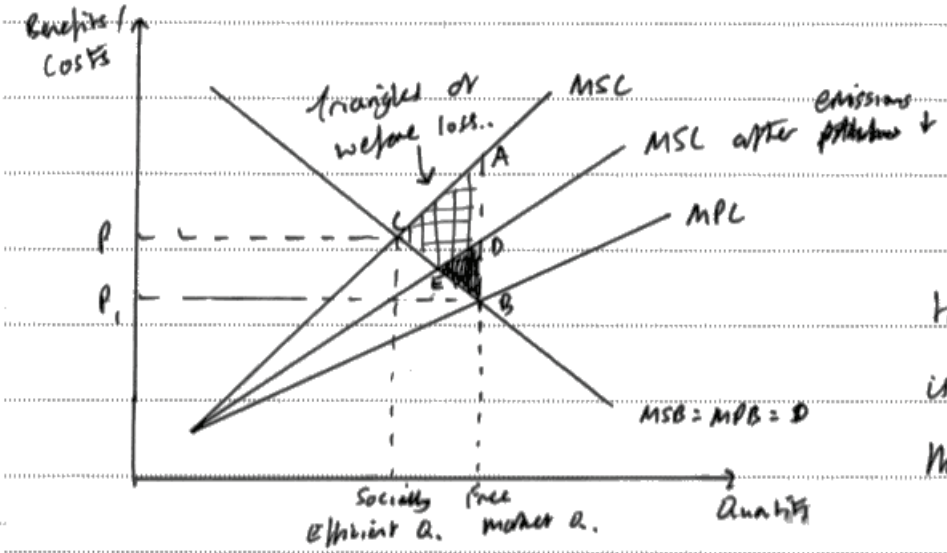
8 KAA
6 EVAL

*(e) With reference to Extract 3 and your own knowledge, examine the case for reducing carbon emissions from new-build homes.

(14)

There is a strong case for reducing carbon emissions from new build homes, as 'cutting emissions from UK buildings by just 25% would have the same impact as taking every car off the road.' (Extract B).

Cutting the emissions from UK buildings by 25% would greatly reduce the MSC (marginal social cost, the cost to of producing one more unit borne by those not involved in the price mechanism) of house building. This is shown here:



Before the emissions cut, the triangle of welfare loss is ABC, much larger than after, DBE.

This means that after emissions are cut, there is less of a welfare loss.

Also, in Extract 3 it mentions that it will pay for itself in five years, meaning that it is cost efficient in the long run.

It depends on whether you look long term or short term or whether the extra insulation, better boilers and triple glazing is worth doing. Also in Extract 2 it says this is very costly to implement, making it seem less of a good idea in the short term.

Also, the % of income spent on heating is very high so it is likely that lots of extra costs will deter buyers, despite the long term saving.

It depends on the size of the extra costs, as house prices are already rising so some small extra costs can go unnoticed.

ResultsPlus
Examiner Comments

7 out of 14 marks awarded. Data reference to a 25% cut in carbon emissions from homes being equivalent to taking every car off the road (1 mark). This is supported with a suitable externality diagram with explanation of a reduction in the area of welfare loss (2+1 marks). An outline of how the scheme would pay for itself by lower energy bills within 5 years (1 mark). The final three paragraphs raise an evaluative issue of the financial costs of improved insulation, more efficient boilers and triple glazing (2 marks).

ResultsPlus
Examiner Tip

Offer up to three evaluative points on 14 mark base questions. This promising response is limited by having just one evaluative comment.

Question 10 (a)

The question required candidates to refer to the titles of Extracts 1 and 3 and then distinguish between positive and normative statements. Overall it was very well answered and almost sixty per cent of candidates achieved full marks. It was a gentle introduction to the data response question. However, some candidates did not achieve the application marks by referring to examples of positive and normative statements within the extracts, rather than the titles of the extracts. It is extremely important to read carefully the question instructions to avoid making such a mistake.

Positive Statements are value free and facts which can be tested as true or false. The title of extract 1 is ~~one~~ an example of a positive Statement 'London Crossrail is Europe's largest infrastructure Project' as this can be tested as ~~a~~ true or false with the use of data. Normative statements are value judgements which cannot be tested as true or false and use words such as 'should' and 'unfair'. The title of extract 3 is a normative statement 'London crossrail is unfair to taxpayers' as it uses the word 'unfair'.

ResultsPlus
Examiner Comments

4 out of 4 marks awarded. A definition of a positive statement, for example, a value free fact that can be tested as true or false (1 mark), is supported by direct reference to the title of Extract 1, 'London Crossrail is Europe's largest infrastructure project' (1 mark). A definition of a normative statement, for example, a value judgement which cannot be tested as true or false (1 mark), is supported by direct reference to the title of Extract 3, in particular, the use of the word 'unfair' (1 mark).

ResultsPlus
Examiner Tip

Carefully read the question instructions so that your answer remains relevant. In this case it is important to refer to the titles of Extracts 1 and 3 when answering the question and not the content of the extracts.

Positive statements are claims about the facts. The title of Extract one is a positive statement as it is a fact. Normative statements involve value judgements and opinion. The title of extra 3 is normative as it is a value judgement.

ResultsPlus
Examiner Comments

2 out of 4 marks awarded. Definitions of positive and normative statements are offered with just about enough content to gain credit (1+1 marks). There is no application to the titles of Extracts 1 and 3.

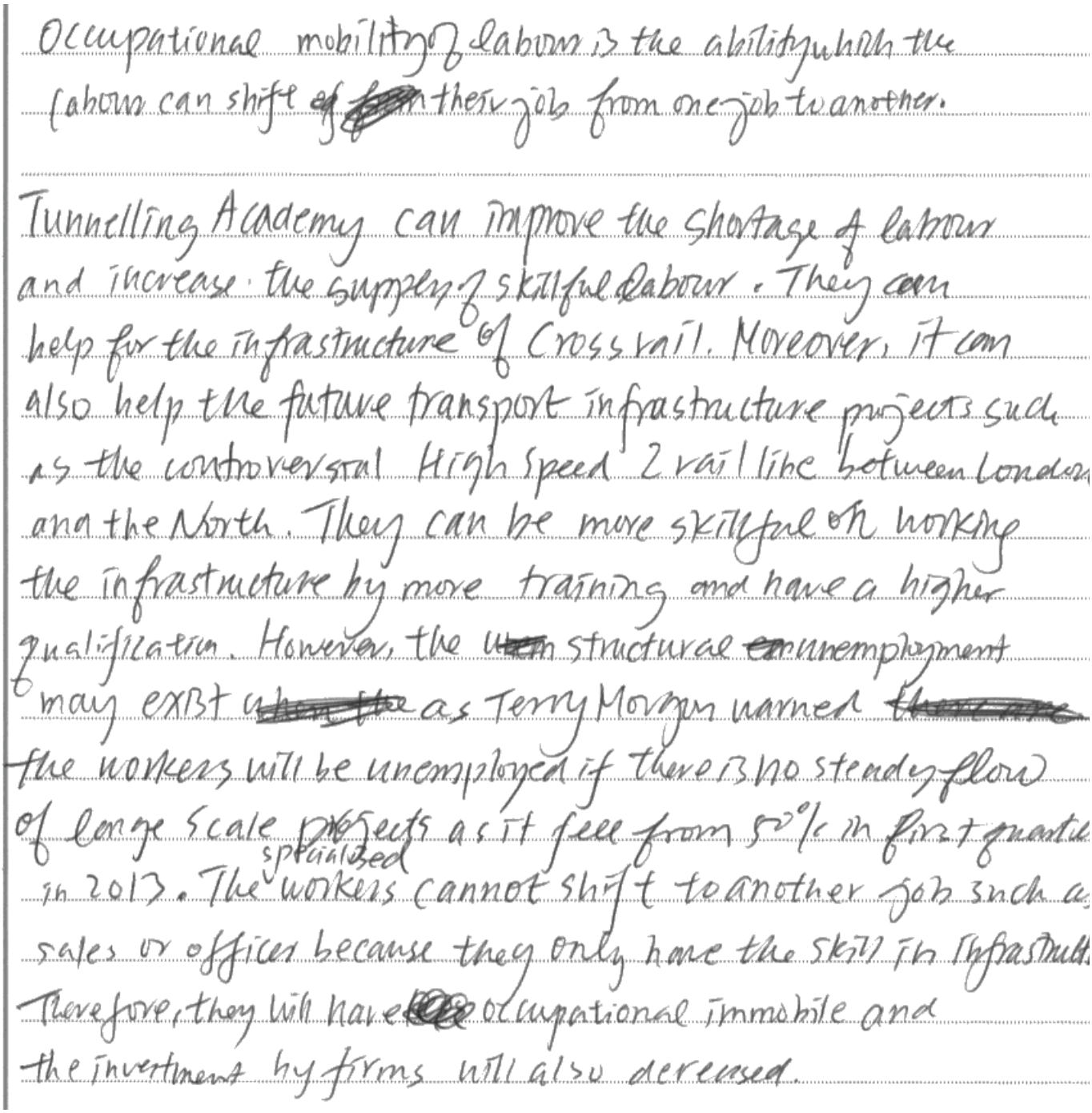
ResultsPlus
Examiner Tip

Apply to the context of the question. Refer to the titles of Extracts 1 and 3. For example, Extract 1 (London Crossrail is Europe's largest infrastructure project) can be tested by investigating all the other major projects under construction in Europe to see whether this is true. Similarly, with Extract 3 (London Crossrail is unfair to taxpayers), the term 'unfair' indicates it is a value judgement. Some people may disagree with this statement and offer justification. It cannot be tested as true or false.

Question 10 (b)

The question required candidates to analyse the likely impact of training programmes such as the Tunnelling Academy on the occupational mobility of labour. This was generally well answered with half of all responses achieving 4 or more marks from a total of 6 marks. Most answers started with a definition of occupational mobility or immobility of labour and then explained how the Tunnelling programme should increase the skills of workers making them able to take available jobs in this field. Quite often reference was made to the possibility of future employment opportunities becoming available with new infrastructure projects such as HS2.

Analysis marks were also available for considering the limitations of training programmes such as their quality and financial cost at time of cuts in government expenditure; further issues included time lags and availability of courses. Some answers lost focus by discussing geographical mobility of labour or the advantages of reducing unemployment.


Occupational mobility of labour is the ability which the labour can shift their jobs from one job to another.

Tunnelling Academy can improve the shortage of labour and increase the supply of skilful labour. They can help for the infrastructure of Crossrail. Moreover, it can also help the future transport infrastructure projects such as the controversial High Speed 2 rail line between London and the North. They can be more skillful on working the infrastructure by more training and have a higher qualification. However, the structural unemployment may exist as Terry Morgan warned the workers will be unemployed if there is no steady flow of large scale projects as it fell from 50% in first quarter in 2013. The specialised workers cannot shift to another job such as sales or officer because they only have the skill in infrastructure. Therefore, they will have occupational immobile and the investment by firms will also decreased.

ResultsPlus
Examiner Comments

5 out of 6 marks awarded. A definition of occupational mobility of labour (1 mark) is followed by explaining that workers become more skilful and have higher qualifications (1 mark), making them available for future transport infrastructure projects such as HS2 rail (1 mark). The answer then switches to concern over the possibility of structural unemployment being created following cuts of 50% in government spending on such projects (1 mark). Furthermore, there is a danger of over-specialisation where labour cannot shift to other work as their skills lie in infrastructure projects (1 mark).

ResultsPlus
Examiner Tip

Do not confuse occupational mobility with occupational immobility of labour. Some candidates mixed up the concepts and consequently gained little credit.

occupational mobility - the ability of labour to move from one job to another.

£15 million tunneling academy to train workers' increase in skill level and qualification of the work force.

~~be of~~ Prove useful for future tensport infrastructure around the UK. Development of the city will only see more built meaning we have the work force to do it.

High speed 2 rail line (HS2) being built benefit from that.

ResultsPlus
Examiner Comments

3 out of 6 marks awarded. A definition of occupational mobility of labour (1 mark) is supported with the idea that the Tunnelling Academy will increase the skills of workers (1 mark) and so make it easier to meet the workforce needs of future projects such as HS2 rail (1 mark).

ResultsPlus
Examiner Tip

Offer a real world example of occupational mobility of labour, for example, an economics teacher trying to take work as a financial advisor. This shows the examiner that the candidate has a clear understanding of the concept.

Question 10 (c)

The question required candidates to assess the likely impact of the Crossrail project on the geographical mobility of labour. It proved to be yet another effective way of discriminating between the quality of responses. The best answers tended to make effective use of the information provided, for example, how Crossrail will increase London's train capacity by 10%, reduce various journey times in the region and extend the distances at which commuters are willing to travel to and from work. The most effective evaluation tended to come in the form of Crossrail only being an east-west rail link and how it might even reduce geographical mobility of labour by causing a big rise in property prices along the route. Other popular evaluative comments included the issue of price and affordability of rail tickets, the time lag before it is complete and other factors which might limit mobility (such as family ties and imperfect market knowledge). One highly astute analytical approach was to suggest that geographical mobility of labour will improve as workers can simply travel to and from their jobs more easily in a faster time over a longer distance, rather than be forced to relocate their homes.

Geographical mobility of labour is the ability for labourers to move from one area to another for work. The Crossrail project is likely to increase the geographical mobility of labour because it aims to link the west to the east. This means that there will be easier ways of of moving for labourers. It will also mean that they can move to another area much more comfortably. Secondly, the Crossrail project is going to reduce the rail times by about 20 minutes. This will encourage people to move from one area to another as it will take less time and so they can afford to move. Lastly, the project will bring about 1.5 million people within

a 45 minute commute to major employment centres This may encourage people to move closer to where the rail links are as it will be more comfortable and sensible for them as they will be only 45 minutes away from the employment centres where they can know about new job openings and offers around the area and concequently move closer to that area.

However, it may not increase geographical mobility of labour as there is no discussion of how much the ticket fares will be. With an improved system normally comes greater prices. This will discourage people as they may not be able to afford to commute involved. Secondly, people may not want to move due to social and family ties. They may want to keep their children in the same school or stay around their family members. However with the increased speed of the trains people may stay in their area but may still commute to a further area because it takes half the time. This means they may not have to move their family. According to extract 3, the prices for houses near the station are very high. This may decrease the amount of people moving towards these areas as they are too expensive.

ResultsPlus
Examiner Comments

9 out of 10 marks awarded. The answer begins with a definition of geographical mobility of labour (1 mark) and then makes use of Extract 1 to explain how Crossrail is likely to improve this. For example, it will be easier for people to travel from west to east and reduce journey times; bringing 1.5 million people within a 45 minute commute of major employment centres (2 marks). Further development comes from suggesting that some workers are able to commute to work rather than relocate their families (2 marks).

Several relevant evaluation points are raised such as discussion of Crossrail ticket fares, social and family ties to an area and finally, the effects of increases in house prices near stations along the route (4 marks). Overall, this is a high quality answer that almost achieves maximum marks. A bit more use of the extract would help, for example, explanation of how the increase in London's rail capacity and the reduction in overcrowding might impact on geographical labour mobility.

ResultsPlus
Examiner Tip

Make thorough use of the information provided in data response questions and pay particular attention to the instructions.

Geographical mobility of labour measures how able you are to move from one area to another area for a new job.
Some of the factors effecting geographical mobility of labour is; cost of travel, cost of new housing in new area, family ties or overall financial ability to move to a new job.
The Crossrail project is likely to make people more geographically Mobile as they will be able to ~~more~~ travel from one are to another in Short ~~de~~ time. This may mean that if someone was to move jobs in a new area (e.g from 'Bond st' to 'Abbey wood') then the

Crossrail will allow them to ~~move~~ travel from to their new job by train rather then buying a new house which will save them money and encourage them to take the new job, thus increasing mobility of labour.

Also, the project will bring "1.3 million people within a 45 minute commute to major Shopping centers in London." These are places where there are a high number of jobs available and if the Crossrail service allows people to travel to those areas (shopping centers) where there is a wide availability of jobs, then people will be able to travel to those areas in a short amount of times and take long distance jobs thus increasing the geographical mobility of labour.

The cross rail rate also covers nearly all of London as stated in Extract 1 that "links Reading in the west to Shenfield in the east" This allows people to travel from one end of London to the Other End of London at ease which also increases the geographical mobility of labour.

Extract 1 also states that it will be 200 metres long and carry 1,500 passengers" This enables more passengers to travel and is a substitute to the pack TFL services provided. This means that passengers can travel at ease and in more luxury which will increase the geographical mobility of labour as people will be encouraged to take long distance jobs

ResultsPlus
Examiner Comments

6 out of 10 marks awarded. Good use is made of Extract 1 and all the knowledge, application and analysis marks are achieved. These include a definition of geographical mobility of labour (1 mark) and explanation of the benefit of reduced journey times, with an explicit example of travelling from Bond street to Abbey Wood (2 marks). Then the candidate suggests people will be able to travel further to work rather than buy a new house and that 1.5 million extra people will be within a 45 minute commute of major 'shopping' centres (3 marks). Finally reference is made to the benefits of larger trains so people can travel with ease (1 mark). Note a maximum of 6 knowledge, application and analysis marks are available. Unfortunately no evaluation is offered which restricts the potential of this answer to 6 marks.

ResultsPlus
Examiner Tip

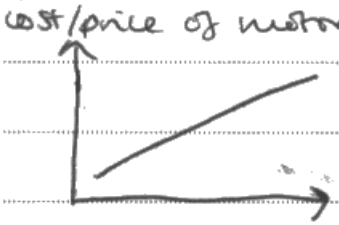
Be prepared to offer two evaluative comments (2+2 marks) on questions comprising 10 marks.

Question 10 (d)

The question required candidates to discuss the factors which might influence the level of passenger demand for Crossrail services. This was quite a straightforward question which expected answers to focus on factors such as price of rail tickets, the quality of service, income levels, population growth, the price and availability of substitutes and advertising. Knowledge, application and analysis marks appeared more accessible than evaluation marks here. Over sixty per cent of candidates were awarded between 6 and 10 marks out of a total 14 marks. Some answers concentrated on price elasticity of demand, but gained little credit unless used in an evaluative way. The most successful forms of evaluation came from discussions on the quality of substitutes and the high construction costs of Crossrail, both of which make pricing of the service crucial to its success.

(goods in competitive demand)

The price of substitutes such as the cost of motoring/ driving a car may influence demand for the Crossrail. If using the Crossrail is relatively cheaper than driving from eg. Shenfield to London then quantity demand ~~from~~ for private cars will fall and Quantity demand for the Crossrail will increase.



Substitutes have a positive XED (cross elasticity of demand).

The size of the population is also likely to influence demand for the service. For example immigration into London and England from other countries in the EU has ~~greatly~~ greatly increased the popula Many of these are economic migrants and thus would be willing to travel longer distances to work, increasing demand for all transport services including the Crossrail. In addition, net advantages of using the Crossrail is likely to influence demand. For example each train can carry 1500 passengers so they would be very large, reducing the chance of overcrowding making it a more pleasant journey to work - this can increase demand for the

service. Other net advantages may include the safeness of the Crossrail or availability of cafes to purchase food and drink inside the trains.
Another factor which may influence demand is the state of the economy. If there is economic growth and development many firms may be willing to expand, and take on workers increasing the need for a more efficient transport link between London and other cities. For example firms may send employees for work related meetings and conferences in other cities, increasing demand for the Crossrail service.

In evaluation, demand for the service may fall in the long run. As the population continues to grow the Crossrail will only get more ~~over~~crowded until it is at full capacity or even above. Then demand for it may fall as there is no longer an ease of using it to commute.
Also unless there is constant investment in the scheme to ensure that it is efficient eg. commuting times are kept at the minimum demand for the services may also fall. This investment would result in an opportunity cost for the government.

In addition the service being cheaper than motoring may not actually increase demand for it. Some individuals ~~will~~ could still prefer the ~~comfort~~ convenience of private cars and so continue to drive or some may not even be aware of the differences in cost between the two, especially if it is not very large and evident

ResultsPlus
Examiner Comments

13 out of 14 marks awarded. All 8 knowledge, application and analysis marks were achieved. The answer covers four main determinants of demand: first, the price of substitutes - developed in relation to cars and cross elasticity of demand, including a diagram (4 marks); second, population size - developed with reference to EU migrants (3 marks); third, the quality of service - developed in terms of the impact on overcrowding, pleasure and safety (3 marks); fourth, the state of economy - developed in terms of business use of Crossrail services (2 marks). Note a maximum of 8 KAA marks available here. Evaluation came in the form of several points, including discussions on overcrowding if London's population continues to grow (2 marks); the need for investment to maintain the quality of service (1 mark); discussion on consumer preference such as use of private cars (2 marks).

ResultsPlus
Examiner Tip

Offer up to four knowledge, application and analysis points and up to three evaluation points for 14 mark base questions. It is a standard rubric that examiners follow for this paper.

First ~~af~~ of all, a growing population will affect the demand for crossrail services. Simply, more people will leads to an increase in demand. However, people may choose other alternatives when there are excess demand for crossrail services as when demand is greater than supply, there will be some people cannot really enjoy using the faullity.

Also, ~~If~~ it depends on people's income and whether the good is normal good or ~~inferior~~ inferior good for them. If it's normal good for them, when their income increase, the demand of ~~using~~ using that also increase, but if it's inferior good for them. when their income increase, the demand of using it will actualy decrease.

An increase ~~are~~ or decrease price of substitutes will also affect the demand for crossrail services. When there's an increase price of its alternatives, ~~or~~ e.g. other transportation like bus, the demand for the crossrail service will increase. However,

the price of other alternatives fall, this will leads to a fall demand for the cross-rail service.

Advertisement will also affect the demand for it. If government do more advertising on the service, people will be more willing to try and this will increase the demand, but if government didn't do anything about the crossrail service, people wouldn't even notice about that, they might just as well #stay with the facility that they using now as they don't know and appreciate the advantage ~~of~~ of using the new facilities.

The quality of good will affect the demand as well. If the crossrail service is not functioning well as people predicted it, the ~~demand~~ demand for it will resume over time

ResultsPlus
Examiner Comments

8 out of 14 marks awarded. All 8 knowledge, application and analysis marks were achieved. The answer considers several main determinants of demand, namely, population, income, price of substitutes, advertising and quality of service (2+2+2+2 marks). This response is well structured but unfortunately no evaluation comments are offered.

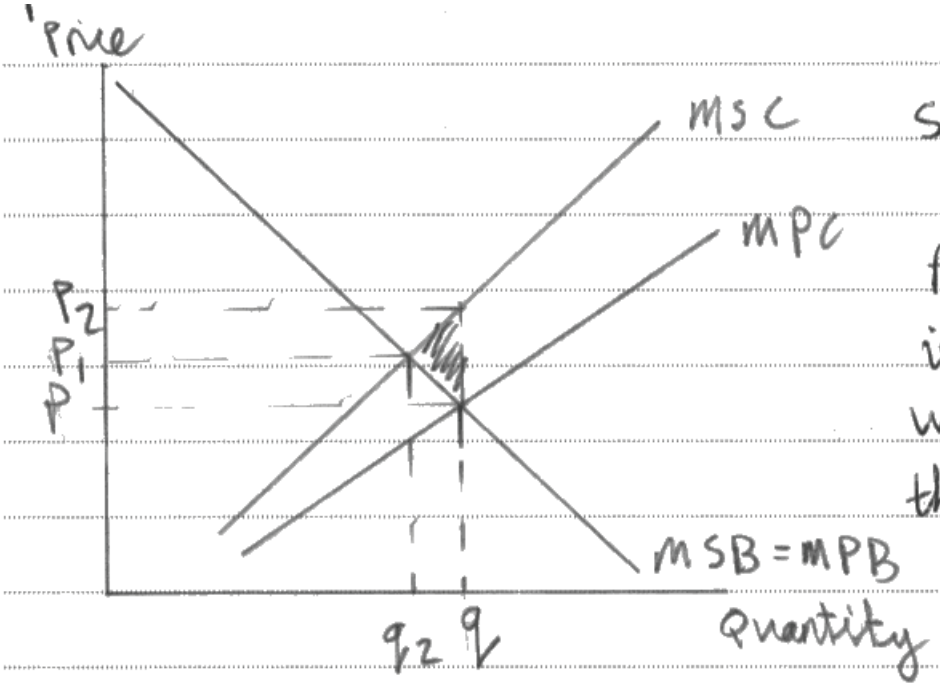
ResultsPlus
Examiner Tip

Offer three evaluation comments on questions comprising 14 marks.

Question 10 (e)

The question required candidates to assess whether large-scale projects such as Crossrail might result in government failure. Like the previous question a wide spread of marks were recorded. The modal mark of 8 marks suggests it was reasonably well handled. About a third of responses secured between 6 to 8 marks out of a total of 14 marks. The best responses considered both views on whether government failure is likely to occur. Valid points raised which suggested large-scale projects might cause government failure include the misuse of taxpayer's money, opportunity cost, inaccurate cost forecasts, negative externalities and an increase in regional inequality. Popular counter-arguments in support of government funded projects include employment creation, an increase in incomes, improvements to geographical mobility of labour and the reduction in overcrowding on London's rail network. Occasionally, candidates confused government failure with market failure but overall the question was quite accessible and useful pointers were available in the extracts.

Government failure occurs when government interven ion leads to a misallocation of resources. An example of this are external costs. External costs are costs from production that have a negative effect on a third party not involved in the economic decision, they are not taken into account by the price mechanism



One external cost from Crossrail is the increase in pollution as a result of the trains and ~~ex equip~~ constructio equipment. These will release CO_2 into the atmosphere and will cause global warming, therefore due to the contruction of Crossrail, pollution will be created and will this have a negative effect on the environment. However, it is hard to measure the level of the externality produced by pollution as there are not ~~no~~ many easy ways to measure pollution levels accurately. Therefore it is hard to measure the level of the externality.

Another external cost is an increase in congestion. This will be due to increased construction vechicles in London to build ~~or~~ Crossrail. These vechicles ~~m~~ will increase the traffic in London. Also, some roads may need to be closed in order to ~~Gone~~ construct Crossrail. Therefore congestion in London may increase. However, although in the short run congestion is

increased, in the ~~Long~~ long run Crossrail will reduce congestion on other forms of public transport and on cars as more people use ~~this~~ the Crossrail service. Therefore in the long run Crossrail will reduce congestion in London.

Crossrail may cause an increase in regional inequality. This is as a result of house prices increasing above the average price as a result of Crossrail. This will make it harder for first time buyers to get onto the market and therefore regional inequality ~~w~~ would increase. Also, only houses along the line or near the stations will increase in value. ~~This~~ This may cause geographical immobility of labour to increase as ~~as~~ workers cannot afford to move houses due to the higher house prices.

~~As Therefore~~ This will result in job vacancies in areas ~~may~~ not being filled. Therefore geographical ~~immo~~ immobility of labour may increase as a result of higher house prices.

However, Crossrail will cause the external benefit of increased employment. ~~A~~ According to extract 2 '41000' jobs will be created. This is as a result of the increase in raw materials needed to build ~~as~~ Crossrail for example, steel needed for the tracks. Therefore Crossrail has caused many ~~job~~ unemployment to decrease.

However, 41,000 has little significance as there are about 2 million people unemployed. Therefore this Crossrail is unlikely to have a bigger effect on unemployment as 41,000 is only a small proportion of the total number of people unemployed in the UK.

ResultsPlus
Examiner Comments

13 out of 14 marks awarded. The candidate develops two main themes of why Crossrail might lead to government failure. After defining the term (1 mark) consideration is given to the negative externalities involved in its construction such as air pollution and congestion (2 marks). A suitable diagram is also presented and explained (2 marks). The second theme involves the increase in regional inequality, especially due to rising house prices along the train route and how it reduces the ability of people to buy houses and negatively affects the geographical mobility of labour (3 marks).

Evaluation comes in the form of the difficulty in measuring negative externalities from the construction of crossrail (1 mark) and also how once completed, it will help reduce congestion in London especially if there are less cars on the roads (2 marks). A final evaluative comment comes from discussing the employment benefits of Crossrail shown in the last two paragraphs (2 marks).

ResultsPlus
Examiner Tip

Be prepared to 'evaluate' the evaluative comments, as this candidate has done concerning the benefits of employment creation from Crossrail, revealed in the last two paragraphs of the answer. This is a sophisticated approach to developing a coherent argument.

government failure occur occurs when the government interven to correct market failure but leads to a miss allocation of resources and a net welfare loss. large scale projects such as the crossrail may lead to government failure because to raise fund these governments may have to increase ~~direct~~ direct taxes ~~to~~ in another to such as income tax which will lead to consumers having less disposable incomes to spend. This will hit low income house holds the most as a higher porportion of their incomes will be spent on the increase in tax which will reduce their standard of living. As taxpayers are paying per most of £14.8 billion cost of the crossrail project.

This large scale project could also the lead to an increase in regional inequality because only certain consumers will receive benefits from it such as house prices near the station will are set

to rise and house prices near the Station have already risen by 20% more than average and commercial values along the route are set to rise by 10%. Therefore only benefiting those in these areas.

It will also have a negative externality to those living near as external costs such as pollution and will effect to the ~~environ~~ environment and have large scale Negative third party effects such as noise pollution and could lead to lower house prices to those living near to make up due to the high noise that will occur.

Inequality will rise as those in who live near the Stations will see a rise in house prices causing their assets to increase where as those suffering from the noise pollution side will see a fall in house prices causing a fall in their assets leading to a higher regional inequality. Good

Okay a few

ResultsPlus
Examiner Comments

8 out of 14 marks awarded. The candidate considers three types of government failure from the Crossrail project, namely, the implications for taxpayers, regional inequality and negative externalities. The answer starts with a definition of government failure (1 mark) and then some consideration of how tax payers and low income households might be affected by higher taxes to pay for the project (2 marks). The explanation of regional inequality being created from rising house prices along the rail route is more effectively developed here (2 marks). Problems associated with negative externalities such as noise pollution and falling property prices for homes very close to rail tracks is also credited (3 marks). On balance it appears that the candidate just about secures all 8 knowledge, application and analysis marks available. However, there is no attempt to offer evaluation.

ResultsPlus
Examiner Tip

Be prepared to offer up to three evaluative comments (2+2+2) on questions that comprise a total of 14 marks.

Paper Summary

Based on candidate performance on this paper, the following advice is offered:

Section A: supported multiple choice

- Define accurately the key economic term(s) used in each question, for example, opportunity cost and the production possibility frontier in Q1. Be prepared to annotate the diagrams presented in the questions, for example, consumer and producer subsidy areas in Q6. Furthermore, do not confuse consumer and producer subsidies with consumer and producer surplus.
- Revise thoroughly the topic of market failure, for example, external benefits in Q8. Be prepared to draw diagrams when relevant to the question and make sure these are properly labelled and explained in the text, for example, shifts in the supply curve for gold and the impact on equilibrium price in Q2.
- Always refer to the information provided, for example, processed foods, fruit and vegetables when explaining normal and inferior goods in Q5. Read the question carefully, for example, Q8 required candidates to investigate market failure in an economy, yet some responses focused on government failure.
- Always show the workings involved in calculation questions as marks are available for this, for example, calculating price elasticity of demand in Q4.
- Always state the key when rejecting a particular option, for example the original and new consumer surplus areas in Q3. Make sure 'value' is added to answers which use the rejection technique. Do not just state that an option is incorrect without explaining why this is the case. Indeed, do not simply reverse one word in an incorrect option statement and then expect to gain credit for it. Examiners came across this, for example, incorrect options B, C and D in Q7.

Section B: data response

- Read the question instructions very carefully to make sure your answer remains relevant throughout. All too often answers strayed from the questions set as revealed in Q9(e) on examining the case for reducing carbon emissions from new-build homes. Many responses discussed the effectiveness of government measures to reduce carbon emissions in general, including reference to carbon trading and indirect taxes. Similarly, in Q10(e) many responses just considered the building of the Crossrail project and ignored the possible effects after its completion. Furthermore, do not confuse determinants of price elasticity of supply with those for price elasticity of demand. This was a common error made in Q9(c).
- Focus on the concepts mentioned in the question. For example 10(b) requires consideration of the 'occupational mobility of labour' and so there is little point in referring to the geographical mobility of labour.
- Focus on developing economic analysis in the high mark base questions. Quite often candidates move from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in Q9(e) where some answers only referred to the 'case against' reducing carbon emissions and did not consider the 'case for' as mentioned in the question.
- Ensure diagrams are accurately drawn and relevant to the questions set. For example, in Q9(e) and Q10(e) many candidates used externality diagrams but sometimes the triangle of welfare loss or welfare gain was incorrectly positioned.
- Offer evaluative comments on the high mark base questions. For example, in Q10(e) some responses just agreed that large scale projects, such as London Crossrail, will result in government failure and made no attempt to offer an alternative view. The benefits in terms of alleviating congestion, improving the geographical mobility of labour, or creating employment and income were often ignored.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

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