Version 1.1

AQA

**General Certificate of Education
January 2011**

ECONOMICS   ECON1

Unit 1 :   Markets and Market Failure

Final

Mark Scheme

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

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

January 2011   **ECON1/1**

Advance Subsidiary Economics Unit 1

Section A: Objective Test (ECON1/1)

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

KEY LIST

1.	A	9.	D	17.	B
2.	D	10.	D	18.	A
3.	A	11.	C	19.	C
4.	B	12.	D	20.	C
5.	B	13.	C	21.	C
6.	A	14.	A	22.	B
7.	A	15.	C	23.	B
8.	D	16.	C	24.	D
				25.	C

Advanced Subsidiary Economics

January 2011   **ECON1/2**

Mark Scheme

Section B: Data Response

General Instructions

Marks awarded to candidates should be in accordance with the following mark scheme and examiners should be prepared to use the full range of marks available. The mark scheme for most questions is flexible, permitting the candidate to score full marks in a variety of ways. Where the candidate's response to a question is such that the mark scheme permits full marks to be awarded, full marks **MUST** be given. A perfect answer is not necessarily required for full marks. But conversely, if the candidate's answer does not deserve credit, then no marks should be given.

Occasionally, a candidate may respond to a question in a reasonable way, but the answer may not have been anticipated when the mark scheme was devised. In this situation, **OR WHENEVER YOU HAVE ANY DOUBT ABOUT THE INTERPRETATION OF THE MARK SCHEME**, you must in the first instance telephone your team leader to discuss how to proceed.

Two approaches have been used in the construction of the mark scheme:

(i)   **An issue based approach.** The mark scheme for questions **01**, **02**, **03**, **05**, **06** and **07** of the data response questions adopts this approach. The mark scheme lists the marks that can be awarded for particular issues (and associated development) that the candidate might include in the answer.

(ii)   **A levels approach.** This approach is used for marking questions **04** and **08** of the data response questions. The Levels Of Response Mark Scheme on the next page identifies five levels representing differences in the quality of work. A range of marks is allocated at each level. First decide the level into which an answer falls. The level chosen should be the one which **best fits** the answer provided by the candidate. It is **not** intended that the answer should satisfy every statement in the level description. Then think in terms of awarding the mid-point mark which has been identified for that level (eg 13 marks for Level 3). Move up and down from this notional mark by considering the extent to which the answer meets the level description overall. Strength in one skill can outweigh weakness in another. When using the Levels Mark Scheme the marker **must** identify where a particular skill is being demonstrated. The **key** to be used to identify the skill is given after the levels descriptions. The question-specific mark scheme summarises the information which could be used to answer the question, but without attaching marks to particular issues.

LEVELS OF RESPONSE MARK SCHEME: QUESTIONS 04 AND 08 ONLY

AS LEVELS OF RESPONSE	AO1 KNOWLEDGE and UNDERSTANDING of theories, concepts and terminology	AO2 APPLICATION of theories, concepts and terminology	AO3 ANALYSIS of economic problems and issues	AO4 EVALUATION of economic arguments and evidence, making informed judgements
Level 5 22-25 marks (mid-point 24) **Good analysis <u>and</u> good evaluation**	Good throughout the answer with few errors and weaknesses	Good application to issues Good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning	Good with a clear final judgement
Level 4 17-21 marks (mid-point 19) **Good analysis <u>but</u> limited evaluation** **OR** **Reasonable analysis <u>and</u> reasonable evaluation**	Good throughout the answer with few errors and weaknesses	Good application to issues Good use of data to support answer	Relevant and precise with a clear and logical chain of reasoning	Limited but showing some appreciation of alternative points of view
	Good throughout much of the answer with few errors and weaknesses	Some good application to issues Some good use of data to support answer	Largely relevant and well organised with reasonable logic and coherence	Reasonable, showing an appreciation of alternative points of view
Level 3 10-16 marks (mid-point 13) **Reasonable answer, including some correct analysis but very limited evaluation**	Satisfactory but some weaknesses shown	Reasonable application to issues Reasonable use of data to support answer	Reasonably clear but may not be fully developed and is perhaps confused in places with a few errors present	Superficial, perhaps with some attempt to consider both sides of the issue(s)
Level 2 4-9 marks (mid-point 7) **Weak with some understanding**	Limited and some errors are made	Partial application to issues with some errors Limited use of data to support answer	Partial but confused at times, lacking focus and development Limited logic and coherence	A very basic and simplistic attempt is made which is unsupported by analysis
Level 1 0-3 marks (mid-point 2) **Very weak**	Weak with a number of errors	Little, if any, application to issues No use of data to support answer	Poor and lacking clarity and focus	No relevant evaluation

THE KEY TO BE USED WHEN USING THE LEVELS MARK SCHEME

D   Where a particular economic term is correctly **DEFINED** in order to help the candidate to answer the question properly.

I   Where a relevant **ISSUE** is raised by the candidate.

K   Where the candidate demonstrates **KNOWLEDGE** of recent developments or features of the economy which help enhance the candidate's response to the question. This should also be used where the candidate quotes relevant examples.

Ap   Where the candidate demonstrates the ability to **APPLY** knowledge and **CRITICAL UNDERSTANDING** to problems and issues.

A   Where the candidate demonstrates the ability to **ANALYSE** the problem using appropriate economic ideas.

E   Where the candidate **EVALUATES** and makes judgements about the significance of various issues and arguments.

QUALITY OF WRITTEN COMMUNICATION

Quality of Written Communication (QWC) will be assessed in Questions 04 and 08 only.

Candidates will be assessed according to their ability to:

- ensure that text is legible, and that spelling, grammar and punctuation are accurate, so that meaning is clear
- select and use a form and style of writing appropriate to purpose and complex subject matter
- organise information clearly and coherently, using specialist vocabulary when appropriate.

No specific marks are awarded for QWC.

However, examiners should take into account QWC when determining the mark to be awarded for an answer. This means an answer could be taken either up (for exceptional QWC) or down (for very poor QWC) by 1 mark (and no more).

Question 26

01 Define the term 'equilibrium price' (**Extract B**, line 3).	*(5 marks)*

For an accurate definition, eg: • the price at which quantity demanded and quantity supplied are equal • the price of a commodity at which the quantity that buyers wish to buy equals the quantity that sellers wish to sell • the price at which a market clears (or is in a state of balance or rest) • the price at which there is no tendency for the price to change • the price at which there is no excess demand or supply.	**5 marks**
Full marks can also be awarded for an **accurately labelled** supply and demand diagram, provided the candidate includes a commentary that shows that she/he understands that the intersection of the S and D curves shows the equilibrium price.	

If the definition is incomplete, marks may be broken down, for example as follows:

Defining 'price' as the rate of exchange at which one good is exchanged for another good	**3 marks**
A relevant diagram, without an accompanying commentary, illustrating an equilibrium price (micro, but not macro)	**2 marks**
Defining equilibrium as a state of rest or as a state of balance, without relating this to equilibrium price	**2 marks**
Giving an example of a price, eg the price of bread	**1 mark max for examples**

Maximum of 4 marks if definition is incomplete or inaccurate

MAXIMUM FOR PART 01: 5 MARKS

02	Using **Extract A**, identify **two** significant points of comparison between changes in the world price of coffee and changes in the world price of sugar over the period shown. *(8 marks)*

Award up to 4 marks each for <u>each</u> point made:

Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison. Unit of measurement given accurately.	**4 marks**
Identifies a significant point of comparison. Makes use of the data to support the point of comparison. However, only one piece of data is given when two are needed to make a valid comparison **and/or** no unit of measurement is given **and/or** the unit of measurement is used/applied inaccurately.	**3 marks**
Identifies a significant of comparison. No use of correct data to support the comparison identified.	**2 marks**
Identifies a significant feature of the data but no comparison is made Makes use of the data to support the feature identified Unit of measurement given accurately	**1 mark**

If a candidate identifies more than two points of comparison, reward the best two.

The valid points include:

- over the whole period, the prices of both coffee and sugar rose, from about $1.2 a kilo to $1.6 a kilo in the case of coffee compared to $0.13 a kilo to $0.41 in the case of sugar
- over the whole data period, the price of coffee rose 33% compared to the price of sugar which rose by 215%
- over the whole period, a kilo of coffee was more expensive than a kilo of sugar; for example $1.2 compared to $0.13 at the beginning of 2000
- the peak values occurred at different dates: the end of 2007/beginning of 2008 at $2.70 for coffee, compared to early 2006 and July 2009 at $0.40 for sugar
- the lowest values occurred at different dates: late 2001/beginning of 2002 at $0.50 for coffee, compared to early 2000 at $0.12 for sugar
- the price of coffee rose by $2.20 (or 440%) between its lowest price and its peak price, compared to which the price of sugar rose by $0.28 (or 233%) between its lowest price and its peak price
- the price of coffee fluctuated between a low of $0.5 at the end of 2001/beginning of 2002 and a high of about $2.70 at the end of 2007/beginning of 2008, compared to the price of sugar fluctuating between a low of about $0.12 early in 2000 and a high of $0.40 in early 2006 and July 2009.

The figures quoted above are approximations and the candidate should be allowed a small margin of error without penalty. However, very inaccurate statistics should not be rewarded.

MAXIMUM FOR PART 02: 8 MARKS

03	With the help of an appropriate diagram and the information in **Extract B**, explain why the world price of sugar changed in 2009. *(12 marks)*

The anticipated response for the diagram:

Extract B mentions two factors that affect the positions of the demand and supply curves for sugar. These are:

- an increase in forecast (speculative) demand for sugar, which shifts the demand curve to the right;
- a bad harvest causing the output of a main producer, India, to fall significantly. This would shift the world supply curve to the left.
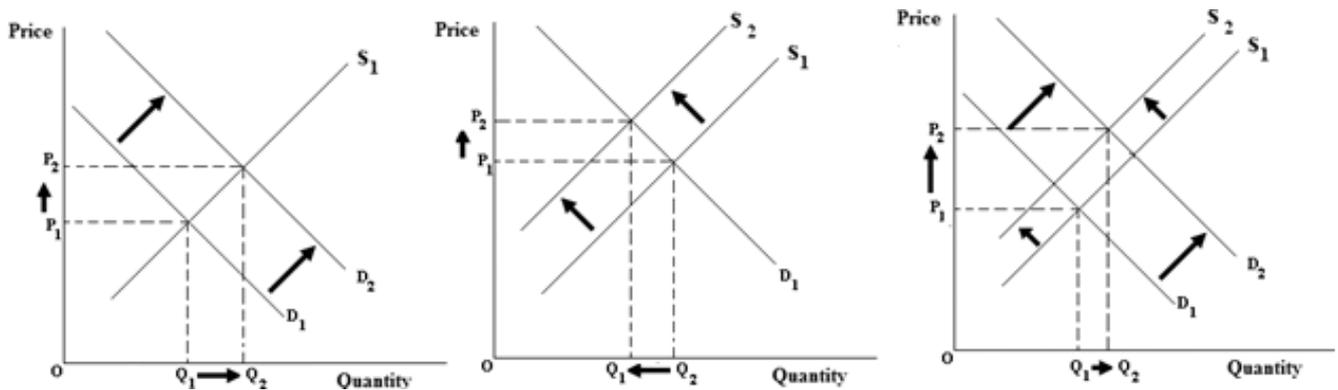
Breakdown of the marks for the left-hand diagram:

For labelling both axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1	**1 mark only**
An accurately-drawn shift of the demand curve to the right:	**2 marks**
Co-ordinates drawn in at the new equilibrium and labels such as P_2 and Q_2.	**1 mark**
Any other relevant feature of the diagram (e.g. the amount of excess demand at the original equilibrium).	**1 mark per feature up to a maximum of 2 marks**

Breakdown of the marks for the central diagram:

For labelling both axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1	**1 mark only**
An accurately-drawn shift of the supply curve to the left:	**2 marks**
Co-ordinates drawn in at the new equilibrium and labels such as P_2 and Q_2.	**1 mark**
Any other relevant feature of the diagram (e.g. the amount of excess demand at the original equilibrium).	**1 mark per feature up to a maximum of 2 marks**

Breakdown of the marks for the combined (right-hand) diagram:

For labelling all the axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1	**1 mark only**
An accurately-drawn shift of the demand curve:	**2 marks**
An accurately-drawn shift of the supply curve:	**2 marks**
Co-ordinates drawn in at the new combined equilibrium and labels such as P_2 and Q_2.	**1 mark**
Any other relevant feature of the diagram (e.g. the amount of excess demand at the original equilibrium).	**1 mark per feature up to a maximum of 2 marks**

Up to a MAXIMUM of 4 marks for diagram(s)

Note:

(i) **To earn the first mark in the grids, all the three listed tasks must have been attempted and been completed**

(ii) **For the task of labelling axes, price and quantity, P and Q, a monetary symbol such as the $ sign on the vertical axis and physical units of measurement such as kilos of sugar are all valid, though the labels 'output' and 'price level' are not valid**

The anticipated written response:

Define demand and/or supply. **Do not credit a definition of equilibrium price**:	**1 mark per definition Maximum of 2 marks for definitions**
For each of the following explanations, award 2 marks for each logical link in the chain of reasoning.	
Sugar traders forecast a shortage **(2 marks)** causing the demand curve for sugar to shift to the right **(2 marks)** and the price of sugar to rise **(2 marks)**	**Up to 6 marks**
A bad harvest reduces the quantity of sugar **(2 marks)** causing the supply curve of sugar to shift to the left **(2 marks)** and the price of sugar to rise **(2 marks)**	**Up to 6 marks**
Explaining excess demand resulting from an increase in demand (or from a decrease in supply) **(2 marks)** followed by an extension of supply (or a contraction of demand) **(2 marks)**, leading to the price of sugar rising **(2 marks)**	**Up to 6 marks**

Note: Do not award marks for simply describing what a diagram shows without identifying an initial cause or causes.

Candidates who draw a diagram which is inconsistent with their written explanation can only be awarded 1 mark for axes, supply and demand curves and initial equilibrium.

Up to a MAXIMUM of 10 marks for a written explanation

MAXIMUM FOR PART 03: 12 MARKS

04	Evaluate the case **for** and **against** using a buffer stock scheme to stabilise the price of a commodity such as sugar or tin. *(25 marks)*

Level 5	**Good analysis <u>and</u> good evaluation**	**22-25 marks (mid-point 24)**
Level 4	**Good analysis <u>but</u> limited evaluation** **OR** **Reasonable analysis <u>and</u> reasonable evaluation**	**17-21 marks (mid-point 19)**
Level 3	**Reasonable answer, including some correct analysis but very limited evaluation**	**10-16 marks (mid-point 13)**
Level 2	**Weak with some understanding**	**4-9 marks (mid-point 7)**
Level 1	**Very weak**	**0-3 marks (mid-point 2)**

For this question, an answer should be limited to a maximum of 13 marks if there is no evidence of evaluation.

Issues and areas for discussion include:

Introduction	• Definitions: buffer stock; buffer stock scheme • Explanation of what is meant by price stability • Stating that buffer stock buying and selling is a mechanism for stabilising prices
Developing the response to the question: **APPLICATION**	• Recognition from Extract C that, when prices fall, governments are more likely to be concerned (line 3) • Recognition that market forces usually determine the prices of commodities such as sugar and tin • Recognition that, without intervention, the prices of coffee and sugar have been unstable (Extract A)
Developing the response to the question: **ANALYSIS (chains of reasoning)**	• Analysis of the causes of price instability in an unregulated free market • Analysis of how buffer stock intervention can, in principle, stabilise prices • Analysis of the problems that arise when implementing buffer stock intervention • Analysis of reasons why buffer schemes may collapse • Use of diagrams as part of the analysis
EVALUATION	• Comparison of the circumstances in which a buffer stock scheme may work well with the circumstances in which a buffer stock scheme may work badly • Consideration of evidence to support either or both of the above • Assessment of the benefits versus the costs of stable prices • Consideration of the strength of the case for and against buffer stock intervention • Consideration of alternative forms of intervention, e.g. minimum price legislation • Assessment of whether one country acting on its own can succeed in stabilising prices

	• Consideration of the differing effects of price stability on farmers' incomes and consumer welfare • Consideration of the problems that arise from financing a buffer stock scheme

USE THE DETAILED LEVELS OF RESPONSE MARK SCHEME ON PAGES 4 & 5 WHICH OFFERS FURTHER GUIDANCE

MAXIMUM FOR PART 04: 25 MARKS

Question 27

05	Define the term 'market failure' (**Extract E**, line 1).	*(5 marks)*

For an accurate definition, eg: • occurs when the production and/or use of goods and services by the market is not efficient • occurs when the production and/or use of goods and services by the market is not equitable (socially desirable) • when a market results in a misallocation of resources	**5 marks**
Full marks can also be awarded for an **accurately labelled** marginal cost and benefit diagram, provided the candidate includes a commentary that shows that she/he understands why the diagram shows market failure occurring.	

If the definition is incomplete, marks may be broken down, for example as follows:

Providing a definition of a particular form or cause of market failure, eg a public good	**3 marks**
Defining a market failure in terms of a market achieving an unsatisfactory outcome	**2 marks**
A relevant diagram, without an accompanying commentary, illustrating a market failure	**2 marks**
Stating a 'stand-alone' example, eg merit good, but **not** flooding	**1 mark max for examples**

Maximum of 4 marks if definition is incomplete or inaccurate

MAXIMUM FOR PART 05: 5 MARKS

06 Using **Extract D**, identify **two** significant points of comparison between the changes in the two types of house building over the period shown. *(8 marks)*

Identifies a significant point of comparison. Makes accurate use of the data to support the point of comparison. Unit of measurement given accurately.	**4 marks**
Identifies a significant point of comparison. Makes use of the data to support the point of comparison. However, only one piece of data is given when two are needed to make a valid comparison **and/or** no unit of measurement is given **and/or** the unit of measurement is used/applied inaccurately.	**3 marks**
Identifies a significant point of comparison. No use of correct data to support the comparison identified.	**2 marks**
Identifies a significant feature of the data but no comparison is made Makes use of the data to support the feature identified Unit of measurement given accurately	**1 mark**

If a candidate identifies more than two points of comparison, reward the best two.

The valid points include:

- the % of newly-built houses in areas of flood risk as a % of the total of newly-built houses increased over the whole period from around 7% in 1995 to around 9% in 2008, whereas the % of house conversions in areas of flood risk as a % of total house conversions was roughly the same, from around 6% in 1995 to only just over 6% in 2008.
- throughout the whole period, newly-built houses in areas of flood risk formed a higher % of total newly-built houses than did house conversions in areas of flood risk as a % of total house conversions. For example, early in 1996, the former accounted for 8%, whereas the latter accounted for about 6.5%.
- newly-built houses in areas of flood risk peaked in 2004 at around 10.2% of total newly-built houses whereas house conversions in areas of flood risk peaked a year earlier in 2003 at just under 8% of total house conversions.
- the least difference between the two percentages (about 1%) was at the beginning of 1995. At this date, newly-built houses in areas of flood risk as a % of total newly-built house conversions was around 7%, while house conversions in areas of flood risk as a % of total house conversions was around 6%.
- the greatest difference between the two percentages (about 3%) was either at the beginning of 2004 or in 2007. At the beginning of 2004, newly-built houses in areas of flood risk formed about 10.2% of total newly-built houses, while house conversions in areas of flood risk formed about 7.2 % of total house conversions. Early in 2007, newly-built houses in areas of flood risk formed about 9.4% of total newly-built houses, while house conversions in areas of flood risk formed about 6.4% of total house conversions
- there were fluctuations in both data series throughout the data period, but the fluctuations were not very great or volatile, ranging from about 7% early in 1995 to
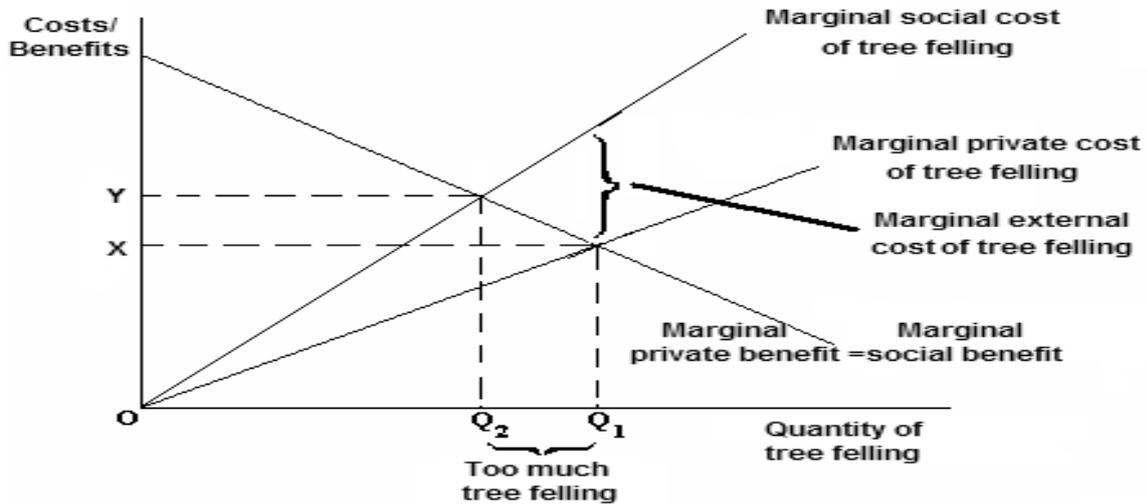
10.2% early in 2004 for newly-built houses in areas of flood risk as a % of the total of newly-built houses, compared to a range extending from 6% early in 1995 (or in late 1998/early 1999) to about 7.8% in late 2002 for house conversion in areas of flood risk as a % of total house conversions.

The figures quoted above are approximations and the candidate should be allowed a small margin of error (+/- 0.2%) without penalty. However, very inaccurate statistics should not be rewarded.

MAXIMUM FOR PART 06: 8 MARKS

| 07	With the help of an appropriate diagram and the information in **Extract E**, explain why the negative externalities caused by the cutting down of trees may lead to market failure. *(12 marks)*

The anticipated response for the diagram:

Breakdown of the marks for the diagram:

For labelling the vertical axis 'Costs/Benefits' (also accept 'costs', 'benefits', '£'s) and the horizontal axis 'quantity of tree felling' (also accept 'quantity', 'output'), the MPC and MSC curves and the marginal benefit curve (it is not necessary to label explicitly MPB and MSB):	**1 mark only**
For drawing the MSC line to the left of the MPC line:	**1 mark**
Vertical co-ordinate drawn and labelled where MPB = MPC:	**1 mark**
Vertical co-ordinate drawn and labelled where MSB = MSC:	**1 mark**
Marginal external cost correctly labelled:	**1 mark**
Any other relevant feature of the diagram, eg deadweight/welfare loss; over-felling of trees indicated on the diagram:	**1 mark per feature up to a maximum of 2 marks**

For a supply and demand diagram:
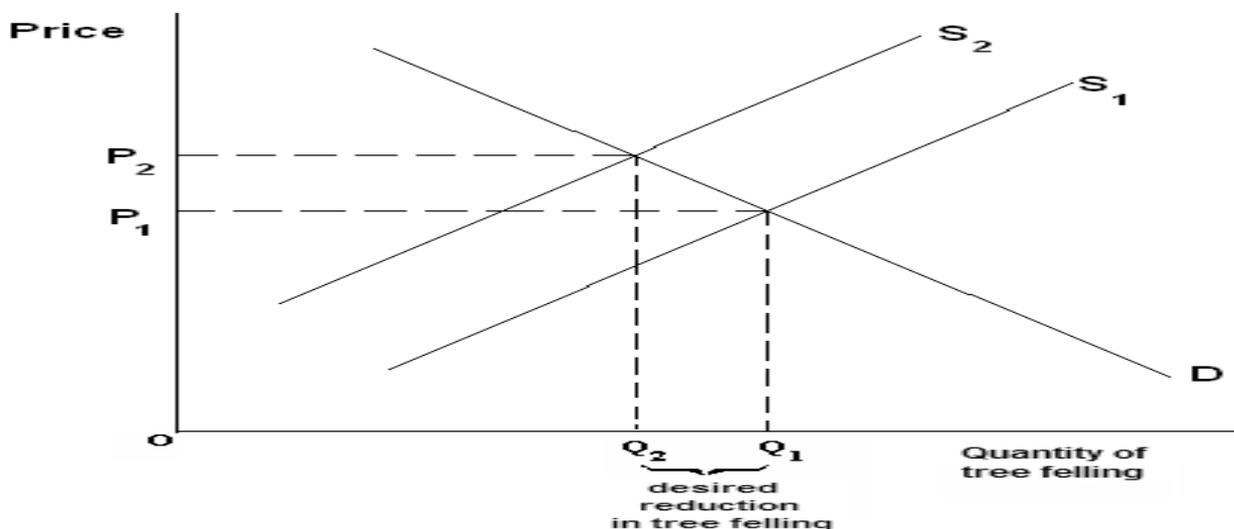
Note: It is also acceptable for candidates to use a demand and supply diagram relating to trees rather than the felling of trees.

Breakdown of the marks for this diagram:

For labelling all the axes, original supply and demand curves, and co-ordinates drawn in at the initial equilibrium and labels such as P_1 and Q_1:	**1 mark only**
Supply curve correctly shifted to the left (or upward) to S_2:	**2 marks**
Coordinates at the new equilibrium drawn and correctly labelled:	**1 mark**
Over-felling of trees correctly shown:	**1 mark**
Any other relevant feature of the diagram, eg excess demand at original price:	**1 mark per feature up to a maximum of 2 marks**

Up to a MAXIMUM of 4 marks for diagram(s)

Note:
  (i)   **To earn the first mark in the grids, all the three listed tasks must have been attempted and been completed**
  (ii) **For the task of labelling axes for a supply and demand diagram, Note (ii) for the answer to Part 03 of Question 26 is relevant for this answer**

The anticipated written response:

Define a relevant concept, eg externality, negative externality, MEC, MSC. **Do not credit a definition of market failure.**	**1 mark per definition Maximum of 2 marks for definitions**
Identify a relevant negative externality, eg the damage to property or life caused by flooding; the destruction of a beautiful view; damage to communications; carbon sink loss:	**1 mark only**
For each of the following explanations, award up to 2 marks for each logical link in the chain of reasoning, eg:	
The person or organisation cutting down trees on high ground does not suffer the cost of flooding suffered by those who live on low ground **(2 marks)**; the negative externality is delivered and received outside the market **(2 marks)**; those who suffer from the flooding cannot use the market to charge those who cut down the trees for the costs they incur **(2 marks)**; this results in a misallocation of resources or an inefficient resource allocation **(2 marks)**:	**Up to 8 marks**
Explaining any other relevant point, eg those who cause flooding have no incentive to take action to reduce the costs they imposed on others:	**Up to 4 marks**

Note: Do not award marks for simply describing what a diagram shows.

Candidates who draw a diagram which is inconsistent with their written explanation can only be awarded 1 mark for axes, supply and demand curves and initial equilibrium.

Up to a MAXIMUM of 10 marks for a written explanation

MAXIMUM FOR PART 07: 12 MARKS

08	**Extract F** (lines 4-5) suggests that public goods such as flood defences have to be paid for by somebody.
	Evaluate the view that the provision and maintenance of flood defences should be paid for solely by the government. *(25 marks)*

Level 5	**Good analysis <u>and</u> good evaluation**	**22-25 marks (mid-point 24)**
Level 4	**Good analysis <u>but</u> limited evaluation** **OR** **Reasonable analysis <u>and</u> reasonable evaluation**	**17-21 marks (mid-point 19)**
Level 3	**Reasonable answer, including some correct analysis but very limited evaluation**	**10-16 marks (mid-point 13)**
Level 2	**Weak with some understanding**	**4-9 marks (mid-point 7)**
Level 1	**Very weak**	**0-3 marks (mid-point 2)**

For this question, an answer should be limited to a maximum of 13 marks if there is no evidence of evaluation.

Issues and areas for discussion include:

Introduction	- Definitions: public goods, defined in terms of non-excludability and non-rivalry - Statement of the different economic agents, households suffering flooding etc., who might pay for flood defences - Discussion in the context of flood defences of differences between paying for initial provision and subsequent maintenance
Developing the response to the question: **APPLICATION**	- Explanation of how households who suffer from flooding might pay (Extract F, line 7) - Explanation of how households who do not suffer from flooding might pay (Extract F, line 8) - Explanation of how insurance companies might pay (Extract F, line 9) - Explanation of how the government (and taxpayers) might pay (Extract F, line 12) - Explanation of how construction companies might pay (Extract F, line 13)
Developing the response to the question: **ANALYSIS** **(chains of reasoning)**	- Analysis of the implications of non-excludability in the case of flood defences - Analysis of the implications of non-rivalry in the case of flood defences - Analysis of how taxes finance government provision and maintenance - Analysis of some of the alternative ways (listed above) of

	paying or financing mentioned in Extract F
EVALUATION	• Assessment of whether or not the different ways of paying for/financing flood defences are all appropriate
	• Discussion of the opportunity costs of the different methods of finance
	• Evaluation of market failure versus government failure consequences
	• Evaluation of the case for and against government provision and payment/finance
	• Assessment of the cases for and against the other forms of paying for/financing initial provision
	• Assessment of the cases for and against the other forms of paying for/financing ongoing maintenance
	• Discussion of the effects of different methods of payment/finance on resource allocation and incentives
	• Understanding of the implications of the word 'solely'

USE THE DETAILED LEVELS OF RESPONSE MARK SCHEME ON PAGES 4 & 5 WHICH OFFERS FURTHER GUIDANCE

MAXIMUM FOR PART 08: 25 MARKS