AQA

AS
ECONOMICS
7135/1

Paper 1 The Operation of Markets and Market Failure

Mark scheme

June 2024

Version: 1.0 Final

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant

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

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

No student should be disadvantaged on the basis of their gender identity and/or how they refer to the gender identity of others in their exam responses.

A consistent use of 'they/them' as a singular and pronouns beyond 'she/her' or 'he/him' will be credited in exam responses in line with existing mark scheme criteria.

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

SECTION A

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

KEY LIST

1	**C** (Incentivising firms to produce the goods consumers want)	**11**	**B** (it affects an individual's ability to consume goods and services.)
2	**C** (is now too high.)	**12**	**A** (The clothes)
3	**D** (An increase in the price of paper)	**13**	**D** (Pedestrianisation)
4	**D** (there is immobility of factors of production.)	**14**	**D** (an increase in the price paid by consumers for electric scooters.)
5	**C** (2.5)	**15**	**C** (rise by 10%.)
6	**A** (charge the same price as other firms.)	**16**	**A** (external economies of scale.)
7	**A** (maximise the difference between its total revenue and total cost.)	**17**	**A** (Output per hour of labour was higher in 2017 than in 2021)
8	**C** (a rise in the price of barley and a movement along the supply curve to the right.)	**18**	**B** (the demand for a good depends on the sales of what it produces.)
9	**A** (The extent to which barriers to entry exist)	**19**	**D** (price inelastic and total revenue will rise.)
10	**B** (The revenue received by farmers will increase by 30p per pint)	**20**	**D** (The costs of many businesses will increase.)

Totals
A 6
B 3
C 5
D 6

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

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

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

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

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

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

The levels of response grid below should be used when marking the 25 mark questions.

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgments but these are not well-supported by arguments and/or data.	**11–15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes attempted evaluation which is weak and unsupported.	**6–10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which, at best, is very weak • includes attempted analysis which is weak and unsupported.	**1–5 marks**

Section B

Context 1 Tourism in the UK **Total for this context: 50 marks**

2 1 *Define 'scarce resource' **Extract B** (line 11).*

[3 marks]

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

Examples of acceptable definitions worth 3 marks:

- a factor of production that is limited in supply
- a finite input into the production process.

Examples of a definition worth 2 marks:

- a factor of production
- an input.

Examples of a definition worth 1 mark:

- something that is limited
- something involved with output
- example(s) of a factor of production, eg land, labour, capital or enterprise.

MAXIMUM FOR QUESTION 21: 3 MARKS

2 2 ***Extract C*** *(lines 4–7) states: 'Since 2011, tourists staying in a five-star hotel in the peak season have been taxed €5 for each night. However, they are only charged for five nights, even if they stay longer. They pay 50% less in the off-peak season.'*

Calculate the total amount of tax paid by two people staying for seven nights in a five-star hotel in the off-peak season.

[4 marks]

Calculation: 2 people × 5 nights × €5 per night × 0.5 = €25

Response	Max 4 marks
For the correct answer: €25	**4 marks**
For the correct value but with missing/incorrect units: eg £25	**3 marks**
For the correct method but with one error (not missing/incorrect units): eg €50 (for peak season) **or** €35 (for charging for all seven nights) **or** €12.50 for one person for five nights) **OR** For the correct calculation/figures throughout but the wrong answer	**2 marks**
For the correct method but with two or more errors: eg €70 (for all seven nights in peak season) **or** £50 (with incorrect units and peak season) **or** £23.75 (with incorrect units and 5% less for off-peak)	**1 mark**

MAXIMUM FOR QUESTION 22: 4 MARKS

2 3 *Use **Extract A** to identify **two** significant features of the number of visits to the UK by overseas residents over the period shown.*

[4 marks]

Award up to 2 marks for <u>each</u> significant feature identified.

Response	Max 4 Marks
Identifies a significant feature Makes accurate use of the data to support the feature identified Unit of measurement given accurately	**2 marks**
Identifies a significant feature but only one piece of data is given when two are needed **and**/**or** no unit of measurement is given **and**/**or** the unit of measurement is inaccurate **and**/**or** the wrong date is given	**1 mark**

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

Significant features include:

- the number of visits is highest in 2019 Q3 at 11 900 thousand (11 900 000)
- the number of visits is lowest in 2021 Q1 at 200 thousand (200 000)
- the range for the number of visits is 11 700 thousand (11 700 000) - 200 thousand to 11 900 thousand (200 000 to 11 900 000)
- the number of visits is lower at the end of the period than the beginning, falling from 8500 thousand to 8000 thousand (8 500 000 to 8 000 000) - a decrease of 500 thousand (500 000)
- the number of visits fluctuates (both between and within years), for example, in 2018, it rises between Q1 and Q3 from 8500 thousand to 11 500 thousand (8 500 000 to 11 500 000) and then falls between Q3 and Q4 to 9700 thousand (9 700 000)
- the greatest change is between 2020 Q1 and 2020 Q2 when the number of visits falls from 7000 thousand to 400 thousand (7 000 000 to 400 000) - a fall of 6600 thousand (6 600 000)
- the smallest change is between 2021 Q1 and 2021 Q2 when the number of visits rises from 200 thousand to 300 thousand (200 000 to 300 000) - an increase of 100 thousand (100 000).

Note: Allow a margin of ± 200 thousand (200 000)

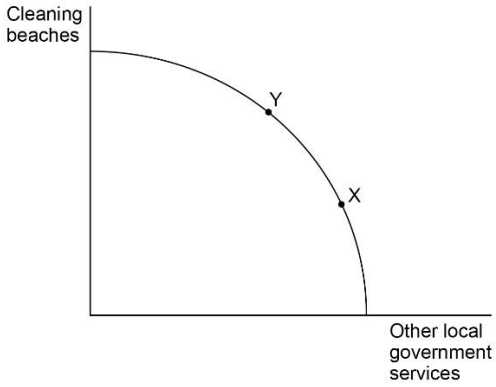
MAXIMUM FOR QUESTION 23: 4 MARKS

2 4 *A local authority has limited resources to allocate to two services, 'cleaning beaches' and 'other local government services'.*

Draw a production possibility diagram showing the potential provision of these two services. Assuming these resources remain fully employed, show on this diagram the effect of allocating more resources to cleaning beaches.

[4 marks]

The expected diagram involves an initial curve bowed out from the origin (or allow a straight line) between two appropriately labelled axes (either way round), with a movement along the curve towards the 'cleaning beaches' axis. This requires an arrow or some other conventional way of indicating the direction of the move, such as **X** and **Y**.



Response	Max 4 marks
Accurately drawn production possibility curve with appropriately-labelled axes and two points on the curve showing more resources being used for cleaning beaches	**4 marks**
Accurately drawn production possibility curve with appropriately-labelled axes and two points on the curve but no indication of which point is which **OR** Accurately drawn production possibility curve with appropriately-labelled axes and two points on the curve showing more resources being used for cleaning beaches but with at least one axis label missing or inappropriate	**3 marks**
Accurately drawn production possibility curve with appropriately-labelled axes and an initial point on the curve but no, or an incorrect, second point **OR** Accurately drawn production possibility curve with appropriately-labelled axes, showing more resources being used for cleaning beaches but with one or both points not on the curve	**2 marks**
Accurately drawn production possibility curve with at least one axis label missing or inappropriate and no, or an incorrect, second point **OR** Appropriately labelled axes but with an incorrect or missing curve.	**1 mark**

Notes: A title is not required. The exact shape of the production possibility curve does not matter but if the PPC does not touch both axes, 1 mark should be deducted
The only appropriate axes labels are 'Cleaning beaches' and 'Other local government services'.

MAXIMUM FOR QUESTION 24: 4 MARKS

2 5 ***Extract B*** *(lines 1–2) states: 'As the world recovered from the recession of 2008, there was more demand for travel and tourism.'*

Explain possible reasons for an increase in the demand for travel and tourism.

[10 marks]

Level of response	An answer that:	Max 10 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • may include a relevant diagram to support their explanation.	**8–10 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram to support their explanation.	**4–7 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	**1–3 marks**

Relevant issues include:

- quantity demanded increasing due to lower prices of travel, tourism or related services
- lower indirect taxes and/or provision of subsidies
- rising incomes and/or wealth
- growing population
- successful advertising/promotions
- easing of restrictions and availability
- seasonal factors
- significance of elasticities, eg PED, YED and XED.

MAXIMUM FOR QUESTION 25: 10 MARKS

2 6 ***Extract C*** *(lines 13–14) states: 'In recent years, with more people holidaying in the UK, some tourist sites have been overwhelmed by visitors.'*

Use the extracts and your knowledge of economics to discuss whether there should be more state intervention to limit tourism in the UK.

[25 marks]

Areas for discussion include:

- recent trends in tourism in the UK
- importance of tourism sector to the UK in terms of jobs and revenue
- the environment as a scarce resource
- problems caused by too many tourists in some places
- concepts of private costs, private benefits, external costs and external benefits
- knowledge of measures to limit tourism that have been tried or suggested
- analysis and evaluation of alternative methods of state intervention, whether by central or local government – overnight or day charges, other taxes, more or cheaper public transport, regulation, promotion/advertising, etc
- impact of government policies on different economic agents or groups, eg consumers, businesses of different types and in different locations, etc
- financial cost and opportunity cost
- whether intervention should be at a national or local level, according to need
- whether intervention should be to limit tourism in the UK or should it be encouraged?
- case for leaving it to the market and/or focusing on more important issues
- consideration of whether now is the right time for more state intervention
- market failure versus government failure
- an overall assessment of whether or not there should be more state intervention to limit tourism in the UK.

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

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

MAXIMUM FOR QUESTION 26: 25 MARKS

Context 2 Eye care in the UK **Total for this context: 50 marks**

2 7 *Define 'variable costs' **Extract E** (line 13).*

[3 marks]

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

Examples of acceptable definitions worth 3 marks:

- costs (expenses) which change with output
- costs incurred when paying for variable factors of production.

Examples of a definition worth 2 marks:

- costs (expenses) which change
- total costs minus fixed costs.

Examples of a definition worth 1 mark:

- costs (expenses) which are not fixed
- example of variable cost e.g raw materials, electricity

MAXIMUM FOR QUESTION 27: 3 MARKS

2 8 ***Extract E*** *(lines 2–3) states: 'Between 2004 and 2019, the number of optometrists…in England rose from 7 734 to 14 087'. During this time, the population of England increased from 50.2 million to 56.3 million.*

Calculate the percentage change, between 2004 and 2019, in the number of people in England for each optometrist. Give your answer to ***one*** *decimal place.*

[4 marks]

Calculation:

Person per Optometrist in 2004 = 50 200 000/7 734 = 6 490.819

Person per Optometrist in 2019 = 56 300 000/14 087 = 3 996.592

Percentage change = [(3 996.592… – 6 490.819…)/6 490.819…] × 100
= –38.426..
= –38.4% (to 1dp)

Response	Max 4 marks
For the correct answer: –38.4% (or a fall of 38.4%)	**4 marks**
For the correct value but without the minus sign: 38.4% **OR** For the correct value, not rounded to one decimal place: eg –38.43% **OR** For the correct value, rounded the wrong way: –38.5% **OR** For the correct value but with missing/incorrect units: eg –38.4 people	**3 marks**
For the correct value, without the minus sign **and**/**or** not rounded to one decimal place **and**/**or** rounded the wrong way **and**/**or** with missing/incorrect units: eg £38.43 **OR** For the correct calculation/figures throughout but the wrong answer	**2 marks**
For the correct calculation of optometrists per person in 2004 and/or 2019 (not necessarily to 1dp): eg 6 490.82 **OR** For the correct method for calculating the percentage change	**1 mark**

MAXIMUM FOR QUESTION 28: 4 MARKS

2 9 *Use **Extract D** to identify **two** significant features of the number of National Health Service (NHS) sight tests in England over the period shown.*

[4 marks]

Award up to 2 marks for <u>each</u> significant feature identified.

Response	Max 4 Marks
Identifies a significant feature Makes accurate use of the data to support the feature identified Unit of measurement given accurately	**2 marks**
Identifies a significant feature but only one piece of data is given when two are needed **and**/**or** no unit of measurement is given **and**/**or** the unit of measurement is inaccurate **and**/**or** the wrong date is given	**1 mark**

If a candidate identifies more than 2 significant features, reward the best two.

Significant features include:

- the number of sight tests is highest in 2019/20 at 13 360 thousand (13 360 000)
- the number of sight tests is lowest in 2012/13 at 12 340 thousand (12 340 000)
- the range for the number of sight tests is 1020 thousand (1 020 000) – 12 340 thousand to 13 360 thousand (12 340 000 to 13 360 000)
- the number of sight tests is higher at the end of the period than the beginning, rising from 12 340 thousand to 13 360 thousand (12 340 000 to 13 360 000) - an increase of 1020 thousand (1 020 000)
- the number of sight tests rises every year except one, when it falls from 12 790 thousand in 2013/14 to 12 760 thousand in 2014/15 (12 790 000 to 12 760 000) - a fall of 30 thousand (30 000)
- the greatest change is between 2012/13 and 2013/14 when the number of sight tests rises from 12 340 thousand to 12 790 thousand (12 340 000 to 12 790 000) - an increase of 450 thousand (450 000)
- the smallest change is between 2015/16 and 2016/17 when the number of sight tests rises from 12 980 thousand to 13 000 thousand (12 980 000 to 13 000 000) - an increase of 20 thousand (20 000).

Note: Allow a margin of ± 30 thousand (30 000)

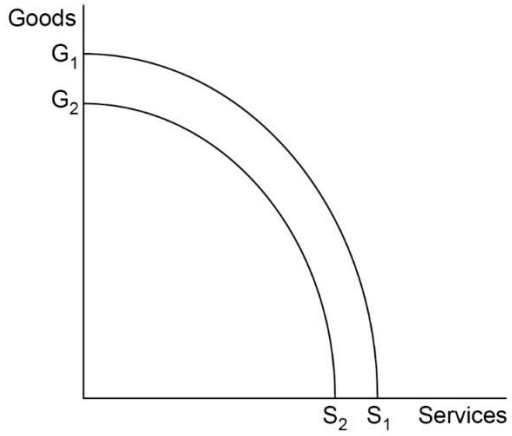
MAXIMUM FOR QUESTION 29: 4 MARKS

3 0 ***Extract F*** *(lines 9–10) states: 'As well as affecting a person's quality of life and adding to health care costs, eyesight problems can lead to lower productivity.'*

Draw a production possibility diagram showing the output of two products, 'goods' and 'services'. Show on this diagram the effect of a fall in productivity due to more people having eyesight problems.

[4 marks]

The expected diagram involves an initial curve bowed out from the origin (or allow a straight line) between two appropriately-labelled axes (either way round), with a second curve (or straight line) inside the first. The curves should be given appropriate labels and/or arrows may be used to show the direction of the shift.



Response	Max 4 marks
Accurately drawn initial production possibility curve and a second curve inside, with appropriately-labelled axes and a clear indication of which curve is which	**4 marks**
Accurately drawn initial production possibility curve with appropriately-labelled axes and a second curve inside, but no indication of which curve is which **OR** Accurately drawn initial production possibility curve and a second curve inside, with a clear indication of which curve is which but with at least one axis label missing or inappropriate	**3 marks**
Accurately drawn initial production possibility curve with appropriately-labelled axes but no, or an incorrect, second curve	**2 marks**
Accurately drawn initial production possibility curve with at least one axis label missing or inappropriate and no, or an incorrect, second curve **OR** Appropriately labelled axes but with incorrect or missing curve(s).	**1 mark**

Notes: A title is not required. The exact shape of the production possibility curve does not matter but if the PPC does not touch both axes, 1 mark should be deducted.
The only appropriate axes labels are 'Goods' and 'Services'

MAXIMUM FOR QUESTION 30: 4 MARKS

3 1 ***Extract E*** *(lines 15–17) states: 'Increased competition and easier access to the internet have helped to bring down the price of some basic glasses to £25 or less.'*

Explain factors that could lead to a fall in the price of glasses.

[10 marks]

Level of response	An answer that:	Max 10 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • may include a relevant diagram to support their explanation.	**8–10 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram to support their explanation.	**4–7 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	**1–3 marks**

Relevant issues include:

- recognition that a fall in price could be caused by decreased demand and/or increased supply
- significance of fewer people booking eye tests
- fall in the price of substitute goods, such as contact lenses and laser eye surgery
- other causes of decreased demand, eg less need for glasses, change in tastes, fall in income, etc
- significance of increased competition and easier access to the internet
- other causes of increased supply, eg lower cost of parts such as frames, or other factors of production, subsidies, etc
- significance of different elasticities, eg XED between the price of glasses and contact lenses.

MAXIMUM FOR QUESTION 31: 10 MARKS

3 2 ***Extract F*** *(lines 18–19) states: 'Should the government prioritise reducing the waiting list of people who need urgent eye treatment or are there more important issues?'*

Use the extracts and your knowledge of economics to discuss whether the government should increase its spending to improve eye health in the UK.

[25 marks]

Areas for discussion include:

- impact of the pandemic on accessing eye care services and fewer people booking routine eye tests
- long waiting lists for people needing treatment
- eye care as a merit good
- private and external benefits of good eye health
- private and external costs of poor eye health
- knowledge of current government spending/measures to improve eye health, including different practice in Scotland
- analysis and evaluation of alternative methods to improve eye health – reducing waiting lists for treatment, increased subsidies, advertising, regulation, etc
- impact of government policies on different economic agents or groups, eg individuals with poor eyesight and/or low incomes, workers, businesses, etc
- whether eye tests should be free for all, or if just for some, should criteria be income or age?
- with more competition and lower prices, is more government spending needed?
- consideration of 'more important issues'
- financial cost and opportunity cost
- whether those with good eyesight should subsidise others
- case for leaving it to the market
- equity versus efficiency
- market failure versus government failure
- an overall assessment of whether or not the government should increase its spending to improve eye health in the UK.

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

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

MAXIMUM FOR QUESTION 32: 25 MARKS