AS ECONOMICS 7135/1

Paper 1 The Operation of Markets and Market Failure

Mark scheme

June 2025

Version: 1.0 Final

256A7135/1/MS

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

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' 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.

No student should be disadvantaged on the basis of their gender identity and/or how they refer to the gender identity of others in their exam responses.

A consistent use of 'they/them' as a singular and pronouns beyond 'she/her' or 'he/him' will be credited in exam responses in line with existing mark scheme criteria.

Further copies of this mark scheme are available from aqa.org.uk

SECTION A

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

KEY LIST

1	**B** (Money in a firm's bank account)	**11**	**B** (Good weather conditions for growing rice)
2	**B** (What goods and services to produce)	**12**	**A** (The availability of spare capacity)
3	**C** (a marketing campaign promoting electric cars.)	**13**	**D** (Productivity has risen for the manufacture of buses Productivity has fallen for the manufacture of trains)
4	**D** (The firm is aiming to increase its long-run profits)	**14**	**B** (A seller knowing more than a buyer)
5	**D** (£12.50)	**15**	**C** (+0.5)
6	**B** (individuals have incomplete information about merit goods.)	**16**	**A** (an effective medium of exchange exists.)
7	**A** (a negative externality and overproduction of the good.)	**17**	**A** (excess demand at price P_1.)
8	**B** (composite demand.)	**18**	**B** (the price of tomatoes rises due to the rationing function of prices.)
9	**C** (Investing in research and development to improve product quality)	**19**	**D** (£23 250)
10	**C** (A rise of 4 percentage points)	**20**	**D** (The government introduces a charge at a waste disposal site which leads to illegal dumping)

Totals
A 4
B 7
C 4
D 5

Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

The levels of response grid below should be used when marking the 25 mark questions.

Level of response	Response	Max 25 marks
5	**Sound, focused analysis and well-supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes good application of relevant economic principles to the given context and, where appropriate, good use of data to support the response • includes well-focused analysis with clear, logical chains of reasoning • includes supported evaluation throughout the response and in a final conclusion.	**21–25 marks**
4	**Sound, focused analysis and some supported evaluation that:** • is well organised, showing sound knowledge and understanding of economic terminology, concepts and principles with few, if any, errors • includes some good application of relevant economic principles to the given context and, where appropriate, some good use of data to support the response • includes some well-focused analysis with clear, logical chains of reasoning • includes some reasonable, supported evaluation.	**16–20 marks**
3	**Some reasonable analysis but generally unsupported evaluation that:** • focuses on issues that are relevant to the question, showing satisfactory knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles to the given context and, where appropriate, some use of data to support the response • includes some reasonable analysis but which might not be adequately developed or becomes confused in places • includes fairly superficial evaluation; there is likely to be some attempt to make relevant judgments but these are not well-supported by arguments and/or data.	**11–15 marks**
2	**A fairly weak response with some understanding that:** • includes some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • includes some limited application of relevant economic principles to the given context and/or data to the question • includes some limited analysis but it may lack focus and/or become confused • includes attempted evaluation which is weak and unsupported.	**6–10 marks**
1	**A very weak response that:** • includes little relevant knowledge and understanding of economic terminology, concepts and principles • includes application to the given context which, at best, is very weak • includes attempted analysis which is weak and unsupported.	**1–5 marks**

Section B

Context 1 Flood defences **Total for this context: 50 marks**

2 1 *Define 'opportunity cost' **Extract C** (line 20).*

[3 marks]

Level of response	Response	Max 3 marks
3	• A full and precise definition is given.	**3 marks**
2	• The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	**2 marks**
1	• Some fragmented points are made.	**1 mark**

Examples of acceptable definitions worth 3 marks:

- the next best alternative forgone
- the second choice that could have been obtained
- the cost of giving up the next best alternative.

Examples of a definition worth 2 marks:
(maybe showing confusion with <u>all</u> the alternatives)

- the alternative products that could have been obtained
- what has to be sacrificed when making a decision
- the cost of one good in terms of another.

Examples of a definition worth 1 mark:

- what is given up
- the benefits lost.

MAXIMUM FOR QUESTION 21: 3 MARKS

2 2 ***Extract A*** *shows the capital expenditure on flood defences by region in England, 2015 to 2021, split between 'Local government levy' and 'Other'.*

Calculate the difference between the mean and median amounts of capital expenditure paid for by the local government levy in the regions of England for the period 2015 to 2021.

Give your answer in £m to ***one*** *decimal place.*

[4 marks]

Calculation: Mean is 205/9 = £22.778m

Median is £19m

Difference is £22.778m – £19m = £3.778m = £3.8m (to 1 dp)

Note: A negative final answer is equally acceptable.

Response	Max 4 marks
For the correct answer: £3.8m **or** –£3.8m	**4 marks**
For the correct value, not rounded to 1dp **or** rounded the wrong way **or** with missing/incorrect units: eg £3.78m **or** £3.7m **or** 3.8	**3 marks**
For the correct value, not rounded to 1dp **and** with missing/incorrect units: eg 3.77 **OR** For the correct values for the mean **and** the median, with or without units and rounding: eg 22.78 **and** 19 **OR** For the correct method throughout, £m and to 1dp, but the wrong answer: eg 200/9 – 19 = £3.2m	**2 marks**
For the correct value for **either** the mean **or** the median, with or without units or rounding: eg 22.78 **or** 19 **OR** For the correct method for the median but the wrong answer: eg 9, 13, 17, 19, 19, **21**, 24, 36, 53 **OR** For the correct method for the mean but the wrong answer: eg 200/9 **OR** For the correct method throughout, but not with £m and/or to 1dp, but the wrong answer: eg 200/9 – 19 = 3.22	**1 mark**

MAXIMUM FOR QUESTION 22: 4 MARKS

2 3 *Use **Extract A** to identify **two** significant points of comparison between the amount of capital expenditure on flood defences that is financed by the local government levy and the amount that is financed by other sources.*

[4 marks]

Award up to 2 marks for <u>each</u> significant point of comparison made.

Response	Max 4 Marks
Identifies a significant point of comparison Makes accurate use of the data to support the comparison identified Unit of measurement given accurately.	**2 marks**
Identifies a significant point of comparison but only one piece of data is given when two are needed **and/or** no unit of measurement is given **and/or** the unit of measurement is inaccurate. **OR** Identifies a significant feature of one data series with accurate use of the data (including the unit of measurement) but no comparison is made.	**1 mark**

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

Significant points include:

- the levy was highest in the South East at £53m but the amount financed from other sources was highest in Yorkshire and the Humber at £500m
- the levy was lowest in the East Midlands at £9m but the amount financed from other sources was lowest in the North East at £71m
- the range was lower for the levy at £44m (from £9m to £53m) than from other sources at £429m (from £71m to £500m)
- the levy made the greatest contribution as a % of the total in the North East at 15.5% (alternatively this could be phrased as the amount financed from other sources made the smallest contribution to the total in the North East at 84.5%)
- the levy made the smallest contribution as a % of the total in the East Midlands at 3.5% (or the amount financed from other sources made the largest contribution to the total in the East Midlands at 96.5%)
- the range of the contribution of the levy and the amount financed from other sources as a % of the total was about 12% (3.5% to 15.5% or 84.5% to 96.5% respectively)
- the levy was less than the amount financed from other sources in every region, for example, in Yorkshire and the Humber, the levy was £19m but the amount financed from other sources was £500m (or £19m out of £519m, or only 3.7% of the total).

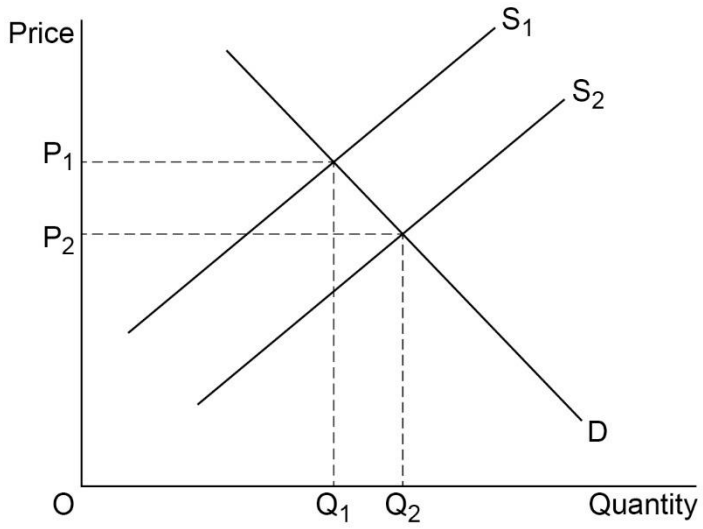
MAXIMUM FOR QUESTION 23: 4 MARKS

2 4 ***Extract C*** *(lines 16–17) states: 'With fewer restrictions on where houses can be built, some homes are being built where there are inadequate flood defences'.*

Draw a supply and demand diagram showing the impact on the market for new houses if restrictions are removed on where houses can be built.

[4 marks]

The correct diagram involves an increase in supply/shift to the right of the supply curve resulting in a decrease in price and an increase in quantity.



Response	Max 4 marks
Accurately drawn D/S diagram showing a rightwards shift in S, old and new equilibrium price and quantity, eg P_1Q_1, P_2Q_2, with both axes and all curves and coordinates correctly labelled (arrows not needed)	**4 marks**
Accurately drawn D/S diagram showing a rightwards shift in S with one label missing/incorrect (on axis or curve) **OR** Accurately drawn D/S diagram showing a rightwards shift in S with one coordinate missing/incorrect (P or Q)	**3 marks**
Accurately drawn D/S diagram showing a rightwards shift in S with two labels missing/incorrect **OR** Accurately drawn D/S diagram showing a rightwards shift in S but <u>also</u> a rightwards shift in demand	**2 marks**
Accurately drawn D/S diagram showing an initial equilibrium point with both axes, both original curves and both coordinates correctly labelled, eg P_1Q_1 **OR** Accurately drawn D/S diagram showing an initial equilibrium point and a rightwards shift in S but <u>also</u> a rightwards shift in demand with one or two labels missing/incorrect	**1 mark**

Notes: Horizontal axis allow: Quantity of (new) houses, Quantity or Q (but not QD or QS or output).
Vertical axis allow: Price, P, £ or some monetary symbol (but not Price level)

MAXIMUM FOR QUESTION 24: 4 MARKS

2 5 ***Extract C*** *(lines 14–15) states: 'The UK House Price Index was 152.6 in August 2023, up 52.6% since January 2015.'*

Explain possible reasons why the price of houses has increased in recent years.

[10 marks]

Level of response	An answer that:	Max 10 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • may include a relevant diagram to support their explanation.	**8–10 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram to support their explanation.	**4–7 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	**1–3 marks**

Relevant issues include:

- significance of the demand increasing faster than the supply of houses
- explanation of factors that have affected the demand for houses:
  - growing population
  - changes in household structure, eg more people living alone, increasing the number of households
  - low interest rates (before 2022)
  - availability of finance/mortgages to buy houses
  - rising incomes and confidence
  - price and availability of rented accommodation
  - speculation that house prices will continue to rise
  - increase in the number of houses bought as an asset or second home
- explanation of factors that have affected the supply of houses:
  - limited availability of land for new housing
  - restrictions on where houses can be built

- changes in the various costs of building houses
- significance of different elasticities, eg PED, PES and XED.

MAXIMUM FOR QUESTION 25: 10 MARKS

2 6 ***Extract B*** *(lines 7–8) states: 'Between 2010 and 2015, the UK government spent over £1.7bn to protect about 250 000 homes, 28 000 business properties and 800 000 acres of farmland.'*

Use the extracts and your knowledge of economics to evaluate whether government should be solely responsible for paying for flood defences.

[25 marks]

Areas for discussion include:

- explanation of the need for flood defences and alternative methods
- explanation of who currently pays for flood defences
- explanation of why flood defences are a public good
- explanation of private costs, private benefits, external costs and external benefits
- analysis and evaluation of government being solely responsible, either central or local
- analysis and evaluation of local government/authorities contributing
- analysis and evaluation of local communities contributing
- analysis and evaluation of other infrastructure providers contributing
- analysis and evaluation of landowners contributing
- analysis and evaluation of the extent to which house builders should be responsible, especially when building in areas of flood risk
- analysis and evaluation of any other methods of paying for flood defences
- discussion of whether everyone should pay or only those who benefit directly from flood defences
- discussion of the financial cost and opportunity cost
- equity versus efficiency
- market failure versus government failure
- significance of the word 'solely'
- an overall assessment of whether government should be solely responsible for flood defences.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 5 to award students marks for this question.

MAXIMUM FOR QUESTION 26: 25 MARKS

Context 2 COFFEE **Total for this context: 50 marks**

2 7 *Define 'productivity' **Extract F** (line 3).*

[3 marks]

Level of response	Response	Max 3 marks
3	• A full and precise definition is given.	**3 marks**
2	• The substantive content of the definition is correct, but there may be some imprecision or inaccuracy.	**2 marks**
1	• Some fragmented points are made.	**1 mark**

Examples of acceptable definitions worth 3 marks:

- output per unit of input in a given time
- output per worker (or any other specific factor of production) per period of time
- how much a factor of production produces per hour/week/month/year.

Examples of a definition worth 2 marks:
(maybe missing time period or resources used)

- output per unit of input
- output per worker
- amount produced in a given time
- amount produced in relation to factors of production used.

Examples of a definition worth 1 mark:

- amount produced
- how efficient workers are.

MAXIMUM FOR QUESTION 27: 3 MARKS

2 8 ***Extract E*** *(lines 3–4) states: 'in 2018, this increased to 95 million, with 65% of these consumed at home. The other 35% was split 5:2 between consumption at work and in shops respectively.'*

Calculate the number of cups of coffee drunk at work in 2018. Give your answer to the ***nearest million*** *cups.*

[4 marks]

Calculation:
Daily consumption is:
5/(2 + 5) × 35/100 × 95 = 23.75 = 24 million (to the nearest million cups)

Annual consumption = (23.75 x 365) = 8668.75 = 8669 million (to the nearest million)
4 marks should be awarded for the correct calculation of **either** the daily **or** the annual consumption.

They should be awarded 4 marks for correctly calculating the daily consumption even if their attempt to calculate the annual consumption is incorrect.

Response	**Max 4 marks**
For the correct answer: 24 million (cups not needed) **or** 8669 million	**4 marks**
For the correct value, not rounded to the nearest million **or** with missing/incorrect units: eg 23.75 m **or** 23 750 000 **or** 24 **or** 8668 m **or** 8669	**3 marks**
For the correct value, not rounded to the nearest million **and** with missing/incorrect units: eg 23.75 **or** 8668 **OR** For the correct calculation but the wrong answer: 5/(2 + 5) × 35/100 × 95 **or** 5/(2 + 5) × 35/100 × 95 x 365	**2 marks**
For the correct % of cups at work: 25% (with or without %) **OR** For the partially correct method: eg 5/7 × 35/100 **or** 5/7 × 95	**1 mark**

MAXIMUM FOR QUESTION 28: 4 MARKS

2 9 *Use **Extract D** to identify **two** significant points of comparison between the forecast price and the actual price of coffee over the period shown.*

[4 marks]

Award up to 2 marks for <u>each</u> significant point of comparison made.

Response	Max 4 Marks
Identifies a significant point of comparison Makes accurate use of the data to support the comparison identified Unit of measurement given accurately.	**2 marks**
Identifies a significant point of comparison but only one piece of data is given when two are needed **and/or** no unit of measurement is given **and/or** the unit of measurement is inaccurate **and/or** the wrong date is given. **OR** Identifies a significant feature of one data series with accurate use of the data (including the unit of measurement) but no comparison is made.	**1 mark**

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

Significant points include:

- the forecast price is highest in 2016 at $3.68/kg but the actual price is highest in 2022 at $5.63/kg
- the forecast price is lowest in 2022 at $3.56/kg but the actual price is lowest in 2019 at $2.88/kg
- the range for the forecast price is $0.12/kg ($3.56/kg to $3.68/kg) but the range for the actual price is $2.75/kg ($2.88/kg to $5.63/kg)
- the forecast price is lower at the end of the period than the beginning, falling from $3.68/kg to $3.56/kg (a fall of $0.12/kg), whereas the actual price is higher at the end than the beginning, rising from $3.61/kg to $5.63/kg (a rise of $2.02/kg)
- the forecast price fell every year from 2016 to 2022, eg from $3.68/kg to $3.66/kg from 2016 to 2017 whereas the actual price fell then rose, eg falling from $3.61/kg to $2.88 /kg from 2016 to 2019, then rising to $5.63/kg in 2022
- the forecast price fell by $0.02/kg every year, whereas the greatest change in the actual price was a rise of $1.19/kg from 2020 to 2021 (or allow comparison with greatest fall in actual price of $0.39/kg from 2017 to 2018)
- the forecast price was greater than the actual price from 2016 to 2020, eg in 2017, the forecast price was $3.66/kg and the actual price was $3.32/kg but in 2021 and 2022, the forecast price was lower, eg in 2021 at $3.58/kg compared to the actual price of $4.51/kg
- the greatest difference between the forecast price and the actual price was in 2022, when the forecast price was $3.56/kg and the actual price was $5.63/kg (a difference of $2.07/kg)
- the smallest difference between the forecast price and the actual price was in 2016, when the forecast price was $3.68/kg and the actual price was $3.61/kg (a difference of $0.07/kg).

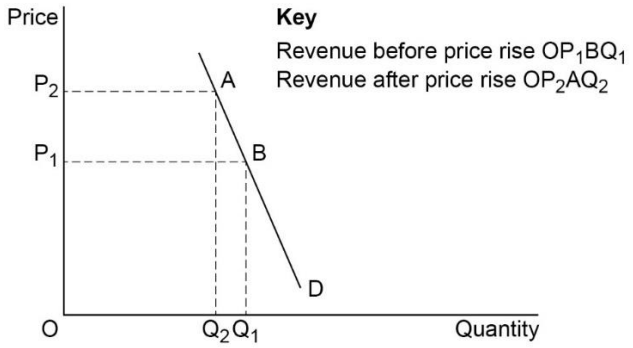
MAXIMUM FOR QUESTION 29: 4 MARKS

3 0 ***Extract E*** *(lines 7–8) states: 'with more people working from home, having your own coffee machine is now more common.'*

Draw a diagram to show the impact on total revenue of a rise in the price of coffee machines if their demand is inelastic. The total revenue from the sale of coffee machines, both before and after the rise in price, should be labelled clearly.

[4 marks]

The correct diagram involves an increase in price along a demand curve resulting in a fall in quantity sold and an increase in total revenue (with $OP_2AQ_2 > OP_1BQ_1$). The increase in revenue should be shown clearly and correctly through shading, labels or the use of a key. The diagram may or may not also have a supply curve.



Response	Max 4 marks
Accurately drawn D (and possibly S) diagram showing an increase in price with old and new price and quantity, eg P_1Q_1, P_2Q_2, and correctly showing the increase in total revenue, with both axes, curve(s) and coordinates correctly labelled	**4 marks**
Accurately drawn diagram showing an increase in price with an increase in revenue but with one label or coordinate missing/incorrect (on axis or curve) **OR** Accurately drawn and labelled diagram but increase in revenue missing/incorrect	**3 marks**
Accurately drawn diagram showing an increase in price with an increase in revenue but two labels or coordinates missing/incorrect **OR** Accurately drawn diagram showing an increase in price but one label or coordinate missing/incorrect **and** increase in revenue missing/incorrect **OR** Accurately drawn and labelled diagram but with an elastic section of the demand curve, showing a fall in total revenue	**2 marks**
Accurately drawn diagram showing an initial (equilibrium) point with both axes, the D curve and both coordinates correctly labelled, eg P_1Q_1 **OR** Accurately drawn diagram showing an increase in price with two labels or coordinates missing/incorrect **and** increase in revenue missing/incorrect **OR** Accurately drawn and labelled diagram but with an elastic section of the demand curve, showing a fall in total revenue with one label or coordinate missing/incorrect	**1 mark**

Notes: Horizontal axis allow: Quantity of coffee machines, Quantity or Q (but not QD or QS or output).
Vertical axis allow: Price, P, £ or some monetary symbol (but not Price level).

MAXIMUM FOR QUESTION 30: 4 MARKS

3 1 ***Extract E*** *(lines 10–11) states: 'Similarly, the price of the capsules also affects the demand for the coffee machines.'*

Explain how an increase in the price of coffee capsules is likely to affect the market for coffee machines to use at home.

[10 marks]

Level of response	An answer that:	Max 10 marks
3	• is well organised and develops one or more of the key issues that are relevant to the question • shows sound knowledge and understanding of relevant economic terminology, concepts and principles • includes good application of relevant economic principles and/or good use of data to support the response • includes well-focused analysis with a clear, logical chain of reasoning • may include a relevant diagram to support their explanation.	**8–10 marks**
2	• includes one or more issues that are relevant to the question • shows reasonable knowledge and understanding of economic terminology, concepts and principles but some weaknesses may be present • includes reasonable application of relevant economic principles and/or data to the question • includes some reasonable analysis but it might not be adequately developed and may be confused in places • may include a relevant diagram to support their explanation.	**4–7 marks**
1	• is very brief and/or lacks coherence • shows some limited knowledge and understanding of economic terminology, concepts and principles but some errors are likely • demonstrates very limited ability to apply relevant economic principles and/or data to the question • may include some very limited analysis but the analysis lacks focus and/or becomes confused • may include a diagram but the diagram is likely to be inaccurate in some respects or is inappropriate.	**1–3 marks**

Relevant issues include:

- identification of coffee capsules and coffee machines as being in joint demand/complementary goods/derived demand
- explanation of the effect of a higher price of coffee capsules on the demand for coffee machines
- the significance of the XED between the price of coffee capsules and the quantity demanded of coffee machines
- explanation of the impact of a lower demand for coffee machines on the price and quantity sold of coffee machines
- significance of the PES of coffee machines
- explanation of the impact of an increase in the price of coffee capsules on the quantity demanded of coffee capsules
- explanation of how a change in the demand for coffee capsules may affect the future demand for coffee machines and hence the market for coffee machines.

MAXIMUM FOR QUESTION 31: 10 MARKS

3 2 ***Extract F*** *(lines 1–2) states: 'There are various markets for coffee at different stages of the production and consumption process, and at local and global levels.'*

Use the extracts and your knowledge of economics to evaluate whether or not governments should intervene in the various markets for coffee.

[25 marks]

Areas for discussion include:

- increasing popularity and importance of coffee
- recent changes in price and coffee-drinking habits
- different markets for coffee – local growers, individual countries, global market determining coffee prices, coffee shops, markets for coffee machines and capsules, etc
- application and analysis of the effects of possible market failures, such as negative externalities and inequity
- analysis and evaluation of problems in coffee markets – deforestation, pollution, child labour, low wages, single-use plastic in landfill, lack of recycling, lack of sustainability generally
- concepts of private costs, private benefits, external costs and external benefits
- analysis and evaluation of roles and potential action of different economic agents – coffee farmers, fair trade organisations, manufacturers of coffee capsules and cups, consumers
- analysis and evaluation of possible government action – regulation, tax, etc
- analysis and evaluation of the impact of government policies on different economic agents, eg consumers, different businesses and workers
- appreciation of recent difficulties for different economic agents
- discussion of whether international cooperation and agreement are achievable, desirable or necessary
- appreciation of different situations in different countries requiring different action and practicality of achieving this
- evaluation of the case for leaving it to the market
- risks if governments, or those of some key countries, do nothing
- evaluation of whether governments should only intervene in some coffee markets and/or in certain situations
- financial cost and opportunity cost
- equity versus efficiency
- market failure versus government failure
- an overall assessment of whether or not governments should intervene in the various markets for coffee.

The use of relevant diagrams to support the analysis should be taken into account when assessing the quality of the student's response to the question.

Use the levels mark scheme on page 5 to award students marks for this question.

MAXIMUM FOR QUESTION 32: 25 MARKS