

Commentary on candidate evidence

The candidate evidence has been put together from several candidates who sat the 2019 question paper.

Question 3(a)(i)

Candidate A

This candidate was awarded **2/2 marks**:

- ◆ One mark awarded for 'Scarcity occurs because we have unlimited wants but limited resources.'
- ◆ One mark awarded for 'It is a universal problem that effects all economies'.

Had the candidate not already reached maximum marks for this question, a further two marks could have been awarded for:

- ◆ 'It cannot be eliminated, only reduced'.
- ◆ 'Scarcity is a relative concept, the resources themselves are not scarce, they are only scarce relative to the demands we place on them'.

Candidate B

This candidate was awarded **2/2 marks**:

- ◆ One mark awarded for 'Scarcity arises because humans have unlimited wants, but there are only limited resources to provide these wants'.
- ◆ One mark awarded for 'Scarcity affects all economies'.

Had the candidate not already reached maximum marks for this question, a further mark could have been awarded for:

'Scarcity cannot be eradicated'.

Note that no marks were awarded for points describing the results of scarcity, eg choices, opportunity costs.

Candidate C

This candidate was awarded **2/2 marks**:

- ◆ One mark awarded for 'Scarcity is the basic economic problem. It is when wants exceed the availability of resources'.
- ◆ One mark awarded for 'Scarcity will never be solved'.

Question 3(a)(ii)

Candidate A

This candidate was awarded **3/3 marks**:

- ◆ One mark awarded for 'Increased awareness of simple living' (ID) 'and appreciating what you have has decreased peoples wants as they are happy with what they have, reducing scarcity' (EXP).
- ◆ One mark awarded for 'Discovering new resources such as oil' (ID) 'increases the resources available, so more wants can be satisfied, reducing scarcity' (EXP).
- ◆ One mark awarded for 'Increased research and development' (ID) 'can lead to more efficient ways of using our resources so that more wants can be satisfied, reducing scarcity' (EXP).

Had the candidate not already reached maximum marks for this question, a further mark could have been awarded for:

'Increasing awareness of environmental issues' (ID) 'can lead to people not wanting certain things such as single use plastic, thus reducing peoples wants and reducing scarcity' (EXP).

Note that although the latter explanation has similarities to the first from this candidate, the specificity and currency of its details would have earned it another mark.

Candidate B

This candidate was awarded **2/3 marks**:

- ◆ One mark awarded for 'set a minimum price' (ID) 'on a scarce product so that the product can't be bought for lower. This will send a signal to consumers to leave the market as they are less likely to afford the product' (EXP).
- ◆ One mark awarded for 'set a maximum price' (ID) 'for the product. This will decrease the profitability for the product sending producers a signal to leave the market or slow down the production of this scarce product' (EXP).

Note that this candidate tackled the question in an unexpected way, and although it is possible that this candidate was confusing scarcity with shortage, valid points were nonetheless made and were credited - with a maximum of 2 marks being available for this type of response.

Candidate C

This candidate was awarded **3/3 marks**:

- ◆ One mark awarded for 'achieving technical efficiency' (ID). 'This is when goods/services are produced at the minimum factor usage meaning wastage are kept to the minimum' (EXP).
- ◆ One mark awarded for 'achieving allocative efficiency' (ID). 'This is when the production of goods and services is allocated in the best way possible in order to meet needs or demands' (EXP).

- ◆ A development mark was awarded for 'For example, there wouldn't be much point in producing many bridges across the same river, instead one bridge should be formed and the rest of the steel may be allocated to meet the demands of the production of cars'.

Had the candidate not already reached maximum marks for this question, a further mark could have been awarded for:

'Full employment reduces the effect of scarcity. All resources should be in use' (ID). 'This means all those willing and able to work should be and no resources should be left idle' (EXP).

Note that this candidate also tackled the question in an unusual manner but provided good relevant knowledge and detail.

Question 3(b)

Candidate A

This candidate was awarded **3/3 marks**:

Marks were awarded for explaining the effects on demand of Giffen goods and Veblen goods and also referencing the effect perceptions of quality can have on demand.

Note that in each case an example was given, but each was elaborated, enhancing the explanation, rather than as an addition to the explanation.

Candidate B

This candidate was awarded **3/3 marks**:

Marks were awarded for explaining the effects on demand of ostentatious goods, inferior goods and speculative goods.

Again, when provided, examples were embedded meaningfully in the explanation.

Candidate C

This candidate was awarded **3/3 marks**:

Marks were awarded for explaining the effects on demand of Giffen goods, Veblen goods and speculative goods.

Question 3(c)

Candidate A

This candidate was awarded **4/4 marks**:

Marks were awarded for describing the effects on supply of price, weather, availability of subsidies and advances in technology.

Candidate B

This candidate was awarded **3/4 marks**:

Marks were awarded for describing the effects on supply of cost of manufacture, increases in efficiency of production, and advances in technology.

Note that 'Decrease in price of raw materials' was too similar to 'Decrease in manufacturing cost' and did not therefore earn a separate mark.

Candidate C

This candidate was awarded **3/4 marks**:

Marks were awarded for describing the effects on supply of weather, decreasing price of raw materials and price.

Note that no mark was awarded for either the description related to demand or the description related to a strong pound, as this would also affect demand initially.

Question 3(d)

Candidate A

This candidate was awarded **4/4 marks**:

- ◆ One mark awarded for 'states that the addition of one additional unit of resource eg 1 more worker' (ID) 'the marginal output will fall' (EXP).

Note that although this candidate's initial explanation was not entirely clear, the developments which followed lent its credibility and although not explained as well as might be possible, knowledge of the meaning of diminishing returns was evident.

- ◆ A development mark awarded for 'As an extra worker is added the percentage change in output is greater than percentage change in input'.
- ◆ A development mark awarded for 'so there are increasing marginal returns, however not all resources are worked'.
- ◆ A development mark awarded for 'However, the additional unit of 1 more worker may not result in a net benefit of output, as the worker may have no tools to do his job, therefore there are decreasing returns'.

Candidate B

This candidate was awarded **2/4 marks**:

- ◆ One mark awarded for 'occurs in the short run' (ID) 'as more of a variable factor is applied to a fixed factor' (EXP).

Note that this candidate becomes quite repetitive regarding the variable factor being added to the fixed, but a second mark was awarded for the better explanation of this, towards the end of the response:

'As output increases, costs fall until constant returns are met. This is where the minimum efficient cost is' (ID) 'After this, the fixed factor becomes overused and diminishing marginal returns occurs' (EXP).

Note that it would have been possible to award a development mark for a correct diagram, but the area of diminishing marginal returns is not indicated in this case.

Candidate C

This candidate was awarded **3/4 marks**:

- ◆ One mark awarded for 'It states that as additional resources are provided to the production process, eventually, after the point of optimum production, the increased input leads to a less than proportionate increase in output' (ID) 'and eventually each additional unit of output leads to a smaller and smaller increase in output' (EXP).
- ◆ A development mark awarded for 'eg if a firm hires more labour, then initially they might lead to a more than proportionate increase in output because they can use the other factors of production more effectively. However, after a certain point, each additional worker provided leads to a smaller increase in output because the other factors of production become overused and crowded and there is too many workers'.

Note that this candidate is quite repetitive, but the initial point coupled with an example was credited.

- ◆ A further development mark awarded for 'The law of diminishing marginal returns requires firms to be operating in the short run when at least one factor of production is fixed in quantity'.

Question 3(e)

Full marks were only available if accurate descriptions of both internal and external economies of scale were provided. Note that it was not necessary to name the economy of scale in this question.

Candidate A

This candidate was awarded **4/4 marks**:

- ◆ One mark awarded for 'Internal economies of scale are the cost benefits for a firm of the firm increasing its scale of production'.
- ◆ One mark awarded for 'financial economies of scale which is when the firm receives more favourable interest rates on loans etc'.
- ◆ One mark awarded for 'marketing economies of scale which is when there is already marketing infrastructure available for it to use and it can afford the vast costs involved'.
- ◆ One mark awarded for 'External economies of scale are the cost benefits for a firm of the whole industry increasing in size'.

Had this candidate not reached maximum mark allocation for internal economies of scale, they could also have been awarded a mark for:

- ◆ 'economies of scope which is when if the firm decides to supply a new product, it already has many of the facilities necessary to supply it and promote it, eg marketing departments'.

Had this candidate not reached maximum total mark allocation, they could also have been awarded a development mark for:

- ◆ 'new infrastructure is built to reduce costs by the government'.

Candidate B

This candidate was awarded **4/4 marks**:

- ◆ One mark awarded for 'Managerial positions may be awarded in larger firms. This may improve their efficiency in the long run'.
- ◆ One mark awarded for 'The larger firms may spread larger marketing fixed costs over a greater number of units, keeping their average costs down'.
- ◆ One mark awarded for 'The larger firm may exploit economics of scope and enter new markets'.
- ◆ One mark awarded for 'Improved infrastructure may allow firms to expand and distribute their product more easily'.

Had this candidate not reached maximum mark allocation for internal economies of scale, they could also have been awarded a mark for:

- ◆ 'The larger firms may be able to lower costs by buying a larger stock and capitalise on trade discounts'.

Candidate C

This candidate was awarded **4/4 marks**:

- ◆ One mark awarded for 'Managerial economies of scale. This is when large companies can afford to hire skilled managers'.
- ◆ One mark awarded for 'Technical economies can also be achieved. Larger organisations can investigate and invest in new technology to improve efficiency and increase output'.
- ◆ One mark awarded for 'Internal economies allow risks to be spread through operating in many markets'.
- ◆ One mark awarded for 'organisations may benefit from local colleges or training centres as this means potential employees will be well trained which will reduce the firm's costs of training'.

Had this candidate not reached maximum mark allocation, they could also have been awarded a mark for:

- ◆ 'The supplier of an organisation may be located near the firm. This will reduce the firms transport costs'.