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- 2 Vanilla bean prices increased to a record \$600 a kilogramme in 2018 after a cyclone hit the tropical island of Madagascar, damaging crops. Madagascar supplies 75% to 80% of the world vanilla bean market.

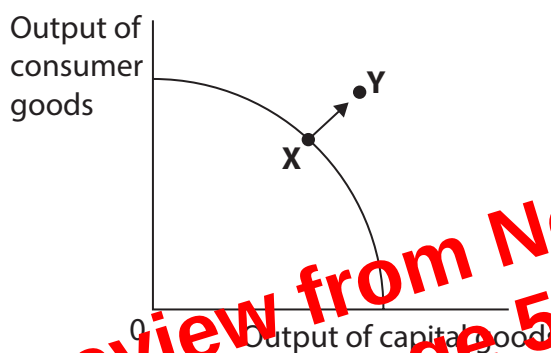
(a) Define the term 'supply.'

(1)

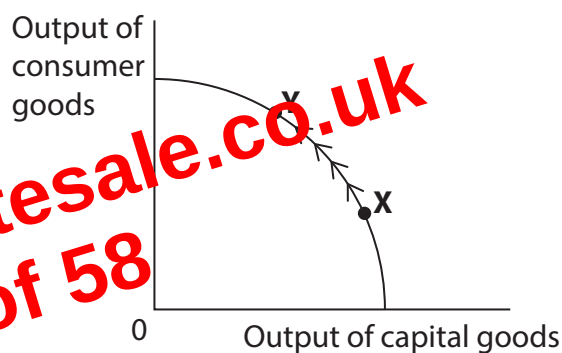
- (b) The diagrams below show movements from position X to Y on production possibility frontiers. In which **one** of the diagrams does the movement from X to Y illustrate the most likely impact on Madagascar's economy of a natural disaster such as a cyclone?

(1)

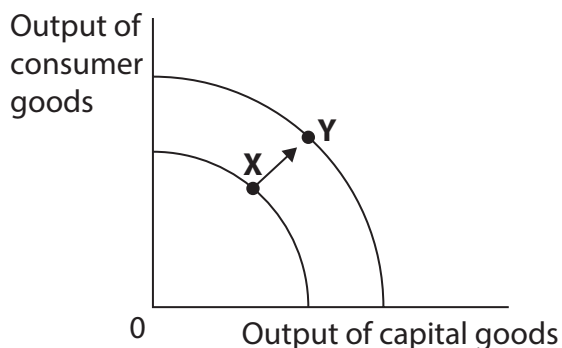
☐ A



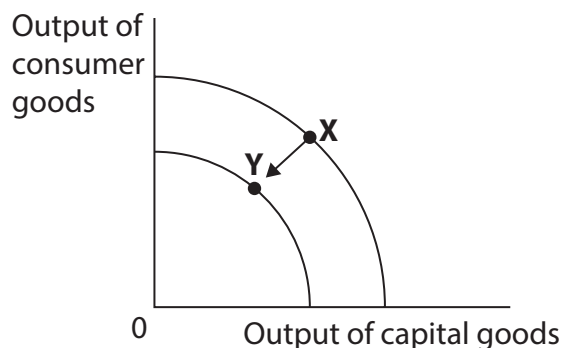
☐ B



☐ C



☐ D



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(Total for Question 3 = 4 marks)

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- (d) With reference to Extract C, explain how incentives to use reusable coffee cups may lead to a fall in demand for single-use cups.

(6)

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Question Number	Answer	Mark
5(b)	Knowledge 1 Knowledge/ Understanding 1 mark for definition e.g. 'All other things being equal'	(1)

Question Number	Answer	Mark
5(c)	Knowledge 1 The only correct answer is A B is incorrect as population size will increase the market size and, most likely, overall demand but would shift not affecting PED C is incorrect as this is a determinant of supply and not PED D is incorrect as unsold vehicles / spare stock/ capacity would affect PES and not PED	(1)

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Question Number	Answer	Mark
6(d)	Knowledge 2, Application 2, Analysis 2 Knowledge/understanding 2 Explanation of role/ relationship between the two products and how are substitutes (1) and that they have a positive XED (1) Application 2 Reference to information from extract involving: environmental messaging/ litter posters/ 15p charge <i>i.e. Environmental messaging in e.g. for example posters about litter (1), increases the use of reusable coffee cups by 2.3% (1)</i> <i>The availability of reusable cups leads to an increase of 2.5% (1) whereas the distribution of free reusable cups leads to a further increase of 1.3% (1)</i> Analysis 2 Reference to reusable cups being cheaper (1)– discussion of consumers switching due to price differentials (1) Diagram awardable showcasing demand falling (1) for single use cups with relevant explanation (1) Messaging helps to reduce asymmetrical information (1) in regards the increased external costs of single-use cups (1) Could showcase the XED and role of both reusable vs single use cups - award relevant diagram (1) with explanation (1)	(6)

		Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.
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Question Number	Indicative content	Mark
6(f) continued	Evaluation 6 • Depends on the Price Elasticity of Demand for particular foods – whether price increase is passed on • Discussion of possible subsidy or alternative being more effective in incentivising use of different materials in order to reduce use of plastics in packaging • Depends on magnitude of the tax and its duration, if it will continue to be set at this rate • Is the level of tax sufficient to change behaviour of firms and indirectly, consumers through increased prices • As discussed within the extract, 50% recycled plastic avoids the tax and therefore a somewhat limited impact of the tax • If the tax is set too high, could lead to a misallocation of resources (government failure) – with non-compliance causing increased enforcement costs (further government failure)	(6)

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.

Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.
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Question Number	Indicative content	Mark
6(g)	Knowledge 4, Application 4, Analysis 6 Policy options may include; • Subsidies for alternatives and highlighting decreases in prices for such goods – leading to incentives for firms to undertake research into alternatives and reduce the market failure associated with excess production/consumption • Information provision – solving asymmetric information failure by informing consumers and producers of the market failure caused by plastic waste • Further taxation on the consumption or production of plastic & hypothecation of this tax revenue to fund alternative(s) • Bans on plastic packaging – highlight impact of prohibition, leading to removal of specific plastics used in different areas • Minimum price for plastic to be used by firms – which would act as a disincentive for firms to incorporate within their production • Regulation of use and need for additional recycling – the development of increased recycling of plastic waste would limit the externalities associated and ensure lower levels of market failure NB If there is no valid diagram, max Level 3	(14)

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems