

**Economics**

General Certificate of Secondary Education **1985/01**

Paper 1 (Foundation Tier)

**Mark Scheme for June 2010**

---

OCR (Oxford Cambridge and RSA) is a leading UK awarding body, providing a wide range of qualifications to meet the needs of pupils of all ages and abilities. OCR qualifications include AS/A Levels, Diplomas, GCSEs, OCR Nationals, Functional Skills, Key Skills, Entry Level qualifications, NVQs and vocational qualifications in areas such as IT, business, languages, teaching/training, administration and secretarial skills.

It is also responsible for developing new specifications to meet national requirements and the needs of students and teachers. OCR is a not-for-profit organisation; any surplus made is invested back into the establishment to help towards the development of qualifications and support which keep pace with the changing needs of today's society.

This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by Examiners. It does not indicate the details of the discussions which took place at an Examiners' meeting before marking commenced.

All Examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the Report on the Examination.

OCR will not enter into any discussion or correspondence in connection with this mark scheme.

© OCR 2010

Any enquiries about publications should be addressed to:

OCR Publications  
PO Box 5050  
Annesley  
NOTTINGHAM  
NG15 0DL

Telephone: 0870 770 6622  
Facsimile: 01223 552610  
E-mail: [publications@ocr.org.uk](mailto:publications@ocr.org.uk)

Question			Syllabus Ref	Expected Answer	Mark	Rationale
1	(a)			<p><b>Country A is able to produce goods using resources known as factors of production. Capital is one of these. Name <u>two</u> other factors of production.</b></p> <p><b>Target: to identify factors of production.</b></p> <p>Any two from land, labour, enterprise.</p>	[2]	
	(b)			<p><b>There is scarcity of resources in Country A. Explain what is meant by scarcity.</b></p> <p><b>Target: to explain scarcity.</b></p> <p>2 marks for correct explanation, ie not enough resources to satisfy all human wants. 1 mark for some understanding, eg not enough resources / limited resources / resources running out / there is an opportunity cost</p>	[2]	
	(c)			<p><b>Using Fig. 1, how many capital goods can Country A produce when it also produces</b></p> <p><b>Target: to interpret a production possibility curve.</b></p>		
		(i)		<p><b>400 million consumer goods?</b></p> <p>300 million capital goods.</p>	[1]	Do not accept 300 capital goods
		(ii)		<p><b>1000 million consumer goods?</b></p> <p>0 capital goods.</p>	[1]	

Question			Syllabus Ref	Expected Answer	Mark	Rationale
	(d)	(i)		<p><b>Explain what is meant by opportunity cost.</b>  <b>Target: to explain opportunity cost.</b></p> <p>2 marks for correct explanation, ie the next best alternative (1) which has been given up (1).  1 mark for some understanding shown eg through an example.</p>	[2]	
		(ii)		<p><b>Using Fig. 1, if production changes from combination Y to combination X, what is the opportunity cost of producing the extra 100 million capital goods?</b></p> <p><b>Target: to interpret opportunity cost from a production possibility curve.</b></p> <p>200 million (1) consumer goods (1).</p>	[2]	No marks for 200 where million omitted but still award the 2 <sup>nd</sup> mark for consumer goods
	(e)			<p><b>Using Fig. 1, explain why it is inefficient to produce combination Z.</b></p> <p><b>Target: to interpret a production possibility curve.</b></p> <p>1 mark for stating more could be produced / not at full potential / combination not on the PPC.  2 marks for specific reference to the data eg 200m more consumer goods are possible, or 100m more capital goods.</p>	[2]	Needs specific reference to data for 2 <sup>nd</sup> mark

Question			Syllabus Ref	Expected Answer	Mark	Rationale
	(f)	(i)		<p><b>Explain what is meant by productivity.</b></p> <p><b>Target: to explain productivity.</b></p> <p>2 marks for a correct explanation, eg output per worker (accept per person). 1 mark for output or production only, or a reference to efficiency.</p>	[2]	
		(ii)		<p><b>How will a rise in productivity in Country A affect its production possibility curve?</b></p> <p><b>Target: to identify the effect of a rise in productivity on the PPC.</b></p> <p>It will shift towards the right / shift outwards</p>	[1]	Accept 'it will rise' or 'it will increase.'
	(g)			<p><b>A rise in productivity is one way in which an economy can achieve economic growth.</b></p> <p><b>Identify and explain <u>two</u> other ways in which a country could achieve economic growth.</b></p> <p><b>Target: to explain means of economic growth.</b></p> <p>1 mark for each method identified plus 1 mark for explanation. Methods include investment in capital, introducing new technology, discovery of new resources, immigration of labour, education and training, policies to raise demand, measures to increase incentives, e.g. reduced direct taxes, etc.</p>	[4]	Use ticks

Question			Syllabus Ref	Expected Answer	Mark	Rationale						
	(h)			<p><b>'The costs of economic growth are greater than the benefits.' Do you agree with this statement? Give reasons for your answer.</b></p> <p><b>Target: to evaluate the costs and benefits of growth.</b></p> <p><b>Level 2 (5–6 marks)</b> Makes a judgement based on reasoned argument. Costs may include various forms of pollution, environmental damage, depletion of non-renewable resources, more global warming, congestion, possible inflation. Benefits include more goods &amp; services and higher living standards, more employment, more public &amp; merit goods, improved health, literacy, life expectancy, etc.</p> <p><b>Level 1 (1–4 marks)</b> Costs and/or benefits of growth are analysed.</p> <p><b>QWC mark scheme</b></p> <p>Candidates will be awarded marks for the quality of their written communication according to the following criteria.</p> <table><tr><td>Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</td><td>2</td></tr><tr><td>Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.</td><td>1</td></tr><tr><td>Candidate fails to reach the threshold standard in all respects.</td><td>0</td></tr></table>	Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2	Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1	Candidate fails to reach the threshold standard in all respects.	0		Both sides of argument must be present for L2  Annotate answer with level.
Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2											
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1											
Candidate fails to reach the threshold standard in all respects.	0											
					[6+2]							
Total 27 marks												

Question			Syllabus Ref	Expected Answer	Mark	Rationale
2	(a)	(i)		<p><b>Name two foods which have risen greatly in price.</b></p> <p><b>Target: to identify two foods from the data.</b></p> <p>Accept any two from wheat, rice, beans, vegetable oils and dairy products.</p>	[2]	
		(ii)		<p><b>From Fig 2 state <u>two</u> problems which rising food prices have brought to developing countries.</b></p> <p><b>Target: to select data.</b></p> <p>Poor consumers cannot afford enough food. (1) There have been food riots. (1)</p>	[2]	
	(b)	(i)		<p><b>On the diagram below, show the effect on the market for food of a drought in a major food producing country.</b></p> <p><b>Target: to analyse effects of a change in a market.</b></p> <p>1 mark for supply curve shift to the left. 1 mark for new equilibrium ie higher price and lower quantity.</p>	[2]	<p>If new supply line shown but not labelled, accept for the mark. If other shifts are also shown (i.e. demand shift or S to right) then do not award mark. If new equilibrium shown but not labelled, accept for the mark.</p> <p>Use ticks</p>
	(b)	(ii)		<p><b>State what happens to:</b>  <b>the market price</b>  <b>the quantity of food sold</b></p> <p><b>Target: to state effects on price and quantity.</b></p> <p>Price rises (1), quantity falls (1)</p>	[2]	Use ticks

Question			Syllabus Ref	Expected Answer	Mark	Rationale
	(c)			<p><b>Food crops can be used for making into bio-fuels which are used instead of petrol to run cars.</b></p> <p><b>With the help of a demand and supply diagram, explain the effect on the price and quantity sold of food of an increase in the demand for bio-fuels made from crops.</b></p> <p><b>Target: to analyse effects of a change in a market.</b></p> <p>For one mark each:            Original equilibrium            Demand curve shift to the right            New correct equilibrium position            Stating demand has risen            Stating the rise in price            Stating the rise in sales / quantity</p>	[6]	<p>Label not essential for 2<sup>nd</sup> mark but for 3<sup>rd</sup> mark we must be able to distinguish which is the new correct equilibrium.</p> <p>Use ticks</p>
	(d)			<p><b>Discuss the factors which affect the World demand for particular types of food.</b></p> <p><b>Target: to analyse and evaluate factors affecting demand in a market.</b></p> <p><b>Level 3 (7–10 marks)</b>            An evaluative answer, which justifies the factors discussed as relevant to the food market.            Award marks for answers about food in general or specific foods.            Factors include: population (world population growth); rises in real incomes (especially in populous developing countries like China and India); real incomes rising increases demand for eg meat, dairy products; price changes of substitute foods; changes in tastes and preferences (eg more healthy foodstuffs, organic food); advertising; seasons / weather.            Price influences the quantity demanded.</p>		<p>Annotate level in answer</p> <p>L1 may not go beyond a list</p> <p>L2 some demand factors are explained</p> <p>L3 there should be good application of demand factors to the food or specific food markets</p>



Question			Syllabus Ref	Expected Answer	Mark	Rationale						
				<p><b>Level 2 (4–6 marks)</b> Relevant factors are explained / analysed.</p> <p><b>Level 1 ( 1–3 marks)</b> Factors affecting demand in the food market are identified, 1 or 2 factors with limited development.</p> <p><b>QWC mark scheme</b></p> <p>Candidates will be awarded marks for the quality of their written communication according to the following criteria.</p> <table><tr><td>Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.</td><td>2</td></tr><tr><td>Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.</td><td>1</td></tr><tr><td>Candidate fails to reach the threshold standard in all respects.</td><td>0</td></tr></table>	Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2	Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1	Candidate fails to reach the threshold standard in all respects.	0		
Ideas are expressed clearly, fluently, legibly and in an appropriate way. There are few errors in spelling, punctuation and grammar.	2											
Straightforward ideas are expressed relatively clearly, legibly and appropriately. There may be some errors of spelling, punctuation and grammar, but these do not obscure the meaning of the answer.	1											
Candidate fails to reach the threshold standard in all respects.	0											
					[10+2]							
				Total 24 marks								

Question			Syllabus Ref	Expected Answer	Mark	Rationale
3	(a)			<p><b>Calculate the taxable income of a person who earns £26,035. Show your working.</b></p> <p><b>Target: to calculate taxable income.</b></p> <p>£26,035 - £6035 = £20,000 (1 mark for method).</p>	[2]	
	(b)			<p><b>From Fig. 3, name:</b>  <b>a direct tax</b>  <b>an indirect tax.</b></p> <p><b>Target: to select a direct and an indirect tax.</b></p> <p>Direct – income tax. Indirect – VAT</p>	[2]	
	(c)			<p><b>Name any two taxes not in Fig. 3 that are collected by the UK government.</b></p> <p><b>Target: to identify taxes in the UK.</b></p> <p>Any two taxes eg corporation tax, council tax, inheritance tax, duties, NICs, road tax.</p>	[2]	Use ticks
	(d)			<p><b>Name two items on which the UK government spends money.</b></p> <p><b>Target: to identify items of UK government spending.</b></p> <p>Any two items, eg health, education, defence, social protection.</p>	[2]	Use ticks

Question			Syllabus Ref	Expected Answer	Mark	Rationale
	(e)			<p><b>There are large differences in the incomes of families in the UK.</b></p> <p><b>Explain how the government could reduce these differences by using taxes and government spending.</b></p> <p><b>Target: to explain how the government can redistribute incomes using taxation and government spending.</b></p> <p>Use a flexible mark scheme with 1 mark for each method identified with further marks for development. Eg higher income tax (1), progressive taxes (1) take higher rates from higher incomes (1), higher income tax allowances (1), more inheritance tax (1), less VAT on necessities (1), etc. Benefits to lower income groups (1), such as tax credits (1), job seekers allowance (1). Spending on merit goods e.g. health and education (1), which is a larger % of income of lower income groups (1). Education &amp; training which raise earning potential (1).</p> <p>Max 4 marks for a list.</p>	[6]	<p>Use ticks. Max.4 for list / identification so must be explanation for 5 or 6 marks.</p> <p>Answers which show understanding that higher incomes could be taxed at a higher rates rather than just higher amount are likely to be better answers overall.</p> <p>NB Q is re tax &amp; govt. spending, so measures such as NMW not relevant here.</p>

Question			Syllabus Ref	Expected Answer	Mark	Rationale
	(f)			<p><b>Discuss the reasons why taxes are introduced.</b></p> <p><b>Target: to evaluate reasons for taxes.</b></p> <p><b>Level 2 (4–6 marks)</b></p> <p>Reasons for taxes are evaluated and a conclusion drawn. There are various approaches which could be used to answer this question and possibilities are shown below. Any approach can be awarded up to full marks providing evaluation is present.</p> <p>The government will require revenue for spending on health, education, defence, etc.</p> <p>Reward marks for discussion of any possible alternative sources.</p> <p>Taxes are part of the redistribution process (part (e)), this could be evaluated.</p> <p>Taxes are raised on demerit goods but could alternatives be used?</p> <p>Reward arguments against taxation, including arguments against state intervention.</p> <p><b>Level 1 (1–3 marks)</b></p> <p>Reasons for taxes are analysed, eg to provide the revenue to spend on essential services such as education and health.</p>	[6]	<p>For a level 2 mark, discussion must go beyond simply explaining government services.</p> <p>Thus discussion of reducing consumption of demerit goods or scarce resources, role of taxes in redistribution of incomes, or role in macro-economic management of the economy may be awarded L2.</p> <p>Annotate level in answer.</p>
				<b>Total 20 marks</b>		

Question			Syllabus Ref	Expected Answer	Mark	Rationale
4	(a)			<p><b>Name any <u>two</u> goods which the UK imports.</b></p> <p><b>Target: to identify two UK imported goods.</b></p> <p>Any two imported goods, specific, eg cars, or non-specific, eg manufactured goods.</p>	[2]	Do not accept services
	(b)			<p><b>Using information in Fig. 4, calculate each of the following. Show your working.</b></p> <p><b>Target: to calculate the balance of trade in goods, services and current account balance.</b></p> <p>NB 1 mark for correct method for each part. Accept 'deficit' in lieu of minus sign (or loss) for (i) and (iii). If candidate has neither minus sign nor deficit for (i) or (iii) then 2 marks each, but error carried forward to (iii) not penalised twice [own figure rule for (iii)]. (i), (ii), (iii): Where millions (m) are missing but otherwise correct do not penalise.</p>		
		(i)		<p><b>The UK balance of trade in goods.</b></p> <p>£294182m – £207856m = £86326m deficit.</p>	[3]	
		(ii)		<p><b>The UK balance of trade in services.</b></p> <p>£138424m – £99974m = £38450m (surplus).</p>	[3]	
		(iii)		<p><b>The UK current account balance.</b></p> <p>–£86326m + £38450m = £47876m deficit.</p>	[3]	

Question			Syllabus Ref	Expected Answer	Mark	Rationale
	(c)			<p><b>Germany, Spain and France are three countries which use the euro as their currency.</b></p> <p><b>Name two other countries which use the euro as their currency.</b></p> <p><b>Target: to identify two euro countries.</b></p> <p>Any 2 such as Italy, Portugal, Greece, Holland, Ireland.</p>	[2]	Full list from which 2 marks: Italy, Portugal, Greece, Holland, Ireland, Belgium, Luxembourg, Austria, Finland, Malta, Cyprus, Slovenia, Slovakia.
	(d)			<p><b>The £ fell in value against the euro between 2007 and 2008 as shown in the table below.</b></p> <p><b>April 2007            £1 = 1.41 euro</b>  <b>April 2008            £1 = 1.23 euro</b></p> <p><b>Giving reasons for your answers, would this fall in the value of the £ benefit?</b></p>		
		(i)		<p><b>British firms which export to Germany?</b></p> <p><b>Target: evaluate the effect of a depreciation.</b></p> <p>1 mark for judging they would benefit + 1 mark for reason, ie their goods are cheaper in Germany so they will sell more.</p>	[2]	Use ticks
		(ii)		<p><b>British families which holiday in Spain?</b></p> <p><b>Target: to evaluate the effect of a depreciation.</b></p> <p>1 mark for judging they would lose + 1 mark for reason, ie the holidays would cost more / they would have less to spend</p>	[2]	Use ticks

Question			Syllabus Ref	Expected Answer	Mark	Rationale
		(iii)		<p><b>The UK balance of trade in goods with France?</b></p> <p><b>Target: to evaluate the effect of a depreciation.</b></p> <p>3 marks for analysing e.g. exports are cheaper so the amount / value of exports will rise; imports are dearer so the amount / value of imports will fall.</p> <p>1 mark for judging that balance of trade would improve / become a surplus / deficit would reduce.</p>	[4]	Use ticks
	(e)			<p><b>Would UK consumers and holiday makers benefit if the UK adopted the euro as its currency? Give reasons for your answer.</b></p> <p><b>Target: to evaluate the effects of adopting the euro on specific groups.</b></p> <p><b>Level 2 (4–6 marks)</b> Effects of adopting the euro are discussed with reference to the two specific groups. Holiday makers will no longer have the transaction costs of changing money, depending upon their destination (eurozone v other destinations), and comparisons will be made easier in the eurozone. Consumers have greater price transparency. They should gain from greater competition between firms (as the currency barrier to trade is removed), eg lower prices, more choice. Accept any valid arguments against the euro affecting these groups, e.g. prices might be rounded up, changeover costs could be passed on.</p> <p><b>Level 1 (1–3 marks)</b> 1 or 2 effects of adopting the euro are identified with regard to these groups.</p>	[6]	Use ticks. Only more than 3 ticks when it is a L2 answer.
					<b>Total 27 marks</b>	

**OCR (Oxford Cambridge and RSA Examinations)**  
**1 Hills Road**  
**Cambridge**  
**CB1 2EU**

**OCR Customer Contact Centre**

**14 – 19 Qualifications (General)**

Telephone: 01223 553998

Facsimile: 01223 552627

Email: [general.qualifications@ocr.org.uk](mailto:general.qualifications@ocr.org.uk)

**[www.ocr.org.uk](http://www.ocr.org.uk)**

For staff training purposes and as part of our quality assurance programme your call may be recorded or monitored

**Oxford Cambridge and RSA Examinations**  
**is a Company Limited by Guarantee**  
**Registered in England**  
**Registered Office; 1 Hills Road, Cambridge, CB1 2EU**  
**Registered Company Number: 3484466**  
**OCR is an exempt Charity**



**OCR (Oxford Cambridge and RSA Examinations)**  
**Head office**  
**Telephone: 01223 552552**  
**Facsimile: 01223 552553**