



Examiners' Report June 2023

GCE Economics B 9EB0 02

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Introduction

This paper is divided into three sections:

Section A consisting of eight questions based upon four data extracts; Section B consisting of three data extracts and one 20-mark essay question and Section C consisting of two data extracts and one 20-mark question.

Overall, candidates performed well on this paper but some areas require improved understanding and skills. For example, successful responses to Q01(a) and Q01(b) required both an interpretation of price indices, as well as an understanding of inflation, deflation and disinflation. In other words, quantitative skills number *QS5 calculate and interpret index numbers* had to have been practiced and understood for the data in Extract C to be interpreted accurately. Q01(c) required an understanding of how income elasticity of demand is calculated *QS5 calculate and interpret index numbers*, as well as *QS2 calculate, use and understand percentages, percentage changes and percentage point changes*. It is clearly important that candidates are familiar with the knowledge and understanding required for the assessment of quantitative skills, which include at least Level 2 mathematical skills and constitute a minimum of 20% of the overall marks for this qualification. Q01(g) required candidates to use the data provided to assess the impact of inflation on firms. Despite the data suggesting otherwise, many candidates suggested that the impact may be positive, as firms may simply raise their prices, thus maintaining or increasing revenue and profits. In a similar way, sections of the extracts were simply copied out, with reference to small firms “filling the gap” left by the closure of large chain restaurants, rather than using these extracts to support analysis or evaluation. While many candidates referenced rising costs for firms, not as many discussed the impact of falling real incomes on the demand for normal luxuries supplied by the restaurant sector.

In Sections B and C, the essay questions can be supported by candidates' own examples arising from their study of the subject over the previous two years. Question 2 presented three extracts where just-in-time stock control (JIT) had led to problems with supply chains. Very few candidates were willing or able to introduce their own examples of where (JIT) had benefited specific firms. They were more likely to simply list the potential theoretical benefits of (JIT) without illustrating this with specific examples. However, it was pleasing to see some candidates bringing recent data on inflation and growth in the UK economy into their analysis and evaluation in question 3. It is important that candidates are encouraged to monitor and discuss current economic data so that they can introduce this into their response and help them to achieve *Assessment Objective A02 Apply knowledge and understanding to various economic contexts to show how economic agents are affected by and respond to economic issues*.

Question 1 (a)

This question first requires candidates to select the correct values from Extract C to calculate the rate of inflation for March 2022. Most candidates managed to correctly interpret the index numbers and calculate, to 2 decimal places, the percentage change between the CPI for February 2022 (115.8) and the CPI for March 2022 (117.1) which was 1.12%. The main errors being either in orders of magnitude or due to candidates not having learned how to interpret and calculate index numbers and percentage changes (see previous comments regarding QS2 and QS5). This was surprising given how the rate of inflation has been a major topic of debate over the last year in most, if not all, economies.

This response is awarded the full 4 marks for the correct answer, including calculating the percentage change in the CPI between February 2022 and March 2022, to 2 decimal places and including the percentage symbol.

- 1 (a) Using the data from Extract C calculate, to 2 decimal places, the rate of inflation in March 2022.

You are advised to show your working.

(4)

$$117.1 - 115.8 = 1.3$$

$$\frac{1.3}{115.8} \times 100 = \underline{\underline{1.12\%}}$$



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Examiner Comments

This response first calculates the difference in the value of the CPI between March 2022 (117.1) and February 2022 (115.8) as 1.3. This is then calculated as a percentage of the February CPI $1.3 \div 115.8 = 0.0112 \times 100 = 1.12\%$. A clear and precise demonstration that index numbers can be interpreted and that percentage change can be calculated by the candidate.



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Examiner Tip

Always show workings for calculation questions. In addition, before moving on, think, does this answer look right? Is it too small? Too large? This might help avoid some basic problems of magnitude which are common when dealing with macroeconomic data. The mark scheme shows how marks could be awarded for showing workings and all candidates would be well-advised to do this.

Question 1 (b)

This question mixed two demands, quantitative skills and application to demonstrate an understanding of the difference between deflation and disinflation.

Candidates need to identify both a month in which there was deflation (January 2022) and one month in which there was disinflation (November or December 2021) from the CPI data in Extract C. They then had to support this by actively using the data for both examples and developing the explanation of the difference.

This response achieves the full 4 marks. It is an example of a good, clear answer which includes an identification of the months in which there was deflation and disinflation. There is also supporting data and clear statements developing the explanation of the difference between deflation and disinflation.

(b) With reference to Extract C, explain in which month there was deflation and in which month there was disinflation.

(4)

Deflation refers to a fall in the average prices in an economy. This occurred in January 2022 as the CPI, which measures inflation, fell from 115.1 in December 2021, to 114.9 in January, thus demonstrating a fall in prices, meaning deflation. Whereas, disinflation means the rate of inflation is slower. This occurred in ^{November} ~~October~~ 2021 ^{as} ~~and November 2021 as~~ ~~that~~ had to a slow down in inflation from 0.9% to 0.6%.



The first sentence accurately explains deflation (this partially achieves the analysis mark). The second sentence first accurately identifies the month in which deflation occurred (this partially achieves the knowledge/understanding mark). It then uses the data from Extract C to support this with clear reference to the CPI (this achieves one application mark). The third sentence accurately explains disinflation (this completes the award of the analysis mark). The fourth sentence then identifies a month in which disinflation occurred (this completes the award of the knowledge/understanding mark) and then supports this with the active use of the data from Extract C to produce the rates of inflation.

Marks are therefore awarded as 1 knowledge/understanding, 2 application and 1 analysis = 4 marks



It is worth using past examination papers and mark schemes to understand how marks are awarded in 4 mark questions using the 'explain' command word.

Question 1 (c)

This question requires a calculation of income elasticity of demand (YED), using the data taken from the stem of the question.

Although the question involves the calculation of a percentage change and then a simple division, producing a YED coefficient to 2 decimal places, there were many basic errors. The most common error was to get the formula incorrect, dividing change in income by change in quantity. This is basic knowledge that really should be known at this level. Another common error was to express the coefficient of YED as a percentage.

Here we have an accurate and efficient response to the item. It is worth looking at the mark scheme to see how marks could have been awarded if the final, correct answer is not present. For example, there is a knowledge/understanding mark available for presenting the correct formula for YED. This is why the statement 'you are advised to show your working' is included in quantitative questions.

Median nominal annual earnings for full-time employees in the UK increased from £25 806 in 2009 to £31 285 in 2021.

In the same period, there was an increase of 52% in demand for takeaway meals.

(c) Using this data, calculate, to 2 decimal places, the income elasticity of demand for takeaway meals from 2009 to 2021. You are advised to show your working.

(4)

$$\frac{31285 - 25806}{25806} \times 100 = 21.23\%$$

$$YED = \frac{\% \Delta QD}{\% \Delta Y} = \frac{52}{21.23} = \underline{\underline{2.45}}$$



The first line of the response accurately calculates the percentage change in income as 21.23%. The second line of the response presents the correct formula for YED, performs the appropriate division and then presents the correct answer to 2 decimal places.



Read the question carefully. In this case YED coefficient was requested and no other comment was required. If it is useful, highlight the key words in the question, such as 2 decimal places. It is easy to miss a crucial word or phrase in the pressure of an examination.

Question 1 (d)

There were many good answers to this question identifying two ways in which small firms might survive in the competitive restaurant market. There was also evidence of an effective use of the stimulus material, specifically in reference to lower rents due to the closure of chain restaurants, the use of dark kitchens and the takeaway business model to lower costs.

In this question, the two valid factors must be distinct. For example, quality can be used twice but must be distinct. So, while food quality and quality of customer service would be two distinct factors, food quality and quality of ingredients would not.

This response achieves the full 6 marks. The candidate has given two valid and distinct ways small firms might survive. Each is supported with relevant evidence with reference to the Extracts or to their own relevant examples. Both of the two explanations are then developed to achieve the analysis marks.

(d) Analyse **two** ways small firms might survive in the competitive restaurant market.

service

(6) goods
-niche market

One way a small firm may survive in the competitive restaurant market is by improving customer service. For example, a consumer visiting a large chain restaurant may not receive as much of a welcome and a warm attitude from employees on minimum wage, as compared to a local family-run restaurant where they are remembered and have every small need catered for.

Although, this may ~~increase~~ ^{decrease} the number of consumers that can be served in a given time period, it will boost ~~repeat sales & will increase new~~ ^{repeat sales & will increase new} ~~recommendations, repeat sales~~ sales leading, overall, to more profit, and a competitive edge.

Another way would be to cater to niche submarkets within the restaurant industry. For example, a small firm may choose to sell authentic Punjabi cuisine, (which in certain parts of the UK would be a niche market) and so if consumers ~~desire~~ ^{love} this type of food, they would only be able to ~~receive~~ ^{have their} needs met from this restaurant. This would reduce the effects of the competition, and would almost give the firm a degree of monopoly power in the short-term.



The first way is identified in the first sentence – improving customer service. **One knowledge/understanding** mark is awarded here. This point is then illustrated with an example relevant to the context of the restaurant market. **One application** mark is awarded here. There is then a development of this point, with a consequence of the improved customer service in terms of repeat sales. **One analysis** mark is awarded here. There are therefore **3 marks** awarded for the first way.

The second way is then identified – a niche sub-market. **One knowledge/understanding** mark is awarded here. This point is then illustrated with an example relevant to the context of the restaurant market. **One application** mark is awarded here. There is then a development of this point, with a consequence of targeting a niche market. **One analysis** mark is awarded here. There are therefore **3 marks** awarded for the second way.

This is therefore $3 + 3 = 6$ marks

Question 1 (e)

This question tested understanding of the benefits and costs to firms of using dark kitchens.

Overall, this question was completed quite well and it was clear that many candidates understood the main advantages to firms of using dark kitchens. However, it was also clear that the command word 'discuss' was not understood by some candidates. Mark schemes published for previous series make it clear that a response to an 8 mark question requires a balanced awareness of competing arguments for level 3 to be awarded. This means that some developed analysis of the possible disadvantages is also required.

This response is awarded the full 8 marks and achieves level 3. It covers all of the marking criteria for level 3.

(e) Discuss the possible benefits to takeaway firms of using dark kitchens.

(8)

Dark kitchens may be ~~classified~~ ^{classed} as a kitchen which ~~has~~ ^{has} monopoly power. This ~~is~~ ^{is} evident as their main incentive ~~to~~ ^{may be to} profit maximise. As a result of this, workers may be exploited to working excessive hours from minimal pay. This is evident as in Extract B there are concerns about the "abuse" of delivery times. This as a result can cause greater turnover of employees as causing firms to have a reduced size of labour force. As a result, takeaway firms may have to offer high wages to attract scarce employees. This causes cost of production of the takeaway firm to increase, and average cost to increase. As a result, these takeaway firms may miss out on economies of scale and become globally less competitive.

However, a benefit to takeaway firms by using dark kitchen is that they can build greater market share. This is achieved by offering "delivery takeaway meals" to be delivered as quickly as possible. Due to this, they may experience greater sales and as a result greater profits which can be used to reinvest back into the firm. However, nevertheless, if the government impose rules and regulation to limit waste, profit margins may fall for the takeaway firm. This is encapsulated as Dark Kitchens dump "raw meat" on the streets. This suggests they have a weak CSR, hence further supporting their main aim to be profit maximise. If waste of materials increase, takeaway firms can experience a fall which will impact their profit margins. However, larger firms such as, ~~Deliveroo~~ Deliveroo, may absorb this cost and continue their ways to profit maximise.



The candidate has demonstrated accurate knowledge and understanding, showing a good awareness of both the costs and the benefits to takeaway firms of using dark kitchens, supported throughout by use of relevant evidence which is well chosen. Arguments are developed using logical, coherent chains of reasoning. There is certainly a balanced awareness of competing arguments, exemplified by an evaluation of the weak CSR and the capacity for firms to absorb fines as an additional cost.



With the level of response questions, it is a good idea to read through your answer and try and decide if the examiner could determine the question set from reading the essay. If this is not the case, then it is unlikely that the question has been fully answered. Remember, the 'discuss' command word requires a balanced awareness of competing arguments for level 3.

Question 1 (f)

This question is intended to test understanding of the impact of rising and high inflation on firms, specifically in the context of the restaurant market. What was surprising was that while many responses discussed the impact in terms of rising costs, far fewer responses discussed the impact in terms of sales revenue and falling real incomes, using YED in analysis.

The best responses used the data to demonstrate an awareness of competing arguments, highlighting that while major chain restaurants had been closing, creating some opportunities for small firms, the takeaway market had been growing continuously.

This response is worth 8 marks and reaches the bottom of level 4. The candidate demonstrates an understanding of some of the main effects of inflation on firms in the restaurant market, both in terms of costs but also in terms of sales revenue.

(f) With reference to Extract A, assess the likely impact of rising inflation on the UK restaurant market.

(10)

Rising inflation can affect UK restaurant markets as they become more price elastic due to the fall in real wages. If consumers chose to spend less in the restaurant market it could lead to ~~the~~ reduced revenue which could force restaurants to raise their prices, ~~but~~ due to higher cost of production. This could be why 700 chain restaurants have closed since March 2020, as business are less competitive due to less consumer spending as a result of increased inflation.

It may also impact the supply chain as inflation with a depreciated currency could make imports more expensive.

For UK restaurant market meaning their profit margins would be smaller or they could struggle to survive due to rising inflation. Inflation can reduce business confidence and lead to a decrease in investments which will have a negative impact on UK restaurants as with less investment ~~there~~ there would be less growth which may lead to shrinking of the business. ~~Some~~ Some chains to close, by shrinking the amount of restaurants, revenue will decrease. Due to rising inflation it could lead to cyclical unemployment as ~~this~~ ^{there's} less demand for employees in the UK restaurant sector which can cause the restaurant market to shrink. It could also mean employees demand higher wages to combat inflation which may lead to people being let go as

more money will be spent on increased wages, which could shrink productivity of the UK restaurant market.

However, Extract A shows an increase in local restaurants by 3.7% since March 2020. This shows that raising inflation can increase the UK restaurant market, as rents become cheaper as banks are more willing to give out loans can be seen as a gap in the market for entrepreneurs to start a new restaurant business. The raising inflation also depends on how much it affects real wages as even though extract A ~~states~~ states their falling it doesn't specify for who, therefore this may not be a replicable effect on low priced restaurants in the UK. Due to the market selling inferior goods, it may cause people to switch to cheaper restaurants, as supposed to leaving the market as it may be inelastic for some consumers.

In conclusion, raising inflation can negatively affect the UK restaurant market as it could deter consumers, however it could depend on inflation of other countries as the market could still change competitive prices if inflation is higher in foreign markets ~~to~~ we import from depending on the value of the exchange rate. It depends on consumer tastes.



This response demonstrates accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and logical. There are coherent chains of reasoning, showing good understanding of the question. For example, the point relating to the impact upon real wages and sales of inferior goods (page 2) is good. Arguments are generally well-developed and evaluated. There is balanced awareness of the validity and significance of competing arguments although the conclusion is rather limited and keeps the response at the bottom of level 4.



Become familiar with the level descriptors for the 8, 10, 12 and 20-mark questions and know how the higher levels can be achieved by using published past papers, mark schemes and PE Reports.

Question 1 (g)

This question intends to test understanding of the inorganic growth in the context of chain restaurants who had been closing many premises. There are lots of opportunities to gain high level 3 or level 4 marks here, provided answers focus on the restaurant market rather than retail more generally.

As with many of the longer levels of response questions, there was a tendency to make unsupported assertions or offer lots of unexplained points, particularly about diseconomies of scale or 'culture clashes', rather than following through coherent chains of reasoning. This led to many level 3 or even level 2 scores. Quality of arguments rather than quantity is far more important with these questions.

There was a common tendency to focus on the costs of inorganic growth and ignore the benefits.

This is an example of a 10 mark, bottom of level 4 response, which does make a really good effort to answer the question.

(g) With reference to Extract A, assess problems arising from the inorganic growth used by UK restaurant chains such as *The Restaurant Group* and *Casual Dining Group*.

(12)

Inorganic growth is external growth through a takeover or a merger. The benefit of these is that it allows the business to gain larger amounts of market share as well as taking one competitor out of the market. However, there are cons to this way of growth as the corporate culture in each firm could be different causing employee motivation to decrease.

One problem is that the corporate culture in *The Restaurant Group* or *Casual Dining Group* could be different to the businesses they took over. Therefore, employees may have different beliefs in how they should work which could cause a disruption in the workplace. As a result, employees could become less motivated or more unhappy working for these restaurant chains and so could leave and work somewhere else. This could cause the restaurant extra costs as they would have to pay for advertising or training to get new workers. Consequently, the overall costs could increase as well as productivity decreasing for the UK restaurant chains. However, inorganic growth could cut down on costs as when two businesses join together or become one they would have too many managers doing the same role so could make them redundant.

Another problem is that inorganic growth is expensive. Therefore,

The Restaurant Group would use a large sum of finance which could be risky especially in the same market and not another where they could diversify the risk. As a result, when restaurants faced food, wage, and energy inflation in 2020 around 700 chain restaurants shut down including dozens of The Restaurant Group and Casual Dining Group restaurants such as Chiquito and Bella Italia. This meant that the restaurant chains that invested in a takeover ~~where~~ were not able to invest that money into another sector that could have been successful. As a result, the growth of restaurant chains in the UK would have slowed down. However, the inorganic growth allowed The Restaurant Group and Casual Dining Group to have access to the brand names and patents that can be used in other countries that are not experiencing a fall in real household incomes.

To conclude, inorganic growth can cause clashes in corporate culture as well as communication between firms to slow down. However, it does allow the business to have less competitors as well as a larger market share. In the long run, the inorganic growth will have been a good way to grow as the UK economy will eventually move from a recession into a boom which would cause sales to pick up again.



The candidate demonstrates accurate knowledge and understanding, supported throughout by use of relevant well chosen evidence. Reference to possible culture clashes balanced by the speed of growth and market share are pertinent and show a full understanding of the question.

Arguments are developed and to some extent evaluated. Reference to the high cost of and risks associated with inorganic growth is particularly impressive. While there is an awareness of the validity and significance of competing arguments, the final comments about the recovery after a period of decline was rather limited and contradicted the evidence of failure presented in the data. This keeps the response at the bottom of level 4.



It is a good idea to plan a 12 mark response before beginning the full answer. Be clear about your main arguments and counter-arguments. At the end of each paragraph ask yourself, am I answering the question? This will help focus the response and make it more likely to achieve a high level. Always try to attempt a conclusion in a 12 mark essay question.

Question 1 (h)

This question intends to test understanding of the role of stakeholders, specifically the potential conflicts between stakeholders in the context of the development of dark kitchens. What was surprising was the confusion evident about stakeholders. Many candidates talked about the clash between shareholders and employees, however far fewer mentioned the consumer or other takeaway firms who do not use dark kitchens. Furthermore, while many candidates mentioned environmental effects, few identified a specific stakeholder group in this respect.

As with many of the longer levels based questions, there was a tendency to make unsupported assertions or offer lots of unexplained points, rather than following through coherent chains of reasoning which led to many level 2 or even level 1 scores. Quality of argument and using accurate analysis and evaluation are vital in answering this question.

This is an example of a 12 mark, top of level 4 response, which makes an excellent effort to answer the question.

(h) With reference to Extract B, assess potential stakeholder conflicts associated with the growth of dark kitchens.

(12)

There are multiple stakeholders involved in dark kitchens: employees, consumers, owners, managers, government and shareholders. Multinationals (MNCs) like Food Stars and Deliveroo (meaning they are global corporations and have multiple ~~shops~~ storefronts in different countries) are the largest operators of dark kitchens in the UK and their main business objectives are profit maximisation $MC=MR$, sales maximisation $AC=AR$ and maybe market share, they get this by lowering AC, by underpaying employees to satisfy their shareholders. This could create stakeholder conflict with employees as they want higher wages and better working conditions. The MNCs could also be creating stakeholder conflict with the UK Government, even though they want large MNCs like Deliveroo to make loads of profit to increase their tax revenues as corporation tax increases with how much profit they make, they as Governments also need to regulate them to make sure they are also ethical and treating their employees well. So this could

be a stakeholder conflict. Moreover dark kitchens are located in low-cost areas but there has been concerns about the sites being located near to residential sites. There could be conflict between the MNCs substantial growth of these sites and the local community, due to an increase in noise pollution, with suppliers trucks entering the grounds at early morning or noisy capital equipment like large ovens, which may also generate air pollution.

However, deliveroo and food stars may create jobs for the local community - decreasing local unemployment, as they need chefs and more delivery drivers in that area. ~~They~~ ^{Deliveroo} may also improve infrastructure around the local community as they may need to build more roads for their delivery drivers, which may make it easier for the community to get to work.

To conclude, I think the biggest potential conflict of the growth of dark kitchens is the employees and shareholders/owners although consumers may benefit from more choice.



There is accurate knowledge and understanding, supported by the use of relevant evidence which is well chosen. There are logical, coherent chains of reasoning, showing full understanding of the question. The use of relevant examples, including the potential conflict between the multinationals and the UK Government, is particularly good.

Arguments are developed and evaluated. There is a full and balanced awareness of the validity and significance of competing arguments. The reference to the supply of jobs to the local community balanced by the environmental impact is also very good.

Finally there is a brief attempt at a conclusion to the essay and the quality of previous analysis and evaluation is sufficient to demonstrate an awareness of the validity of competing arguments.



The most successful conclusions do not have to cover every point made in the essay. A judgement should be made about the main or key arguments. For example, what is most important? How might this change in the future?

Question 2

There were some very good responses to this question that really did address the issues and demonstrated good knowledge and understanding, which was pleasing. However, some responses just went through a generic description of JIT and identified one or two possible disadvantages without reference to the case study material.

While the question referred to did not refer directly to the Extracts, this did not mean that these were to be ignored in favour of other examples.

There were some examples of essays focused entirely on alternatives to JIT, giving little or no attention to the question. There were also some extended discussions of the inability of firms to benefit from economies of scales if JIT is used. This is clearly incorrect.

This very good response gains 18 marks, at the middle of level 4.

2 Evaluate the impact of just in time (JIT) management of stock on the efficiency and competitiveness of firms.

(20)

Just In Time management refers to the idea that stock arrives only when it is needed, so warehouses are not used or needed. This is thought to increase efficiency, ~~as~~ because as soon as shelves are empty, stock arrives.

One impact of Just in Time stock management is that it is cost efficient because there is no extra storage, so no need to pay high expenses and rent for big warehouse spaces. However, as Tesco and Aldi demonstrated in August 2021, Just in Time stock control is not always efficient because it is heavily reliant on the supplier. Therefore, if the supplier doesn't bring the stock right on time, companies such as Tesco and Aldi can fall back from customers and potentially a poor brand reputation. This is because the company could be seen as unreliable. However, Tesco did attempt to resolve this by announcing a £1000 bonus for lorry drivers between the 14th July to end of September, for the summer season while demand was high.

Another impact Just in Time has is shortages and damaged supply chains, which is a negative consequence of globalisation. This is because transportation ~~of~~ through trains, ships, trucks can face disruptions within the supply chain, and lead to shortages, specifically of semiconductors. These are used within car making, as well as consumer electronics, household appliances

and smartphones. This means that these every day items cannot be produced, and they all have relatively inelastic demand, because of failure of coordination. This can mean that competitiveness is reduced because there is a shortage in supply, so firms cannot compete with each other.

A just in time stock control also means that companies cannot respond to sudden surges in demand for products. Examples of this ~~is~~ were demonstrated in lockdown during COVID-19, as there was a sudden demand for face masks and hand sanitiser and soap, which supermarkets could not keep up with. Therefore just in time stock management does not respond well to external shocks and uncertainty within the market. Therefore these lean production methods, minimising waste, cannot cope with high demand suddenly.

Lastly, UK stores only have around 1% of gas storage capacity out of Europe's total storage, compared with Germany which has 16 times the amount of storage capacity that the UK has. This makes the UK vulnerable to higher global prices and at higher risk of gas shortages in 2021-2022 winter. Therefore, the low storage levels result in higher unexpected and uncertain levels in demand. Even if companies wanted to use alternative methods of stock management they may not be able to because there is no price for any

storage to be kept. As a result, the VM is likely to continue suffering from inefficiencies and ~~reduced costs~~ caused by JIT. However, if one company receives their stock quicker than another, this can increase competitiveness, as customers will go to that company for their goods.

In conclusion, Just in time has benefits including reduced costs as no rent needs to be paid, however the costs outweigh the benefits, as just in time stock control is unreliable and can result in poor brand reputation.



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Examiner Comments

The candidate demonstrates accurate knowledge and understanding, supported by use of relevant evidence referring to TESCO and Aldi, semiconductors and gas storage to support the argument.

There is a developed chain of reasoning, showing understanding of connections between causes and consequences in respect of shortages during the global health crisis. Arguments are well-developed and partially evaluated.

A conclusion is attempted but does not add a great deal to the previous analysis and evaluation. This keeps the response at the middle of level 4 rather at the top.



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Examiner Tip

Make sure that you use as much of the data provided as possible and use your own examples to support arguments. Try to keep up to date with developments in industrial practices, including retail, distribution and international trade.

Question 3

This final question was generally answered quite well but with fewer responses demonstrating a balanced awareness of competing arguments than in Q02. Often, responses to this question were able to refer to economic growth and the trade-off with demand-pull inflation and environmental sustainability. Less often, there was an engagement with increasing productive capacity and investment in renewable energy sources. That is, growth without inflation and with less environmental damage.

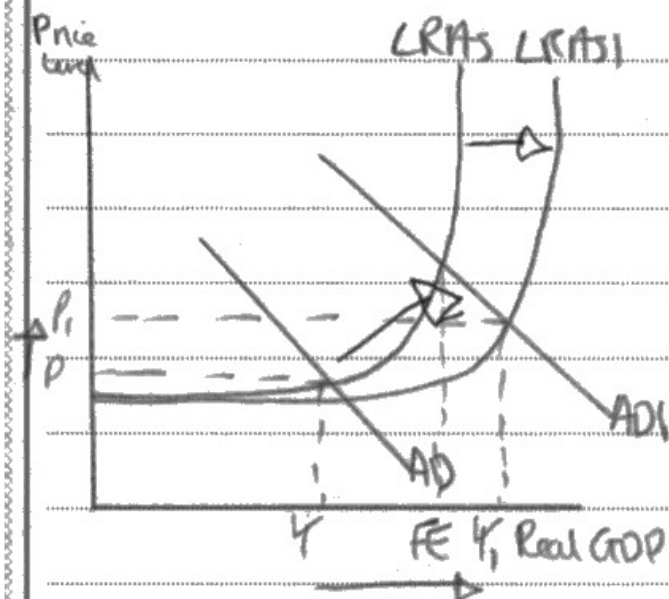
In addition, some candidates discussed how higher investment and the movement to environmental sustainability in the long-term might depend upon short-run growth which could be damaging to the environment.

Although Norway is referenced in the case study materials, this does not mean examples have to relate to this specific economy. Candidates who used their own examples to support analysis were rewarded and were often able to show an awareness of competing arguments by doing so.

This response is typical of a high level 3, achieving 15 marks.

3 Evaluate the extent to which there is a trade-off between the policy objective of economic growth and the other objectives outlined in Extracts H and I.

(20)



A trade-off occurs when having more of one thing leads to having less/a worsening of something else. UK economic is expected to match the USA in 2022, but it will also face the highest rate of inflation, and can also have negative externalities on the environment. Therefore, the trade-off between economic growth and these objectives is considerably high.

There is clearly a trade-off between economic growth and higher inflation. An increase in economic growth can be seen as LRAS shifts to the right, and AD also shifts to the right. This therefore leads to an ~~extra~~ increase in real GDP from Y to Y_1 , as the productive potential of the economy increases. However, this also comes with significant inflationary pressure. Due to this economic growth, price levels have increased from P to P_1 , as a result of demand pull inflation. This inflation occurs due to expansionary fiscal

or monetary policy which will increase consumer disposable incomes. This will therefore lead to higher consumer spending, higher demand leading to demand pull inflation. These expansionary policies also have the potential to lead to higher cost push inflation, as lower interest rates used to stimulate growths will lead to a depreciation of the pound. This will therefore increase the cost of inputs which will increase the costs of production for firms that import. These higher costs will be passed onto consumers, leading to cost push inflationary pressures. However, ~~however~~ this depends on the rate of change of economic growth in the UK as to how much this will affect inflation. A slower and more sustainable growth in economic growth ~~will~~ will not produce such high inflation rates as consumer spending will not increase at such high rates.

Also, it can be seen that there is a trade-off between economic growth and environmental sustainability. Many of the world's most prosperous countries are its least sustainable, as high sustainability usually increases ~~costs~~ production costs for firms. Countries such as Norway export fossil fuels to be burned elsewhere in order to gain profits without experiencing the backlash of being unsustainable. Therefore there is a trade-off, firms who are aiming to have the lowest costs and highest profits are unwilling to sacrifice these profits on more sustainable practices. If they did, this would lead to higher costs, leading to higher prices which

would reduce demand and therefore lead to lower profits. In Mass markets, a firm whose price is higher than other firms will see a significant decrease in their sales, which is why firms will aim to have these as low as possible. Therefore, if domestic firms have the lowest possible costs, this will make UK goods more competitive worldwide which will therefore increase AD to the left and increase levels of economic growth. However, this impact on the environment may not be as a result of economic growth, and could be due to asymmetrical information, and firms not having access to sustainable methods of production. Also this could be due to the desire of firms to be allocatively efficient and match the 'Annual demand for resources which uses the equivalent to 1.7 earths. Therefore ~~the~~ firms may be damaging the environment to meet consumer demand rather than for economic growth reasons.

The overall trade-off between economic growth and these other factors ~~is~~ depends on the type of economy and the extent of the economic growth. In the short-term, it is likely that there will be an increase in inflation due to economic growth, however in the long-term this may be offset by more contractionary fiscal and monetary policies. Also, there are other factors that affect the rates of inflation within economies, and therefore can be attributed to this rise rather than economic growth.

(Total for Question 3 = 20 marks)



There is accurate knowledge and understanding here, supported by the use of relevant evidence to support the argument. There are developed chains of reasoning, showing an understanding of connections between increases in AD, LRAS and inflation. This is supported by the use of an accurate AD/AS diagram. Arguments are generally well developed and partially evaluated. There is an awareness of the significance of competing arguments, although this lacks balance. The reference to slower growth, lower consumption and less environmental damage is particularly appropriate.

A conclusion is attempted but does not really show a full awareness of the significance of competing arguments and keeps the response in level 3.



Diagrams must be accurate. Accurate labels for axes and equilibrium price level and output are basic elements of knowledge and understanding. Practice drawing diagrams to show increases and decreases in AD and AS, with the resulting impact on price level and real output. These can then be used to support analysis and evaluation.

Paper Summary

Based on their performance on this paper, the following advice is offered:

- Candidates should learn basic definitions, along with standard quantitative skills, including appropriate diagrams and calculations. QS1-QS9 Quantitative Skills taken from DfE Subject Content for Economics are published as Appendix 3 in the Economics B Specification.
- Where possible, candidates are encouraged to use the data provided in their responses or to use their own, relevant data. The use of data requires more than simply quoting figures or copying sections of text from the extracts provided. It is the active use of the data that is rewarded.
- If a question asks candidates to 'discuss', 'assess' or 'evaluate', then an awareness of competing arguments must be demonstrated for higher levels to be attained. Alternatively, if the command words 'explain' or 'analyse' are used then a coherent chain of reasoning is expected, but not an awareness of competing arguments.
- It is important that candidates practice completing different types of questions in timed conditions to ensure that their writing is logical and legible. This will also reduce the likelihood of timing problems during the examination.

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>

