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Cambridge Assessment
International Education

[Turn over

Generic Marking Principles

These general marking principles must be applied by all examiners when marking candidate answers. They should be applied alongside the specific content of the mark scheme or generic level descriptors for a question. Each question paper and mark scheme will also comply with these marking principles.

GENERIC MARKING PRINCIPLE 1:

Marks must be awarded in line with:

- the specific content of the mark scheme or the generic level descriptors for the question
- the specific skills defined in the mark scheme or in the generic level descriptors for the question
- the standard of response required by a candidate as exemplified by the standardisation scripts.

GENERIC MARKING PRINCIPLE 2:

Marks awarded are always **whole marks** (not half marks, or other fractions).

GENERIC MARKING PRINCIPLE 3:

Marks must be awarded **positively**:

- marks are awarded for correct/valid answers, as defined in the mark scheme. However, credit is given for valid answers which go beyond the scope of the syllabus and mark scheme, referring to your Team Leader as appropriate
- marks are awarded when candidates clearly demonstrate what they know and can do
- marks are not deducted for errors
- marks are not deducted for omissions
- answers should only be judged on the quality of spelling, punctuation and grammar when these features are specifically assessed by the question as indicated by the mark scheme. The meaning, however, should be unambiguous.

GENERIC MARKING PRINCIPLE 4:

Rules must be applied consistently e.g. in situations where candidates have not followed instructions or in the application of generic level descriptors.

GENERIC MARKING PRINCIPLE 5:

Marks should be awarded using the full range of marks defined in the mark scheme for the question (however; the use of the full mark range may be limited according to the quality of the candidate responses seen).

GENERIC MARKING PRINCIPLE 6:

Marks awarded are based solely on the requirements as defined in the mark scheme. Marks should not be awarded with grade thresholds or grade descriptors in mind.

Question	Answer	Marks
**Section A: Multiple Choice**		
1	A	**1**
2	D	**1**
3	C	**1**
4	D	**1**
5	C	**1**
6	B	**1**
7	B	**1**
8	A	**1**
9	B	**1**
10	D	**1**
11	C	**1**
12	C	**1**
13	A	**1**
14	C	**1**
15	C	**1**
16	C	**1**
17	B	**1**
18	B	**1**
19	A	**1**
20	B	**1**
21	D	**1**
22	B	**1**
23	D	**1**
24	B	**1**
25	A	**1**
26	A	**1**
27	D	**1**

Question	Answer	Marks
28	C	**1**
29	C	**1**
30	B	**1**

Question	Answer	Marks
	Section B: Short Answers	
1(a)	• The value of the multiplier = 1/1-mpc (1/0.2) (1) • Multiplier = 5 (1) Note: if just the answer of 5 is given for the value of the multiplier then award both of the above marks. • The size of the increase in national income will be £500 million (£100 m × 5) (1)	**3**
1(b)	Should suggest an increase in investment, not just a high level – e.g. *reduction* in interest rates, <u>not</u> *low* interest rates. Award (1) for any of the following, to a maximum of two: *e.g.* • Increase in profitability / retained profits • Reduction in interest rates • Greater certainty / confidence / lower risk / favourable business conditions / 'animal spirits' • Reduction in business taxes • Improvements in technology • Improving macro conditions e.g. GDP growth, falling inflation • Easier access to finance • Increase in wage costs	**2**

Question	Answer	Marks
2(a)	• A sustained decrease (1) • In the general price level (1)	**2**
2(b)	Deflation is harmful in a number of ways and candidates should be rewarded for identifying and developing an argument well, but can also get full marks for highlighting three different reasons why deflation is harmful without necessarily developing them. Areas are likely to include: • Deflation as a result of falling AD, seeing consumers choose to defer purchases and create a 'deflationary spiral' where consumption continues to fall. They might link this to deflation increasing the real value of their savings. • Deflation can be damaging as it increases the real value of debt – candidates might consider the implications of this for government spending, but also the implications of this for economies dependent upon debt-driven consumption. • Deflation as a result of falling AD can be associated with low growth and rising unemployment, and falling tax revenues. Candidates might look at either the implications of this for macroeconomic objectives in both the short or the long-run. • Deflation causing uncertainty and reducing levels of economic activity. For example, candidates might argue that deflation might deter FDI as companies don't wish to invest in a deflationary environment because of the implications for profit and for fear of buying a depreciating asset.	**3**

Question	Answer	Marks
3(a)	Award (1) for any of the following, to a maximum of two: *e.g.* • to raise revenue • to finance government expenditure • for demand-management • to control (demand-pull) inflation • to deter consumption of demerit good / goods associated with the generation of negative externalities • to deter production of demerit good / goods associated with the generation of negative externalities • to discourage the consumption of imports • to reduce a budget deficit	**2**
3(b)	Candidates should be awarded one mark for distinguishing between direct taxation and indirect taxation. Direct taxation is a tax on income, rent, and profit levied directly on the taxpayer. Indirect taxation is a tax on expenditure on goods and services paid indirectly to government via an intermediary (1). A move in favour of indirect taxation is likely to worsen income distribution (1) (In the UK) direct taxes are broadly progressive and indirect taxes are regressive (1), A developed reference to a specific example of this should also be rewarded. (1) *an example is not required by the question but can still gain one mark* **Maximum 3 marks**	**3**

Question	Answer	Marks
4(a)	A group of countries who: • Abolish tariffs, or quotas or barriers / create free trade between members (1) • Adopt a common external tariff / trade policy (1)	**2**
4(b)	 The reduction in the size of the two arrows shows the reduction in the quantity of imported solar panels. One mark for correctly indicating the price change, one mark for correctly indicating the increase in the level of domestic production, one mark for the reduction in the quantity of imported solar panels.	**3**

Question	Answer	Marks
	Section C: Data Response	
5	Answers should be primarily assessed on the basis of good economics, clearly explained and/or illustrated.	

5(a) — Marks: **2**

Define what is meant by the term 'three-firm concentration ratio' and, with reference to Figure 1, calculate the three-firm concentration ratio in the grocery retailing sector.

Mark	Knowledge
2	Definition of the three-firm concentration ratio as the proportion of market share held by the three largest firms **and** correct calculation of the three-firm concentration ratio as 65%.
1	Definition of the three-firm concentration ratio as the proportion of market share held by the three largest firms **or** correct calculation of the relevant concentration ratio as 65%.
0	No relevant understanding of either theory or practice.

5(b) — Marks: **3**

With reference to the information provided, explain one reason why grocery retailing has elements of a monopolistically competitive market structure.

Mark	Knowledge	Application
2		Identification and development of a feature of the market as indicative of a monopolistically competitive market. This could be with reference to the large number of firms and their relative size (Figure 1), the continued existence of independent stores and niche online retailers (Extract 1), or the prevalence of branding (Extract 2).
1	Ability to provide an accurate definition of monopolistic competition.	Identification of one of the above.
0	No ability to define the market structure.	No relevant or very limited explanation

Question	Answer	Marks
5(c)	**Using a diagram, analyse the effects on profit of the Grocery Code Adjudicator publicising incidents where a supermarket breaks the Code**. The question has been set to allow candidates to look at either the cost or revenue (or both) implications of the intervention of the Grocery Code Adjudicator. It the case of the former, it is likely to increase costs. The best candidates might suggest that the imposition of a fine is going to affect fixed costs and thus might have no effect on equilibrium output, but will simply reduce supernormal profit. In revenue terms, adverse publicity might reduce the level of demand or increase demand elasticity, with consumers becoming more likely to alter their shopping habits if a supermarket has acted in a fashion that prompts intervention.	5

Mark	Knowledge	Application	Analysis
2		Accurate drawing of a diagram that shows an increase in costs / decrease in revenue and the implications of this for profit.	Clear explanation of how the intervention of the Grocery Code Adjudicator has affected the equilibrium, quantifying the effect on profit.
1	Definition of 'profit'	An attempt to draw one of the above, albeit imperfectly.	Explanation of the effect of the Grocery Code Adjudicator on profit, but which doesn't clearly quantify its effect.
0		An inability to draw a meaningful diagram.	No worthwhile analysis of the diagram

Question	Answer	Marks
5(d)	**Using the Extracts, and your own economic knowledge, evaluate the extent to which 'price matching' is evidence of a high level of competition in this particular market.**	10

Mark	Analysis	Evaluation
6		Clear evidence of evaluation and excellent awareness of the relative strengths of the arguments given
5		Clear evidence of evaluation and very good awareness of the relative strengths of the arguments given
4	Good explanation of a suitable range of relevant issues within a clear structure	Clear evidence of evaluation and good awareness of the relative strengths of the arguments given
3	Reasonable explanation of a limited range of relevant issues: some structure to the answer	Some evidence of evaluation and/or limited awareness of the relative strengths of the arguments given; may well have no final summary
2	Partial explanation given: a limited or unstructured answer	Some evidence of evaluation but no clear conclusion
1	Partial explanation given; a very limited answer	Limited evaluation
0	No relevant explanation	No evaluation

<u>Analysis</u>

Answers without direct reference to the issues raised in the data will be awarded a maximum of 4 marks. There are a number of leads in the data that can be pursued.

The key to answering this question is investigating whether or not 'price matching' is an attempt to maintain prices above a perfectly competitive equilibrium, and generate some form of tacit collusion to sustain this price or if 'price matching' is indicative of competition in the market driving price down to, or at least close to, marginal cost.

Question	Answer	Marks
5(d)	Some of the issues that might be considered include: • Sainsbury's taking Tesco's practice to the Advertising Standards Authority suggests that they see it as a form of competition. • The Tesco practice of giving customers a voucher to compensate them if they are unable to price match implies price competition. • There might be some mention of the fact that there might be 'price matching' between the major chains but at the margins, Waitrose, Aldi and Lidl are still competing and successfully gaining consumers. • Candidates might mention the fact that competition is both price and non-price in nature. • There might be some attempt to imply that the repeated nature of supermarket competition may make it likely more likely for 'price matching' to imply a lack of price competition and some form of collusive behaviour. • Whether the presence of 'price matching' makes non-price competition even more cutthroat. **<u>Evaluation</u>** Candidates are likely to look at a range of issues. A clear and full appreciation of the relative merits of at least two if the issues mentioned below, or similar, is needed for an award of all 6 evaluation marks. • Some observation that 'price matching' is undertaken by two of the largest supermarkets might imply either enhanced competition or be associated with a reduction in the level of competition. • Whether Sainsbury's taking the issue to the Advertising Standards Authority (ASA) is indicative of their keenness to compete with Tesco. • The extent to which we would expect there to be a rise in non-price competition if there is 'price matching'. • The differentiation between 'price discrimination' and 'price matching' and the question of matching like-with-like – is this indicative of a high level of competition? • The extent to which the level of competition is determined more by other factors – such as 'the number of supermarkets in a given location'. Other valid points such be rewarded; however, the examiner should be sure that the candidate is directly answering the question. Candidates should be rewarded for genuine engagement with the question: they should be capable of reaching some form of conclusion about whether 'price matching' is indicative of a high level of competition or not, even if no definitive answer is given.	

Question	Answer	Marks
5(e)	**With reference to the information provided, evaluate the extent to which competition between supermarkets will always benefit both consumers and firms in the supermarkets' supply chain.**	10

Mark	Analysis	Evaluation
6		Clear evidence of evaluation and excellent awareness of the relative strengths of the arguments given
5		Clear evidence of evaluation and very good awareness of the relative strengths of the arguments given
4	Good explanation of a suitable range of relevant issues within a clear structure	Clear evidence of evaluation and good awareness of the relative strengths of the arguments given
3	Reasonable explanation of a limited range of relevant issues: some structure to the answer	Some evidence of evaluation and/or limited awareness of the relative strengths of the arguments given; may well have no final summary
2	Partial explanation given: a limited or unstructured answer	Some evidence of evaluation but no clear conclusion
1	Partial explanation given; a very limited answer	Limited evaluation
0	No relevant explanation	No evaluation

Analysis

Answers without direct reference to the issues raised in the data will be awarded a maximum of 4 marks. There are a number of leads in the data that can be pursued.

Further, candidates who only consider either the consumer **or** firms (in the supermarkets' supply chain) can get a maximum of 6 marks. Similarly, candidates who consider the consumer **and** firms **not** in the supermarkets' supply chain can get a maximum of 6 marks.

Question	Answer	Marks
5(e)	The issues that might be analysed include: • The rivalry between Asda and Sainsbury's implies that there might be the potential for price competition. • Evidence that Waitrose, Aldi and Lidl have altered consumer perceptions: in the former case there is an implication of price competition, in the latter case, in expanding product range. Both benefit consumers. • The continued existence of specialist and online retailers implies benefits for the consumer in terms of choice and mode of shopping. • The area of regulation might be cited – both as a benefit, but the continued need for a Grocery Code Adjudicator implies that there might be drawbacks within the sector, especially for firms – Table 1 might be cited in support of this. • Areas of non-price competition • Asda's pledge regarding core groceries might be examined – a benefit for consumers but a drawback for firms. • The final paragraph of Extract 2 talks about 'fiercest competition... at the other end of the supply chain' – this implies that supermarkets are able to use their market power to drive prices below those is perfectly competitive factor markets, harming firms in their supply chains. **Evaluation** Candidates should be looking to qualify their analysis. There are a number of areas that can be looked at. Candidates might look at some of the Analysis points. However, good candidates are likely to go well beyond this and consider a number of other points: • Although successive Competition Commission investigations have largely cleared the supermarkets of anti-competitive behaviour, there has still been a Grocery Code Adjudicator created which implies that supermarkets might be able to abuse a dominant position. • Some candidates may notice that Extract 1 uses the qualifying phrase 'in many respects' – in fact the 2000 investigation concluded that there were some anti-competitive practices being undertaken but that the cost of rectifying them was greater than the benefits that were likely to accrue from any intervention. • Extracts 2 mentions the fact that the level of competition depends upon 'the number of supermarkets in a given location' – this will determine the extent to which consumer are likely to benefit from competition between supermarkets. • There might be some evaluation that it is difficult for competition to benefit both consumers and firms simultaneously. • There might be some evaluation of the extent to which the Grocery Code Adjudicator has power to intervene in the market – the Adjudicator is tasked with looking at the behaviour of firms with a grocery turnover of more than £1 billion – this is likely to affect the extent to which firms are likely to benefit from competition.	

Question	Answer	Marks
5(e)	• Some candidates might suggest that the extent to which firms benefit from competition depends upon the type of product they supply. If they supply high-quality differentiated products, as opposed to a broadly homogenous product (milk, for example), they are more likely to benefit from competition. For each of the areas mentioned above, a clear and full appreciation of the relative merits of at least two if the issues mentioned above, or similar, is needed for an award of all 6 evaluation marks.	