



A Level **Economics**

7136/1

Report on the examination

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General

Paper 1: Markets and Market Failure represents one third of the A Level qualification and assesses the subject content found in Section 4.1 of the specification ‘Individuals, firms, markets, and market failure’. However, the economic principles included in Section 4.2 of the specification may be used to enrich students’ responses.

In addition, the first bullet point in section 7.2 of the specification reminds students and centres about quantitative skills. It states, ‘In order to develop their skills, knowledge and understanding in economics, students need to have acquired competence in the quantitative skills that are relevant to the subject content, and which are applied in the context of an economics A-level’.

The paper comprises two parts. Section A includes data response questions requiring written answers and is worth 40 marks. Students have a choice of one from two contexts. Section B includes essay questions and is worth 40 marks. Students choose one from three two-part essay questions.

The paper is assessed predominantly using levels of response mark schemes. The responses are marked holistically. Examiners identify which relevant skills students have demonstrated: knowledge, application, analysis and evaluation, and place the response in the most appropriate level in the mark scheme before determining the exact mark.

The paper was taken by around 15,500 students. In Section A, the context questions were almost equally popular, with Context 1, ‘The international rice market’, slightly less so than Context 2, ‘The UK water industry’. In Section B, each question was selected by over 30% of students. Essay 1, which asked students to explain, with examples, the differences between a private good, a public good and a quasi-public good, and an evaluation of the view that oligopolies serve society well, was the least popular. Essays 2 and 3 were answered by a similar number of students.

Section A

Context 1

Question 1

Students were required to calculate the difference between India’s share of world exports of rice in 2010 and 2022, to one decimal place. This should have been a very straightforward question, and over 35% of students scored 2 marks. However, over 45% of students scored 0 marks, because they calculated the difference between India’s *exports of rice*, rather than India’s *share of world exports of rice*. One mark was also available for those students who gave the correct answer without units, or not rounded appropriately, or for those students who gave the wrong answer but had used the correct method. Around 15% of students scored a mark this way.

Question 2

For the 4-mark questions (Questions 2 and 6) students needed to demonstrate that they understood how the data provided in the extract supported a particular proposition. They needed to provide *evidence* from the data, and then *clearly explain* how the data was evidence to support the proposition.

Here students were required to explain how the data in Extract A (Figures 1 and 2) showed that the rice export ban by India in 2022 is likely to have had a significant impact on the world price of rice. Figure 1 showed the exports of rice from various countries and the rest of world in 2010 and 2022. Figure 2 showed the index of world prices for rice, cereals and all food from 2021 to 2023. In some of the best answers the students often explained that an export ban would reduce the supply of rice on the global market, and due to increased scarcity of the good, lead to a rise in price. They used accurate evidence from Figure 1 to show that before the ban India held the greatest share of world exports of rice and suggested that this would cause a significant fall in supply. They then linked this with evidence from Figure 2 to show that the price of rice had increased. The evidence quoted was often good, however, the main issue here was that a number of students ignored Figure 1 (and occasionally Figure 2). In doing so, they only made use of one of the data sources, rather than both as directed by the question. This limited the quality of their response.

Question 3

In the 9-mark questions (Questions 3 and 7) students are instructed to use a diagram to help them answer the question. Specifically, they should be encouraged to *integrate* the diagrams into their response. An 'unused' diagram represents *application* of economics to the given context. However, the diagram is explained and used appropriately it forms part of a chain of reasoning, *analysis*, and contributes more effectively to the student's response.

In this question, students were asked to use a diagram to help them explain how the Indian export ban is likely to have affected the market for rice in Nigeria. They were also expected to draw on the information in the stem regarding price elasticity of demand (PED). A demand and supply diagram were expected, showing an inelastic demand curve, and a leftward shift in supply. Many diagrams were drawn accurately. Some students did not show an inelastic demand curve, and a few incorrectly shifted in the demand curve.

Some students began with definitions, such as demand, supply, PED, inelasticity and explained what was meant by an export ban. Many students used evidence from the extracts to refer to the export ban and explain the significance of this for consumers in Nigeria, for whom rice is the 'most commonly consumed food'. Most were able to use their diagram to help explain the impact on the market in terms of price and quantity. In the best responses, students explained the adjustment process, the elimination of the excess demand, and they also explained the impact of, and the possible reasons for, the inelastic PED using well-focused, logical chains of reasoning.

Question 4

Here students needed to use the extracts and their knowledge to evaluate the view that imposing a maximum price for rice is the best way for a rice-importing nation, such as Nigeria, to ensure the affordability of a basic food for its citizens. Many students discussed the pros and cons of a maximum price on rice, plus various other policies, with subsidies being the most popular. Extract C included policy suggestions and further points about each. Many students drew from this and successfully integrated prompts from the extracts into their responses. Some students wrote in purely theoretical terms which meant their responses lacked application and genuine context.

Most students used supporting diagrams, and these were usually drawn accurately, however, some had missing labels, or were incomplete. For example, excess demand was not always shown on the maximum price diagram. Sometimes, not always, this led to incomplete analysis and inadequate evaluation. In the best responses, students used diagrams effectively to inform their analysis and develop logical chains of reasoning to support evaluation and a justified conclusion.

There were fewer Level 5 responses to this question compared to Question 8. The analysis and evaluation of a maximum price policy was often simplistic. Perhaps taking the lead from the question, many students unconvincingly stated it was the best policy. Even though they had identified excess demand, the consequences were often ignored. Few students adequately assessed the limitations of the policy.

As always, in the very best answers, students demonstrated their evaluation skills by making judgements on the likely effectiveness of each policy before coming to their final judgement. The evaluation was supported by theoretical analysis and by the use of data from the extracts.

Context 2

Question 5

Students were required to calculate the median number of storm overflow hours by water company in 2022. More students scored 1 mark than 2 marks, as they did not quote the correct units, 000s of hours. Almost 30% of students scored 0 marks, often by calculating the mean instead of the median.

Question 6

Students needed to explain how the data in Extract D (Figure 4) showed that household water bills have increased in real terms since privatisation in 1989. The data showed the percentage change in price indices for water and for all goods and services. As with Question 2, whilst definitions were not essential, they often helped to support explanations. Some students

explained what was meant by real terms. In addition to a definition or brief explanation, in the best answers the students said what they *expected* to find to address the question. In this case, a greater increase in the percentage change in price indices for water than in the percentage change in price indices for all goods and services. They quoted evidence from the data accurately and then tied the answer up by saying how this evidence explained what had been asked for. However, some students misunderstood the data and did not recognise that it referred to percentage change in price indices. Some also wrongly assumed that water bills had increased in real terms because the percentage price changes were nearly always positive, and their evidence only included data for the percentage change in water prices.

Question 7

In this question, students needed to use a diagram to help them explain why the large minimum efficient scale (MES) in the water industry is likely to lead to the market being supplied by a few large firms with monopoly power. A simple diagram showing long-run average cost falling as output increased, with an indication of the MES, was expected. However, many students drew a monopoly diagram, with no indication of MES. Consequently, their diagram did not help them answer the question.

It was clear that some students did not understand the concept of MES, and for those that did, they sometimes struggled to incorporate it into their response. They often just included snippets of knowledge and understanding about economies of scale and monopoly power. In the best responses, students provided a good definition and included issues relating to the water industry, such as the high fixed costs/barriers to entry linked to the network of 'sewers and pipes'. Such issues were effectively integrated into their explanation, along with the diagram. They often showed two points on their diagram, one indicating the MES with lower average costs, and another, at a lower level of output with higher average costs, to illustrate the impact of more firms in the industry.

Students appeared to find this question more difficult than the equivalent Question 3, with fewer students providing a Level 3 response. The mean mark was also slightly lower.

Question 8

In this question, students needed to use the extracts and their knowledge to assess the view that stronger regulation would be a better policy than bringing the water industry back into public ownership. In the best answers, students typically considered the pros and cons of both stronger regulation and public ownership. They successfully integrated a variety of accurately drawn diagrams and some of the relevant prompts from the extracts. Some students included their own knowledge of recent issues with water firms, and this enhanced their responses. The complexity of some of the diagrams allowed students to effectively develop substantial chains of reasoning, and to evaluate both sides of the arguments presented. In contrast to Question 4, the combination of context and theoretical analysis enabled more students to draw supported, sensible and appropriate conclusions to evaluate the question posed. There was a larger proportion of Level 5 responses and a slightly higher mean mark than for Question 4.

Section B

Essay One

Question 9

Students needed to explain, with examples, the differences between a private good, a public good and a quasi-public good. This question was nicely answered. Most students approached it logically and dealt with the three types of good in turn. Most were able to confidently provide examples of each and use these as context to explain why the different types of goods exhibited specific characteristics. A common inaccurate example was to state that the NHS is a public good, which indicated a misunderstanding of the characteristics. This question had the highest proportion of Level 3 marks and had the highest mean mark for the 15-mark part of the essay questions.

Question 10

In this question, students were required to evaluate the view that oligopolies serve society well. This really was a blank canvas in terms of what students could choose to write about. It had the highest mean mark of the 25-mark parts of the essay questions, by a very small margin, and the highest proportion of students achieving Level 4 or above. In the best responses, students included a brief introduction to oligopoly, including a reference to the interdependence of firms which meant they faced uncertainty. Typically, they analysed and evaluated three ways in which oligopoly firms might choose to behave, the most popular being a competitive market with price rigidity, collusion, and non-price competition. They also skilfully integrated relevant examples to provide context which really helped to bring the theory to life and add weight and support to their evaluation. There were some particularly sophisticated responses to this question, where students meaningfully considered the type of industry before drawing pertinent and insightful conclusions as to whether oligopolies serve society well. A weakness was to rely too much on the kinked demand curve model of oligopoly, and to assert that price rigidity is good for consumers without any discussion.

Essay 2

Question 11

Question 11 required students to explain how technological progress can affect productivity, efficiency and firms' costs of production. The question was constructed in a similar way to Question 9, yet most students did not answer it using the same logical approach. Few responses included definitions of the key terms and answers were often superficial. For example, students referred to 'costs' but often did not refer to a specific type of cost. When they did, the most common was 'labour costs', with many students suggesting they would fall if labour was replaced by improved machinery or AI. This was fine but did not demonstrate the sound knowledge and understanding required for Level 3. In the best answers, students defined the

key terms and distinguished between different types of costs and efficiencies. They often provided relevant context and sometimes used a diagram to support their analysis. This question had the lowest mean mark for the 15-mark parts of the essay questions. Also, a much smaller proportion of students provided a Level 3 response than for the equivalent Question 9.

Question 12

Here students needed to assess the view that the main objective of firms is to maximise profits. In the best responses, students analysed and evaluated the reasons why firms may choose to pursue a range of objectives, including profit maximisation, and often referred to the divorce of ownership from control and the principal-agent problem. They integrated theoretical analysis with real-world examples to bring the theory to life and to give more support to their conclusions. Often these students used a range of diagrams effectively to help support and develop their analysis.

Less successful responses tended to fall into one of two categories. Some students described the impact of a firm with monopoly power, choosing to maximise profits, on consumers and welfare in general. They did not consider the reason why firms might want to maximise profits, such as, providing funds for investment to improve dynamic efficiency or to pay dividends to satisfy shareholders. This meant they did not answer the question posed properly. Secondly, there was a misconception that profit maximising meant making abnormal profits and therefore can only be achieved by large firms in the long run. These students appeared to forget that firms in a perfectly competitive market are profit maximisers, earning normal profits in the long run. This question had the lowest mean mark, and a much higher proportion of Level 1 and Level 2 responses.

Essay 3

Question 13

In this question, students needed to explain the factors that determine a firm's demand for labour. It was well answered by many students. By a small margin, it was the most popular essay question. The best answers included two or maybe three well-developed determinants of the demand for labour. The most common being derived demand, marginal revenue product theory, and the wage rate. Some responses were superficial, where the attempted analysis lacked development. In a few responses, students explained factors that determine the supply of labour rather than those that determine the demand for labour.

Question 14

Here students needed to assess the view that a national minimum wage (NMW) contributes to an improvement in economic welfare. This question had an almost identical mean mark to Question 10, and the highest proportion of Level 5 responses. In the best answers, students

used diagrams effectively to show the impact on economic welfare of the introduction of a NMW in both a competitive and a monopsony labour market. They also explained how they would measure economic welfare; many referred to living standards, others were more specific and referred to incomes and inequality, for example. Some students only considered the impact of the NMW in a competitive labour market, and whilst these responses were sometimes limited in scope, some covered a range of issues and were able to achieve the highest marks. For example, some discussed the impact of a NMW on different regions of the UK, the efficiency wage theory or the impact on those who remain unemployed.

Mark Ranges and Award of Grades

Grade boundaries and cumulative percentage grades are available on the [Results Statistics](#) page of the AQA Website.