

Edexcel GCE

Economics and Business

Advanced

Unit 4B: The Wider Economic Environment and Business

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Paper Reference

6EB04/1

Pre-release material

To be opened on receipt

Advice to Centre Staff and Candidates

- Candidates are expected to be familiar with the evidence provided here for the Unit 4B question paper before entering the examination room.
- A copy of this pre-release material will be included in the question paper, together with some new evidence, which you should study carefully before answering the questions.
- Candidates will not be allowed to take copies of this pre-release material into the examination.

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Throughout the evidence the term “pub” is a UK public house or bar where alcoholic drinks are sold by the glass.

Evidence A

Drinking alcohol and benefits

Over recent years, the health benefits of moderate drinking have been widely publicised. To those who think everything enjoyable must be bad for you, this news might seem like a dream come true.

Studies show that health benefits only come with moderate drinking and are greatest for older men. Even moderate drinking is not recommended for women who are pregnant or thinking of becoming pregnant, or for people who are under 21. The strongest medical evidence exists for a link between moderate drinking and a reduced risk of heart disease. 5

A New England Journal of Medicine study examining the roles of drinking patterns and heart disease found, after 12 years of follow-up, that men who consumed alcohol between three and seven days a week had fewer heart attacks than men who drank once a week. It is thought that alcohol may lower heart attack risk by acting as a blood thinner. 10

A lower risk of diabetes has been seen in women and men. There have been experiments in which alcohol was administered over a couple of months to people without diabetes. Those studies suggested that moderate drinking improves the body’s sensitivity to insulin and may prevent diabetes through that mechanism. 15

Older adults who were drinking moderately may have a lower risk of dementia. Some of it may just be because the process of getting out and socialising may be an important way to prevent dementia. Moderate drinking may prevent silent strokes or other subtle types of brain injury that can predispose to dementia.

Heart disease risk, while lower amongst moderate drinkers, can be substantially higher among people who drink to excess even occasionally. They don’t have to be drinking excessively every single night to potentially have a greater heart attack risk. Many of the beneficial effects of moderate drinking are only true at moderate levels of drinking. They actually go away and reverse if people drink too much. I don’t think we have enough evidence to say that anybody should take up drinking just for any particular benefit unless their doctors recommend that they do so. 20 25

(Source: adapted from *Medical News Today*, 20 July 2003)

Evidence B

Brits consume less alcohol since Licensing Act

British drinkers have consumed less alcohol since the Licensing Act was updated in 2005, according to new figures compiled by the British Beer & Pub Association (BBPA).

The BBPA said the statistics prove that the resulting increase in opening hours has not unleashed a ‘free for all’ in alcohol consumption. Brits now consume less alcohol per head than the French, Spanish or Germans and rank 13th in the alcohol consumption league table of the 25 EU countries. In 2006, the average Briton consumed the equivalent of 8.9 litres of 100% alcohol: a five-year low. In 2005, when the Licensing Act was introduced, consumption levels stood at 9.2 litres. In 2004 levels were at a 25-year high of 9.4 litres. 5

(Source: adapted from www.caterersearch.com 11 October 2007)

Evidence C

Alcohol problem for A&E

According to the London Ambulance Service, call outs to alcohol-related incidents have risen by 17% since the introduction of new 24 hour licensing laws in 2005. The increase in total call outs was just 6%.

It is feared the real figures could be much higher as those above are based only on information where alcohol was the main reason for call out. The London Ambulance Service Deputy Director of Operations said: "Alcohol-related calls continue to be a real issue for us on both Friday and Saturday nights, particularly as we know alcohol is a factor in other incidents we attend such as assaults and minor falls and injuries."

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People arriving at accident and emergency departments in Richmond, after incidents involving alcohol, leapt by 57% from 2004/05 to 2005/06.

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(Source: adapted from *The Richmond & Twickenham Times*, Sunday 9 December 2007)

Evidence D

Social cost of alcohol and the NHS

A Department of Health consultation shows that the drinks industry is not adhering to its own voluntary standards. New evidence suggests that alcohol is a far wider cause of damage to people's health than previously suspected. New calculations put the cost of alcohol misuse to society at £17.7 billion to £25.1 billion per year, with a cost to the NHS of £2.7 billion. Alcohol carries a significant negative externality.

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(Source: adapted from http://www.direct.gov.uk/en/NI1/Newsroom/DG_170745)

Evidence E

Alcohol Misuse, Taxation and Pricing

Taxation and pricing of alcoholic beverages are the most effective methods for reducing alcohol misuse and its consequences. Studies conducted in Britain, as well as in Australia, Canada, Finland, New Zealand, Norway and Sweden, have shown that the demand for wines and for spirits in particular is generally more price elastic than that for beer. By raising the price of beer by 10%, beer consumption would fall by only 3.5%. With an increase in the price of wine by 10%, its consumption level would drop by 6.8%. By increasing the price of spirits by 10%, spirits consumption would fall by 9.8%. According to research at European level, raising the price of alcohol by 10% within the EU's 15 wealthiest states, could save 9,000 lives every year and 13 billion euros could be raised in tax revenues. Evidence indicated that taxation on spirits is relatively low when compared to diluted beverages such as beer.

Alcohol Misuse and Supermarkets' Sale Promotions

Supermarkets, rather than pubs, are the businesses selling the largest quantity of alcohol in the UK. Although the alcohol industry has produced guidelines promoting social responsibility in the production and sale of alcohol in the UK, evidence suggests that some of the strategies adopted by supermarket chains do not reflect these standards. For instance, the price of alcohol in supermarkets can be 5 times lower than in pubs. The adoption of these strategies can be detrimental for smaller, local businesses in the alcohol industry. Evidence suggests that nowadays in Britain young people buy large amounts of low-priced alcohol from supermarkets and become intoxicated in their homes. Although price promotions are a legitimate way of encouraging sales, many in the alcohol industry are concerned about deep discounting and loss leading tactics. The alcohol industry's voluntary codes already dissuade promotions that encourage people to consume more alcohol than they otherwise would have done.

Government proposals mean the current voluntary retailing code could become mandatory. Retailers could have to:

- restrict the way alcohol is sold such as offering drinks in small as well as large glasses or measures – too often only one size is offered or a large is automatically given
- restrict happy hours or price based promotions – women 'drink for free' promotions are still all too common
- refrain from displaying alcohol by the checkout
- give point of sale information, eg. on units, allowing customers to make an informed choice
- train staff to recognise underage or drunk customers and refuse to sell them alcohol.

(Source: adapted from extract of *The Alcohol Misuse Committee Report*, Kent County Council December 2007)

Evidence F

Asda sells beer cheaper than water

Asda is charging just 90p for a four pack of 440ml Skol lager, which works out at 51p a litre. In comparison, a pack of four 750ml bottles of Evian water costs £2.91, or 97p a litre in Asda. Don Shenker, Chief Executive of Alcohol Concern, has voiced concerns that the low price will encourage the most vulnerable people to binge drink. UK alcohol-related deaths have more than doubled since 1991 to over 8,700 a year. A spokesman for Asda said: "Asda takes its role as a responsible retailer very seriously. A ban on promotions and the introduction of minimum pricing will create incentives for black markets. We believe that all our customers deserve value across the whole of the store."

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More than one in 25 adults are dependent on alcohol, and the UK has one of the highest rates of binge drinking in Europe. An estimated 17 million working days are lost each year due to people missing work due to the effects of alcohol. Around 6% of road casualties and 17% of all deaths on the road occur when someone has been drinking over the legal limit. In young adults, binge drinking is also associated with a range of risky behaviours, including a higher risk of contracting a sexually transmitted illness.

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(Source: adapted from *Daily Telegraph* 7 October 2008 and *Drinkaware Factsheet* (Drinkaware is funded by the alcohol industry))

Evidence G

Flipping madness! Police offer free flip-flops to binge drinkers who keep falling over in heels

Drunk women who stagger about in high heels are to be protected – at public expense – from twisting their ankles. They will be handed flip-flops to wear by police outside nightclubs as they wend their way home. The scheme is part of a £30 000 drive, paid for by Government grant, to prevent 'alcohol-related harm'. The flip-flops will be given to anyone whose footwear is 'uncomfortable, inappropriate or soiled'. The scheme is to begin next month in the centre of Torquay, Devon, a popular destination for hen and stag parties. Police officers will carry bags of flip-flops and will hand them to those who look unsteady on their feet. They will also be available free from the council's 'Safe Bus' on the harbourside.

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In recent years Manchester police have handed out lollipops to stop people shouting in the street after nights out. A thousand colourful bubble blowers are to be handed out to revellers in Bolton centre. The aim is to encourage drinkers leaving pubs and clubs to focus on playfully blowing bubbles on their way home, instead of getting into scuffles.

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Matthew Elliott, Chief Executive of the Tax Payers' Alliance, said: 'This is an idiotic waste of money. People don't pay their taxes for drunk women to get free flip flops. They want the police to fight crime. The police aren't there to be an emergency supply of flat shoes.'

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The £30 000 will cover the cost of personal alarms and safety information. Superintendent Chris Singer, Torbay Police Commander, said: 'Linking in with our partners, this funding represents a significant opportunity to make a real difference in relation to alcohol related harm and disorder. We're hopeful that this new initiative will help protect dozens of women who are vulnerable to injury after a night out.'

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(Source: adapted from *Daily Mail* 27 November 2008 and *Manchester Evening News* 29 November 2008)

Evidence H

Excise Duty rates in the European Union

Country	Spirits £ per 70cl bottle 40% ABV	Still wine £ per 75 cl bottle 11.5% ABV	Sparkling wine £ per 75 cl bottle	Beer £ per pint 5% ABV or 12° Plato	VAT rate %
Austria	1.90	0	0	0.10	20
Belgium	3.40	0.25	0.84	0.08	21
France	2.80	0.02	0.04	0.05	19.6
Germany	2.50	0	0.27	0.04	16
Ireland	7.60	1.42	2.84	0.39	21
Spain	1.60	0	0	0.04	16
Sweden	10.40	1.23	1.23	0.31	25
UK	5.50	1.25	1.65	0.38	17.5

Revenue (Excise duties) collected from Alcoholic Drink in UK £ Million

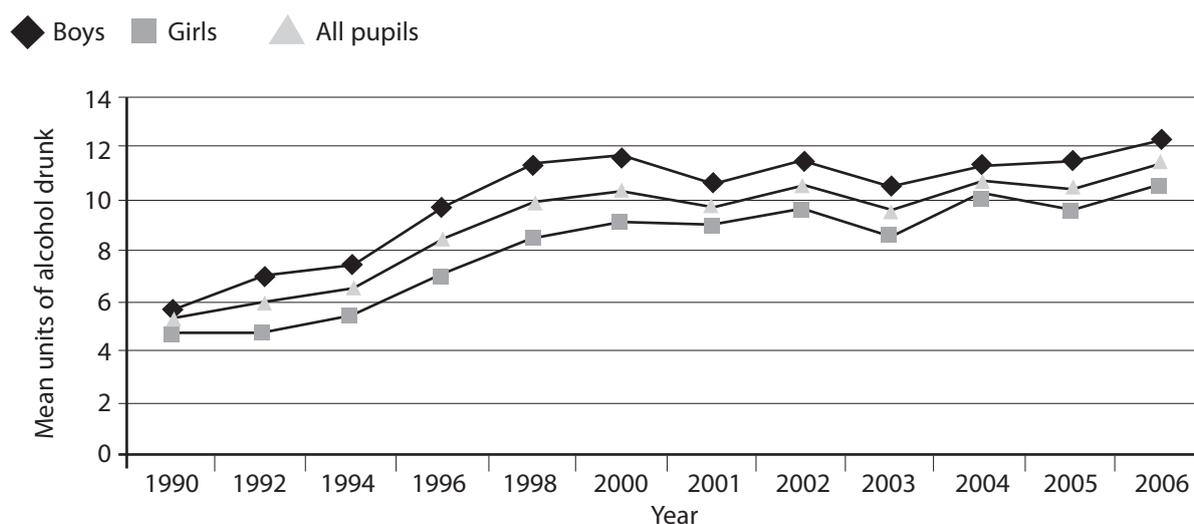
	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09*
Beer	3 044	3 101	3 076	3 072	3 067	3 110
Spirits	2 362	2 385	2 309	2 256	2 374	2 267
Wine	2 006	2 233	2 308	2 385	2 641	2 758
Total	7 412	7 719	7 693	7 713	8 082	8 135

* Forecast

(Source: adapted from *European Commission's Excise Duty Tables (Alcohol Beverages)*, published by Europa website and HMRC 1 October 2008)

Evidence I

Average Alcohol Consumption among 11–15-Year-Old Pupils in England Who Drank in the Last Week, 1990–2006



(Source: adapted from Fuller, E. (2007) *Drug Use, Smoking and Drinking Among Young People in England: Headline Figures*. Health and Social Care Information Centre)

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