



Rewarding Learning

**General Certificate of Secondary Education
2024**

Economics

Paper 1

[G9281]

MONDAY 13 MAY, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

Mark schemes are intended to ensure that the GCSE examinations are marked consistently and fairly. The mark schemes provide markers with an indication of the nature and range of candidates' responses likely to be worthy of credit. They also set out the criteria which they should apply in allocating marks to candidates' responses.

Assessment objectives

Below are the assessment objectives for Economics.

Candidates must:

- AO1** recall, select and communicate their knowledge and understanding of concepts, issues and terminology;
- AO2** apply skills, knowledge and understanding in a variety of contexts; and
- AO3** analyse and evaluate evidence, make reasoned judgements and present appropriate conclusions.

Quality of candidates' responses

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 16-year-old which is the age at which the majority of candidates sit their GCSE examinations.

Flexibility in marking

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 16-year-old GCSE candidate.

Awarding zero marks

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

Marking Calculations

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error.

Types of mark schemes

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

Levels of response

Tasks and questions requiring candidates to respond in extended writing are marked in terms of levels of response. In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement. The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Quality of written communication

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within levels of response as follows:

- Level 1: Quality of written communication is limited.
- Level 2: Quality of written communication is satisfactory.
- Level 3: Quality of written communication is of a high standard.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Limited): The candidate makes only a limited selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Satisfactory): The candidate makes a reasonable selection and use of an appropriate form and style of writing. Relevant material is organised with some clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning clear.

Level 3 (High Standard): The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning clear.

Section A

**AVAILABLE
MARKS**

- 1 (a)** *Using an example, explain what is meant by the public sector.*

The public sector is that part of the economy owned and controlled by the government (central and local). Examples include: the NHS, education, the police and the civil service.

Allow [1] for correct definition and [1] for an example.

(AO1: [2])

[2]

- (b)** *Using an example, explain what is meant by the private sector.*

The private sector is that part of the economy owned and controlled by private individuals and firms rather than the state. Examples include private houses and businesses.

Allow [1] for correct definition and [1] for an example.

(AO1: [2])

[2]

- (c)** *Using an example, explain what is meant by privatisation.*

Privatisation refers to the transfer of assets from the public (government) sector to the private sector. Examples include British Airways, British Telecom and British Rail.

Allow [1] for correct definition and [1] for an example.

(AO1: [2])

[2]

6

2 (a) What is meant by a merger?

A merger is when 2 previously separate firms agree to form a new company. There are different types of mergers. Horizontal, Vertical, Conglomerate or Lateral.

Allow [1] for a partially correct definition and [2] for a correct definition.
(AO1: [2]) [2]

(b) Briefly explain the type of integration involved if Outsource and ANSEC IA were to merge.

This is an example of Horizontal Integration because Outsource and ANSEC IA are both firms in the same industry/at the same stage of production, in this case IT security.

Allow [1] for identifying Horizontal Integration and [1] for developing the explanation.
(AO1: [1]; AO3: [1]) [2]

(c) Explain one reason why firms may want to merge.

Possible reasons include:

- Benefit from economies of scale, e.g. purchasing economies of scale.
- Benefit from monopoly power which means they can negotiate better deals with suppliers.
- Access to new markets etc.

Any other valid response will be credited.

Allow [1] for identifying one merger [1] and [1] for developing the explanation.
(AO1: [1]; AO3: [1]) [2]

AVAILABLE
MARKS

6

3 (a) Explain the difference between: (i) a personal loan and (ii) a bank overdraft.

AVAILABLE
MARKS

(i) Personal Loan

- **Fixed amount:** A personal loan provides a lump sum of money up front, which is agreed by the borrower and the lender.
- **Interest rate:** Personal loans usually have a fixed interest rate, which means the interest payments remain consistent throughout the loan term.
- **Repayment schedule:** Personal loans have a predetermined repayment schedule, typically with equal monthly instalments over a set period (e.g. 1–5 years).
- **Purpose:** Personal loans can be used for various purposes, including debt consolidation, home improvements or major purchases.
- **Credit Impact:** Timely repayments of a personal loan can improve the borrower's credit score, while late or missed payments can negatively affect the credit score.

(ii) Bank Overdraft

- **Flexible amount:** A bank overdraft is a credit facility that allows account holders to withdraw more money than they have in their account, up to a pre-approved limit.
- **Interest rate:** Overdraft interest rates are usually variable, meaning they can change over time based on market conditions or the borrower's financial situation.
- **Repayment schedule:** There is no fixed repayment schedule for an overdraft, the borrowed amount can be repaid at any time and interest is charged only on the outstanding balance.
- **Purpose:** Overdrafts are typically used for short term cash flow needs or unexpected expenses.
- **Credit impact:** Responsible use of a bank overdraft, such as not exceeding the approved limit and repaying the borrowed amount promptly, can maintain or improve the borrower's credit score, while misuse can negatively impact the credit score.

Any other relevant answer will be accepted.

Allow [1] for a partially correct definition and [2] for a correct definition.

(AO1: [1]; AO2: [1]) (2 × [2])

[4]

(b) Explain the difference between: a credit card and a store card.

(i) Credit card

- **Issuer:** Credit cards are issued by financial institutions such as banks or credit unions and can be used at a wide range of businesses worldwide.
- **Acceptance:** Credit cards are widely accepted, both online and in physical stores allowing cardholders to make purchases from various businesses.
- **Interest-free period:** Credit cards typically offer an interest-free period (e.g., up to 56 days) during which no interest is charged on the purchases if the balance is paid in full by the due date.
- **Interest rate:** Credit cards usually charge a higher interest rate compared to other forms of credit, such as personal loans, especially if the balance is not paid in full by the due date.
- **Rewards and benefits:** Many credit cards offer reward programmes, such as cash back, travel miles or points as well as additional benefits like purchase protection, travel insurance, or extended warranties.

(ii) Store card

- **Issuer:** Store cards are issued by specific retailers and can typically only be used for purchases at the issuing retailer or its affiliated store.
- **Acceptance:** Store cards have limited acceptance, as they can generally only be used at the issuing retailer or affiliated stores, restricting the cardholders' purchasing options.
- **Interest-free period:** Some store cards may offer interest-free periods or promotional financing deals, but these offers are usually limited to specific purchases or timeframes.
- **Interest rate:** Store cards often have higher interest rates than credit cards, which can result in more expensive borrowing if the balance is not paid in full by the due date.
- **Rewards and benefits:** Store cards may offer rewards or discounts that are specific to the issuing retailer, such as promotional offers, exclusive offers or loyalty points but these benefits are generally limited to that particular store or its affiliates.

Any other relevant answer will be accepted.

Allow [1] for a partially correct definition and [2] for a correct definition.

(AO1: [1]; AO2: [1]) (2 × [2])

[4]

Section A

AVAILABLE
MARKS

8

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Section B

**AVAILABLE
MARKS**

4 Study the information below and answer the questions that follow.

Molly owns a small business specialising in making chocolate cakes. This is a highly competitive industry. Molly employs two other people to help her in the business. She rents a unit in a local business park. Molly charges £30 per cake and her variable costs are estimated to be £6 per cake.

(a) Complete the information in the table below to show Molly’s fixed costs, variable costs, total costs (TC) and total revenue (TR).

Number of cakes per year	Fixed costs (£s)	Variable costs (£s)	Total costs (£s)	Total revenue (£s)
0	6000	0	6000	0
2000	6000	12 000	18 000	60 000

Clearly show your workings [4]

(b) Using the information in the table above, draw a break-even chart for Molly’s business.

You should clearly label:

- (i) both axes
- (ii) the total costs (TC)
- (iii) the total revenue (TR)
- (iv) the break-even point (BE) [4]

(c) Using examples from Molly’s business, explain the difference between fixed and variable costs.

- Fixed costs are costs that are fixed with regard to output, e.g. rent for her business, interest on loans. Fixed costs can vary, e.g. a rise in the rate of interest, but they are not directly influenced by output.
- Variable costs on the other hand will vary directly with output, e.g. raw materials for her cakes, electricity.

Allow [1] for correct definition and [1] and one for a relevant example. (AO1: [1]; AO2: [1]) (2 × [2]) [4]

(d) Evaluate the impact of competition on consumers.

AVAILABLE
MARKS

Competition provides many benefits for consumers.

- A fall in the price of products.
- Increased choice of products.
- Improvement in the quality of goods or services.
- Innovation.

The drawbacks of Competition are

- Economies of scale: If there are significant economies of scale, this can lead to lower average costs. This may lead to lower prices for consumers. A competitive firm will not have this advantage.
- Research & Development: Competitive firms make less profit than firms in a non-competitive market thus they have less money to finance investment. Large firms can make high profits which can be invested in R&D. This is important for the technology and pharmaceutical industry.

Any other relevant answer will be accepted.

Level 0([0])

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[2])

(AO1: [2])

The candidate demonstrates some understanding of the impact of competition on consumers, but this is poorly explained or underdeveloped. Quality of written communication is limited.

Level 2 ([3]–[5])

(AO1: [3]; AO3: [2])

The candidate demonstrates reasonable understanding of the impact of competition on consumers, but the explanation could be more fully developed. Quality of written communication is satisfactory.

Level 3 ([6]–[8])

(AO1: [4]; AO3: [4])

The candidate demonstrates thorough examination of the effects of the impact of competition on consumers and the explanation is fully developed. Quality of written communication is of a high standard. [8]

20

5 Exchange rates

AVAILABLE
MARKS

- (a) *Using Figure 1, describe what has happened to the value of the pound against the dollar between 1971 and 2022.*

The key points shown in Figure 1 are:

- Between 1971 and 2022 the value of the pound depreciated against the dollar. In the early 1970s £1 was worth \$2.50 before falling to its lowest level at \$1,033 on 26 Sept 2022
- Despite the downward trend the value of the £ has fluctuated greatly over the years.
 - From 1971–1974, the value of the £ fell from \$2.65 approximately to \$1.55 in 1974. The pound was worth a dollar less than 3 years previous
 - It then recovered to \$1.80 in 1981
 - It remained volatile floating between 1985 and 2015
 - Took a sharp dive between 2014–2017 and fluctuated rapidly until 2021 when it took a complete nosedive to its lowest level in Sept 2022 at \$1.0

Allow [1] for identifying starting rate, [1] for identifying final rate [1] for stating a decrease or an increase and [1] for stating that there is a general downward trend in the value of the pound against the dollar between 1971 and 2022.

(AO2: [4])

[4]

- (b) *Explain the effects of a depreciation in the value of the pound against the dollar for:*

- (i) *A Northern Ireland family buying a weekly shop of mostly imported goods.*

As the value of the pound has fallen/depreciated against the dollar this makes import prices more expensive. As a result, the NI family buying a weekly shop of mostly imported goods will be more expensive particularly food and petrol. This will increase the cost of living for them eroding their standard of living.

Allow [1] for identifying each effect and a further [2] for developing each explanation.

(AO1: [1]; AO3: [2])

[3]

- (ii) *A pottery business based in Northern Ireland planning to sell its products to customers in the USA.*

As the value of the pound has fallen against the dollar this will be beneficial for the pottery business as their pottery will be cheaper for their American customers to purchase, as this is regarded as an export. This would be an advantage for the company who should see an increase in their total sales as a result.

Allow [1] for identifying each effect and a further [2] for developing each explanation.

(AO1: [1]; AO3: [2])

[3]

(c) Explain how the depreciation of the pound against the dollar could affect:

(i) The UK Inflation rate.

This could lead to a rise in both cost push and demand-pull inflation. As import prices are more expensive, any raw materials brought into this country will be dearer increasing business costs who will pass them on to consumers as higher prices, hence cost-push inflation.

Net exports will rise with exports cheaper and imports dearer this could drive up aggregate demand and lead to higher demand-pull inflation.

Overall, a weak pound is likely to increase inflation.

Allow [1] for identifying the effect and a further [2] for development.

(AO1: [1]; AO3: [2])

[3]

(ii) The UK's Balance of Trade.

A depreciating pound against the dollar should improve the balance of Trade.

- Exports are cheaper therefore there should be more demand for them and
- Imports will be more expensive so UK consumers/businesses will demand less of them.

Overall, an improvement in the BOT.

Allow [1] for identifying the effect and a further [2] for development.

(AO1: [1]; AO3: [2])

[3]

(d) Explain two factors that cause the external value of the pound to change.

Exchange rates are determined by demand and supply for a currency and there are several factors that can cause them to fluctuate.

- Changes in the current account balance of the BOP: If the UK imports more goods and services than it exports, there will be a current account deficit. More pounds will therefore be supplied to pay for the imports, at the same time fewer pounds are demanded by foreigners because they are buying fewer exports. The price of the pound will fall/depreciate as a result.
- Inflation: If inflation is higher in the UK than other countries the price of UK goods and services will be more expensive than foreign prices. Demand for UK exports will fall and the value of the pound will depreciate. Imports become more competitive, and more pounds will be supplied to pay for them. Thus, high UK inflation will tend to reduce the value of the pound.
- Changes in interest rates: When UK interest rates are higher than that of their main trading partners, foreign investors are keen to save or invest money in the UK. The demand for the pound rises, increasing the value of the pound. A rise in other countries interest rates may lead to the withdrawal of foreign investment from the UK or more pounds supplied to buy other currency to save and invest abroad, lowering the value of the pound.
- Speculation: If people speculate the value of the pound is going to fall they will sell, so an increase in the supply of pounds reduces its value and the £ will depreciate against another currency. If people speculate that the value of the pound will rise they will buy pounds. An increased

- demand for pounds will help its value rise/appreciate.
- Other factors such as economic and political events like the Governments mini budget in Sept 2022 which sent the markets into turmoil, BREXIT, recession, unexpected events like Coronavirus and the war in Ukraine.
- Any other relevant answer will be accepted
 Allow [1] for identifying each factor and a further [1] for developing each explanation.
 (AO1: [2]; AO3: [2])

[4]

Section B

AVAILABLE MARKS
20
40

6 (a) *Explain what is meant by economic growth.*

Economic growth is an increase in the productive potential of an economy. Many governments are targeting sustainable economic growth. It is usually measured by an increase in real gross domestic product (GDP). Economic growth means an economy can produce a greater output of goods and services. It is commonly illustrated by an outward shift of the PPF. Growth comes from an expansion of both the quality and quantity of the factors of production.

Any other relevant answer will be accepted.

Level 0 [0]

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[2])

(AO1: [2])

The candidate demonstrates some basic understanding of the concept of economic growth, but this is poorly explained or developed. Quality of written communication is limited.

Level 2 ([3]–[4])

(AO1: [3]; AO2: [1])

The candidate demonstrates a reasonable understanding of the concept of economic growth, but the explanation could be more fully developed. Quality of written communication is satisfactory.

Level 3 ([5]–[6])

(AO1: [4]; AO2: [2])

The candidate demonstrates a clear understanding of the concept of economic growth and the explanation is fully developed. Quality of written communication is of a high standard.

[6]

(b) *Analyse the effects of economic growth.*

There can be no doubt as to the benefits of economic growth in terms of jobs, increased living standards and more tax revenue for the Government but growth that is not sustainable will create environmental catastrophe or growth that is too fast can trigger inflation and labour shortages as well as leading to higher levels of inequality.

Benefits of economic growth

- Employment: growth stimulates jobs and contributes to lower unemployment. Growth means more investment by firms, more consumption by individuals both creating jobs.
- Higher living Standards: This means higher real GDP per capita which helps to lift people out of extreme poverty. Rising GDP means more jobs, more income, more spending power and thus an increase in the standard of living.
- Rising economic growth stimulates new investment, e.g. in low carbon technologies. Better growth may attract foreign direct investment and multinational companies.

- Fiscal Bonus for the Government's finances: higher growth means:
 - A. More tax revenue for the government, more direct (income tax and national insurance contributions) and indirect taxes (Vat, excise duty).
 - B. Reduced government spending on unemployed related benefits.

Costs of economic growth

Rapid growth can bring about undesirable economic and social costs.

- Risks of higher inflation: fast growing demand can lead to demand pull and cost push inflation, which threaten macroeconomic stability.
- Fuel house price inflation: less people can afford to move to certain areas to work because house prices are so expensive.
- Labour shortages: workers are scarce and as a result wages are driven up, increasing the costs of production to firms and prices in the shops.
- Rapid inequalities in income and wealth: rapid increases in real national income can lead to higher levels on inequality and social division. The UK is now ranked as one of the most unequal countries in the world.
- Trade Imbalances: as the economy booms people spend more on all goods including imports, thus worsening the balance of trade position.
- Environmental: more negative externalities such as pollution and waste, e.g. more forests cleared for new development, and more rivers/lakes polluted.
- Risk of unsustainable extraction of finite resources: the faster the economy grows the more oil, coal and natural gas will be extracted.

Any other relevant answer will be accepted.

Level 0 [0]

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[3])

(AO1: [1]; AO2: [2])

The candidate demonstrates some understanding of the effects of economic growth but these points are not developed. Quality of written communication is limited.

Level 2 ([4]–[6])

(AO1: [2]; AO2: [3]; AO3: [1])

The candidate demonstrates reasonable understanding of the effects of economic growth, some of the points are reasonably developed. Quality of written communication is satisfactory.

Level 3 ([7]–[9])

(AO1: [3]; AO2: [4]; AO3: [2])

The candidate demonstrates thorough examination of the effects of economic growth, most of the points are fully developed. Quality of written communication is of a high standard.

[9]

(c) *Evaluate policies that could be used to increase the rate of economic growth in the UK.*

AVAILABLE
MARKS

The government could use a combination of fiscal, monetary or supply-side policies to promote economic growth. The costs and benefits of respective policies include:

1. **Fiscal policies** aim to stimulate economic growth by injecting more government finance into the economy as a result of increased taxation or borrowing, or by reducing taxation hence providing consumers with increased disposable income that can be spent on goods and services.

The costs and benefits include:

- Greater demand from consumers could stimulate economic growth. It was predicted that UK economic growth would slow in 2023.
- Fiscal policy can be directed by the government, but it is not possible to tweak any policy changes easily and any changes in tax laws take time to have an impact.
- Consumers may save increases in disposable income or choose to spend it on imported goods and services, both of which would be withdrawals from the circular flow and reduce economic growth.
- Increased government spending may not target areas of the economy that have the potential to increase output.

2. **Monetary policy** is implemented by the Bank of England and aims to keep inflation within a target set by the government. The base rate of interest is reviewed regularly by the independent Monetary Policy Committee (MPC). Hence the government does not have direct control of the actual instruments.

The costs and benefits include:

- Lower interest rates will stimulate aggregate demand hence consumption and investment should rise driving economic growth.
- Changes in interest rates by the Bank of England may not however produce the desired effect on consumer spending or investment needed to produce economic growth.

3. **Supply-side policies** aim to make markets and business operate more efficiently so that a greater rate of economic growth can be achieved. Supply-side issues including high energy prices and labour shortages have negatively impacted economic growth in 2023.

The costs and benefits include:

- Improving incentives to work – government reforms of the benefits system are aimed to make work more attractive.
- Investing in skills – increased spending on vocational and higher education are intended to improve the quality of the workforce.
- Improving occupational and geographic mobility of labour to help reduce unemployment.
- Investment in research and development.
- Promoting competition through privatisation.
- Encouraging new businesses. One of the key positive points about supply-side policies is that growth should be achieved without having a knock-on effect on inflation. However, they are slow to

take effect and show positive results in the form of economic data about the performance of the economy.

Criticisms of supply-side policies include: They may result in greater inequalities of income – this is one of the current arguments about government reforms to the benefits system.

- There needs to be sufficient capacity in the economy to allow any increase in supply to be effective.
- They can take a long time to be effective, e.g. education.
- Those in most need of government help can lose out driving income inequality.
- They may produce negative externalities.

Level 0 [0]

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[5])

(AO1: [1]; AO2: [1]; AO3: [3])

The candidate demonstrates some understanding of the policies that could be used to increase the rate of economic growth, but they are poorly developed or discussed. Quality of written communication is limited.

Level 2 ([6]–[10])

(AO1: [2]; AO2: [2]; AO3: [6])

The candidate demonstrates good understanding of the policies used to increase the rate of economic growth, some are reasonably developed and discussed. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

(AO1: [3]; AO2: [3]; AO3: [9])

The candidate demonstrates thorough understanding and examination of the policies used to increase the rate of economic growth and most are well developed and discussed. A reasoned and balanced conclusion is provided. Quality of written communication is of a high standard.

[15]

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AVAILABLE
MARKS

7 (a) *Explain what is meant by the basic economic problem.*

The basic economic problem is the allocation of scarce resources to unlimited wants and needs. Scarce resources are categorised as the factors of production, land, labour, capital and enterprise. Supplies of these resources are limited relative to people's wants. For example, there are a limited number of people available to work and the raw materials needed to produce the goods are limited. Scarcity of resources results in individuals, firms and societies having to make choices about how to use them. In economics this choice is referred to as opportunity cost. Any other relevant answer will be accepted.

Level 0 [0]

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[2])

(AO1: [2])

The candidate demonstrates some basic understanding of the concept of the basic economic problem, but this is poorly explained or developed. Quality of written communication is limited.

Level 2 ([3]–[4])

(AO1: [3]; AO2: [1])

The candidate demonstrates a reasonable understanding of the concept of the basic economic problem, but the explanation could be more fully developed. Quality of written communication is satisfactory.

Level 3 ([5]–[6])

(AO1: [4]; AO2: [2])

The candidate demonstrates a clear understanding of the concept of the basic economic problem and the explanation is fully developed. Quality of written communication is of a high standard. [6]

(b) *Explain how a market economy allocates its resources using the role of prices and profits.*

Market economies such as Ireland allocate resources through the operation of the price mechanism.

There are a number of key characteristics:

- Private property – all factors of production are privately owned.
- Consumer sovereignty – consumers decide what is to be produced. If consumers wish to buy a product, and have the ability to pay, they will create a demand. If more consumers decide to buy the product the demand will increase.
- The profit motive – firms produce goods and services in order to make a profit. If demand increases, firms can earn more money and make more profit. In response to this they shift resources towards producing these goods. Similarly, they will endeavour to reduce costs by improving efficiency in order to increase profit. Prices adjust to market conditions – the resulting changes in demand and supply will affect the prices of goods and resources. In Ireland resources moved out of the primary sector and into the technology sector.
- In this way, prices act as a signal to move resources from one use to another. Candidates should be credited for the use of demand and

supply diagrams.
Any other relevant answer will be accepted.

AVAILABLE
MARKS

Level 0 [0]

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[3])

(AO1: [1]; AO2: [2])

The candidate demonstrates some understanding of how a market economy allocates its scarce resources using the role of prices and profits, but these are not developed. Quality of written communication is limited.

Level 2 ([4]–[6])

(AO1: [2]; AO2: [3]; AO3: [1])

The candidate demonstrates reasonable understanding of how a market economy allocates its scarce resources using the role of prices and profits, some of the points are reasonably developed. Quality of written communication is satisfactory.

Level 3 ([7]–[9])

(AO1: [3]; AO2: [4]; AO3: [2])

The candidate demonstrates thorough examination of how a market economy allocates its scarce resources using the role of prices and profits and most of the points are fully developed. Quality of written communication is of a high standard. [9]

(c) *Evaluate the costs and benefits of specialisation.*

Costs

- Limited variety and choice.
- Risk of higher prices due to lack of competition.
- Risk of poor quality or standards in specialised goods and services.
- Quality may suffer with unrewarding, repetitive work thus lowers productivity.
- High staff turnover.
- Greater cost in training workers.
- Loss of revenue for producers whose products that are mass produced.
- High absenteeism at work.
- Dependence on a single product or market or dependence on foreign goods and services.
- Risk of losing competitiveness due to changes in technology or consumer preferences.
- Risk of overspecialisation.
- Risk of overdependence on specific sectors or industries.
- Need for policies to support and promote diversification and innovation.
- Risk of trade imbalances and protectionism.
- Risk of economic instability and inequality.

Benefits

- Lower prices due to increased efficiency.
- Access to a wider range of goods and services.
- Improved quality of goods and services.
- Increased choice and variety.
- Productivity increase as workers can produce faster.

- The average cost should fall as productivity rises.
- Time is saved.
- It allows the use of machinery and thus greater savings for producers.
- Increased economic growth and development.
- Improved trade and exports.
- Increased tax revenue.
- Opportunities for foreign investment.
- Improved international relations and diplomatic ties.

Whether the costs of specialisation outweigh the benefits is debatable. More specialisation can be seen to drive economic growth and encourage foreign trade but equally the risk of overspecialisation that lowers productivity and risks economic instability must be addressed.

Any other relevant answer will be accepted.

Level 0 [0]

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[5])

(AO1: [1]; AO2: [1]; AO3: [3])

The candidate demonstrates some understanding of the costs and benefits of specialisation, but the points made are poorly developed or discussed. Quality of written communication is limited.

Level 2 ([6]–[10])

(AO1: [2]; AO2: [2]; AO3: [6])

The candidate demonstrates good understanding of the costs and benefits of specialisation, some of the points made are reasonably developed and discussed. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

(AO1: [3]; AO2: [3]; AO3: [9])

The candidate demonstrates thorough understanding and examination of the costs and benefits of specialisation and most are well developed and discussed. A reasoned and balanced conclusion is provided. Quality of written communication is of a high standard.

[15]

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8 (a) Explain what is meant by the European Union (EU).

The European Union consists of 27 member states pledged to greater economic integration. All member states are part of a customs union meaning there is free trade between members and a common tariff on imports from outside. They are also signed up to a single market which aims to remove barriers to free movement of goods, services and factors of production. A number of states have also signed up to the single currency.

Any other relevant answer will be accepted.

Level 0 [0]

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[2])

(AO1: [2])

The candidate demonstrates some basic understanding of what is meant by the EU, but this is poorly explained or developed. Quality of written explanation is limited.

Level 2 ([3]–[4])

(AO1: [3]; AO2: [1])

The candidate demonstrates a reasonable understanding of what is meant by the EU, but the explanation could be more fully developed. Quality of written communication is satisfactory.

Level 3 ([5]–[6])

(AO1: [4]; AO2: [2])

The candidate demonstrates a clear understanding of what is meant by the EU and the explanation is fully developed. Quality of written communication is of a high standard. [6]

(b) Examine the economic effects of EU enlargement when new countries like Turkey join the EU.

In recent years the EU has undergone considerable enlargement. Since 2004, 13 new member states have joined bringing the total number to 27. This has had a number of impacts upon these countries who wish to join including faster growth and higher living standards for their citizens.

The main benefits:

- It allows these countries greater access to new EU markets, through increased trade and exports.
- With larger markets like Turkey firms could benefit from economies of scale and face lower costs.
- Free trade within the EU allows greater scope for comparative advantage.
- New members will benefit as they become more attractive to foreign investors promoting growth and employment, e.g. Turkey has relatively cheap labour.
- Greater tax revenue for the government.
- Opportunities for foreign investment.
- Improved international relations and diplomatic ties.

The main costs:

- Existing member states could lose out to lower cost competition from new member states.
- There could be a rise in immigration into the existing states from new members leading to political and social problems.
- The EU may have to spend more money providing aid and assistance to new member states like Turkey.
- The EU budget will have to be shared among a great number of countries and since many of the new members are poorer than those already in the EU, there will thus be greater competition for available funds.
- Risk of economic instability and inequality.

Any other relevant answer will be accepted.

Level 0 [0]

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[3])

(AO1: [1]; AO2: [2])

The candidate demonstrates some understanding of the economic effects of EU enlargement when new countries like Turkey join the EU but these are not developed. Quality of written explanation is limited.

Level 2 ([4]–[6])

(AO1: [2]; AO2: [3]; AO3: [1])

The candidate demonstrates reasonable understanding of the economic effects of EU enlargement when new countries like Turkey join the EU, some of the points are reasonably developed. Quality of written communication is satisfactory.

Level 3 ([7]–[9])

(AO1: [3]; AO2: [4]; AO3: [2])

The candidate demonstrates thorough examination of understanding of the economic effects of EU enlargement when new countries like Turkey join the EU and most of the points are fully developed. Quality of written communication is of a high standard.

[9]

(c) *Evaluate how using the Euro affects Eurozone countries.*

Advantages

- Facilitates trade: Eliminates currency exchange costs, encourages economic integration, and boosts growth.
- Price transparency: Simplifies price comparison across Eurozone countries, increasing competition and market efficiency.
- Lower interest rates: European Central Bank's monetary policy has led to lower borrowing costs for businesses and consumers, stimulating investment and growth.
- Exchange rate stability: Protects member countries from currency fluctuations, promoting trade and investment.
- Enhanced international standing: Euro's status as a global reserve currency increases.
- Eurozone countries' influence in financial markets.

Disadvantages

- Loss of monetary policy autonomy: Countries cannot independently address specific economic issues through interest rate or money supply adjustments.
- One-size-fits-all policy: European Central Bank's monetary policy may not suit all member countries' economic conditions, potentially causing imbalances.
- Fiscal policy constraints: Stability and Growth Pact limits government deficits and debt levels, restricting countries' ability to use fiscal policy for economic management.
- No devaluation option: Countries cannot devalue their currency to boost competitiveness or address balance of payment issues.
- Risk of contagion: Economic problems in one member country can spread to others, threatening Eurozone stability.

Level 0 [0]

The candidate's response contains no content worthy of credit.

Level 1 ([1]–[5])

(AO1: [1]; AO2: [1]; AO3: [3])

The candidate demonstrates some understanding of how using the Euro affects EU economies, but the points made are poorly developed or discussed. Quality of written explanation is limited.

Level 2 ([6]–[10])

(AO1: [2]; AO2: [2]; AO3: [6])

The candidate demonstrates good understanding of how using the Euro affects EU economies, some of the points made are reasonably developed and discussed. Quality of written communication is satisfactory.

Level 3 ([11]–[15])

(AO1: [3]; AO2: [3]; AO3: [9])

The candidate demonstrates thorough understanding and examination of how using the Euro affects EU economies. A reasoned and balanced conclusion is provided. Quality of written communication is of a high standard.

[15]

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Section C

30

Total

90

AVAILABLE
MARKS