



Examiners' Report June 2024

GCE Economics B 9EB0 02

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June 2024

Publications Code 9EB0_02_2406_ER

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Introduction

In keeping with all previous examination series, 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 a calculation of an index numbers and a calculation of price elasticity of demand. In other words, quantitative skills numbers:

- QS5 calculate and interpret index numbers
- QS8 make calculations of elasticity and interpret the result

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 assess the impact of high imported energy and commodity prices on the circular flow of income. Despite the data suggesting otherwise, many candidates suggested that the impact may be positive, as firms and households apparently switch to domestically produced energy and commodities. In some cases, sections of the extracts were simply copied out and the concepts of injections and withdrawals/leakages not addressed. This meant that the question was not being answered.

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 two extracts focused on the market for cloud computer services. Very few candidates were either willing or able to introduce their own examples of where regulation has been used to control the behaviour of large, powerful multinational firms. An even smaller number were able to evaluate intervention in the context of the cloud services market with the large, well-known brands. They were more likely to simply list the potential theoretical types of regulation without illustrating this with specific examples related to the context. Is cloud computing different to the soft drinks market or fast food, for example?

However, by contrast, it was pleasing to see some candidates bringing recent data on unemployment, underemployment and economic inactivity in the UK economy into their analysis and evaluation in Question 3. It is important that candidates are encouraged to monitor, discuss and use current economic data so that they can introduce this into their responses 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 requires candidates to use the information in Extract D to calculate, to the nearest whole number, the index for UK bread prices in 2023. This was straightforward if candidates were familiar with **QS5 calculate and interpret index numbers** (see above) and had some experience of calculating index numbers from a price series. Candidates who knew the correct formula for calculating an index number were therefore able to achieve full marks. It is important to note the question asks for the index number to be calculated to the nearest whole number. One mark was occasionally lost by giving the answer as 129.5 rather than rounding to 130.

- 1 (a) Using the information in Extract D, calculate, to the nearest whole number, the index for UK bread prices in 2023. You are advised to show your working.

(4)

$$\text{index} = \frac{\text{2023 value}}{\text{base value}} \times 100 \quad \leftarrow$$

$$= \frac{1.36}{1.05} = 1.295\dots$$

$$\times 100 = 129.5\dots$$

$$\text{index} = \underline{\underline{130}} \quad (\text{answer})$$



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Examiner Comments

This response achieved 4 marks with the correct answer given as 130. The candidate shows their working, as suggested in the question. They would therefore have achieved a Knowledge and Understanding Mark for the correct formula and two Application Marks for the correct working.



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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? Have I included any currency units, if required? Have I rounded-up or rounded-down?

The mark scheme shows how marks could be awarded for showing workings and all candidates would be well advised to do this for all calculate questions.

Question 1 (b)

This question requires a calculation of price elasticity of demand (PED), using the data taken from the stem of the question and from Extract D.

Although the question involves the calculation of a percentage change and then a simple division, producing a PED coefficient to 2 decimal places, there were many common errors. The most regular error was to get the formula incorrect, dividing change in price by change in quantity. Another common error was to express the coefficient of PED as a percentage or multiplying the coefficient by 100 to give an incorrect final answer. In this case, the coefficient was positive and there were a few examples of candidates adding a minus symbol to the positive coefficient, despite having clearly calculated a positive coefficient.

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Sales data shows that demand for 800 g white sliced bread increased by 0.6% between 2022 and 2023.

- (b) Using this data and Extract D, calculate, to 2 decimal places, the price elasticity of demand (PED) for 800 g white sliced bread between 2022 and 2023. You are advised to show your working.

(4)

$$PED = \frac{\% \Delta QD}{\% \Delta P}$$

$$\text{Percentage change in price} = \frac{\text{New Price} - \text{Old Price}}{\text{Old Price}} \times 100$$

$$= \frac{1.36 - 1.2}{1.2} \times 100$$

$$= 13.33\% \text{ (2d.p.)}$$

$$PED = \frac{0.6}{13.33} = 0.05 \text{ (2d.p.)}$$



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 PED. This is why the statement 'you are advised to show your working' is included in all quantitative questions.



Read the question carefully. In this case PED coefficient was requested and no other comment was required. If it is useful, highlight the keywords in the question, such as 2 decimal places. It is easy to miss a crucial word or phrase in the pressure of an examination. Check your response, as suggested in Q1a above. Does this look right? Is a percentage symbol or currency symbol required? Have I rounded-up or rounded-down?

Question 1 (c)

This question was intended to test candidate understanding of the role of trade unions. It also tested the ability of candidates to apply this understanding to the case study material and to the UK economy more widely.

Look at the mark allocation for this item in the mark scheme. There was only one knowledge/understanding mark for identifying a possible impact, eg higher wages. This mark was not awarded for simply defining a trade union. There are then two application marks for relating this to the context and using the data, or using relevant examples from the candidate's own experience. There is then one analysis mark for developing the analysis of how the higher wages are achieved by the trade union membership.

This is a fairly typical, good response covering all of the marking points for the question.

(c) With reference to Extract A, explain **one** impact trade unions could have on wage rates.

(4)

Trade union represents interests of employees within the workplace. They could ~~no~~ influence wage rises. Trade unions may protects employees through negotiating higher wages due to inflation driven by energy and overseas commodity price shocks, increasing costs of living. Additionally, interest rates have increased putting more pressure on employees outstanding mortgage payments. Therefore, trade unions may have positive effect on wage rates for employees allowing to maintain standards of living.



One knowledge/understanding mark is awarded for identifying an impact – higher wages. There is then an application mark for reference to inflationary pressures. Another application mark is then awarded for reference to interest rates and mortgage payments. Finally, the analysis mark is then awarded for developing the explanation and explaining that the higher wages will maintain living standards.



At this level do not assume that a simple definition will achieve a knowledge/understanding mark. It is the use of this knowledge to demonstrate understanding that is rewarded. Clearly, a knowledge of the role of trade unions was required to identify a possible impact of wage rates. However, simply offering a definition of trade unions would not be answering the question set.

Question 1 (d)

There were many good answers to this question identifying the impact of high inflation on individuals. One common error was to confuse disposable income with real income. Disposable income is income after tax. Real income is income taking inflation into account. High inflation is likely to reduce real income while (nominal) disposable income might increase.

In this question, the two valid impacts must be distinct. For example, increased spending on heating or food and a negative impact of health would be two distinct factors.

This is a response that was awarded the full 6 marks. The candidate has given two valid and distinct impacts: impact on quality of life, and saving and spending. Each is supported with relevant evidence from the extracts. In each case the explanation is developed to achieve the analysis marks.

(d) Analyse **two** ways in which high inflation affects individuals.

(6)

High inflation can impact individuals in many ways, one of which is that it can worsen their quality of life. This can occur for individuals as high inflation will increase the cost of living making it harder for people to pay for daily necessities and needs such as bills, food, hygiene and transport. With it being harder for individuals to purchase these things due to high inflation then their quality of life will decrease.

A second way which high inflation affects individuals is ~~that~~ that it will ~~encourage~~ encourage them to stop spending and save instead. This will happen as to tackle high inflation, interest rates will be risen as well which will create more money on people's savings instead of the spending it all. This affects individuals as there will be less spent on luxuries such as holidays and technology and more saved gaining large interest rates.



This is a response that was awarded the full 6 marks. The candidate has given two valid and distinct impacts: impact on quality of life, and saving and spending. Each is supported with relevant evidence from the extracts. In each case the explanation is developed to achieve the analysis marks.

Try to think of this 6-mark analyse question, where two impacts are asked for, as a 2 x 3-mark question.

Two impacts are asked for and each can achieve 1 knowledge/understanding mark, 1 application mark and 1 analysis mark. Each is therefore marked separately. If only one impact is identified, then a maximum of 3 marks can be achieved.



Try to use paragraph breaks to indicate to the examiner where the first impact ends and the second begins. This is achieved very well in this example. It is also a useful technique to use in the longer essay questions to show a distinct awareness of competing arguments.

Question 1 (e)

This item tested understanding of the link between education as a merit good and the macroeconomy.

Overall, this was a challenging question as it was clear that many candidates did not fully understand the relationship between education, skills, productivity and aggregate supply.

However, there was plenty of evidence of an understanding of a link between low school attendance, educational attainment and either unemployment or low pay.

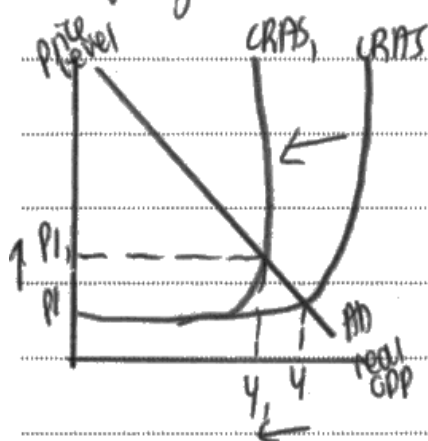
This is a very good response that was awarded the full 8 marks and achieved level 3. It covers all of the marking criteria for level 3 and it included an appropriate diagram. It is worth remembering the Level 3 Descriptor for this question:

Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

(e) With reference to Extract C, discuss the likely impact of falling attendance in schools on the UK economy.

(8)

Falling attendance caused by a lack of physical care and the costs required to travel to educational settings could result in long-term productivity losses. A reduction in the rate of attendance in schools deprives children of the education needed to access higher grades required for further education. As a result, low attainment rates could reduce high skilled labour in the long term, potentially resulting in an inward shift of the CRAS curve from $CRAS \rightarrow CRAS'$, as aggregate supply



is affected by productivity. Potentially, this could lead to a contraction in economic growth, denoted by the movement of $Y \rightarrow Y_1$, alongside rising inflationary pressure. This could likely lead to stagflation.

However, this impact could be

mitigated if the government invests in bursaries for education for means-tested families, so that education is no longer seen as a luxury, and instead as a ~~normal good~~ necessity service. Thus, the impact of falling attendance in schools is largely dependent upon the opportunity cost of government intervention. This is significant because a high opportunity cost may reduce the incentive to provide the merit good that creates positive externalities such as the supply of skilled labour and the potential for a highly productive workforce.



The candidate has demonstrated accurate knowledge and understanding, showing a good understanding of the link between education and productivity, supported throughout by use of relevant evidence which is well chosen. For example, the AD/AS diagram shows the likely impact of low or falling productivity on aggregate supply, economic growth and the price level. The arguments are developed using logical, coherent chains of reasoning. A balanced awareness of competing arguments is evident when there is an evaluation of the ways in which government may intervene, as well as the opportunity costs for government of such intervention.



An accurate and relevant diagram can form the basis for both analysis and evaluation. In a macroeconomics essay, it is worth considering the use of one diagram for analysis and a second diagram to support competing arguments.

Question 1 (f)

The key to this question required candidates to establish the type of poverty, absolute or relative, to which the quote referred.

Most candidates understood that Anderson may have been referring to absolute poverty, although it was evident from the extracts that this is by no means non-existent in the UK.

Many of the weaker responses were unable to achieve beyond level 2 as they failed to demonstrate an understanding of the difference between absolute and relative poverty. For example, how absolute poverty may be reduced through in-work and out-of-work benefits. The best responses tackled the terms of the question, using the evidence to support the argument that while absolute poverty rates may be relatively low, relative poverty is clearly present given unequal income distribution.

This is a response that was awarded 9 marks and achieved the top of level 4.

Here is a reminder of the Level 4 descriptor for the 10 mark question:

Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

In Extract B, Lee Anderson claims that "there is no poverty in Britain".

(f) Assess the extent to which poverty exists in Britain.

(10)

Relative poverty is when an individual has less than the 60% median incomes in the UK, and cannot afford the standard of living set by a society. This may be caused by food inflation as it is at its highest for almost 50 years. This has led to a deterioration in children's health, as families may be unable to provide nutritious meals for their children. This may show relative poverty exists as families may still be able to buy food for their children, but struggle with low disposable incomes. However, it can be argued that relative poverty doesn't exist in Britain as the UK government provides free school meals to children, which saves their family £500 a year. This means that parents may be able to buy higher quality food for their children's health, but choose not to.

Absolute poverty is when an individual is unable to afford their basic necessities, such as food, water, clothing, shelter, etc. This may be shown as child poverty increased in 2023, and many households had to go without heating or washing due to the costs. This has impacted children's education as well, as the costs of sending a child to school is

becoming too much for some families. This may show absolute poverty as individuals are unable to pay for any of their basic needs. However, Lee Anderson may argue that there is no poverty in Britain due to the high GDP per capita of around £30,000 - £40,000. This highlights that individuals cannot be in poverty due to the high income levels.

To conclude, poverty does exist in Britain. GDP per capita does not account for income inequality, as the top fifth quintile has disposable income of 36%, whereas the bottom fifth only has 9%, meaning poverty may exist amongst the bottom fifth quintile.



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Examiner Comments

The candidate has demonstrated an understanding of the distinction between absolute and relative poverty. This is also developed, in context, with reference to the case study material. The argument is supported by use of relevant evidence, with clear chains of reasoning on page one and page two. An awareness of the significance of competing arguments is present in respect of the provision of free school meals, as well as in addressing the usefulness of GDP per capita as a measure of poverty. The terms of the question are actively addressed throughout the response.



Try to become familiar with the level descriptors for the 8, 10, 12 and 20-mark questions.

Read the responses provided within this and previous Principal Examiners' reports, to see how the assessment criteria may be achieved.

Question 1 (g)

This question intends to test understanding of the circular flow of income model in the context of rising imported energy and commodity prices. There are lots of opportunities to gain high level 3 or level 4 marks here, provided answers focus on the circular flow of income. Specifically, the rising value of leakages/withdrawals and the impact of this on the value of the circular flow of income.

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 how imported energy and commodities might be replaced by domestically produced energy and commodities. This was clearly unsupported by any evidence. This approach prevented candidates following a coherent chain of reasoning about the negative impact on GDP or rise in inflation, leading to many level 3 or even level 2 scores.

Quality of arguments, supported with evidence, rather than the quantity of points is far more important with these questions.

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

Here is a reminder of the level 4 descriptor for a 12 marks questions:

Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

(g) With reference to Extract A, assess the impact of high imported energy and commodity prices on the circular flow of income in the UK.

(12)

The Circular flow of income is a model which aims to highlight all injections (expenditure) and leakages (savings) in an economy. ~~Imports~~ ~~likely impact of high~~ imports are regarded as a leakage whilst exports are regarded as an injection.

One likely impact of high commodity prices on the circular flow of income (CFI) is a decrease in leakages. For example, Bank and energy profits have risen. This means ~~that~~ that as prices have ~~not~~ risen due to energy being extremely volatile consumers are forced to continue purchasing energy. This leads to an increase in imports and international expenditure on energy. This subsequently creates a greater sum of leakages in the CFI. As a result rising energy prices can reduce the total amount of money in the CFI.

However it could be argued that, exports of goods and services can recuperate some of the lost leakages. For example, salaries for certain professionals and business services have also risen. This means that although energy prices have been rising, so has

to ~~the~~ businesses services. This means that ~~exports~~ exports of business services to other countries will ~~also~~ create a bycatch to the CFI. This is because exports ~~create~~ ^{large} are capital flows from one country to another, in return for a good or service. Subsequently an increase in exports along with rising prices will ~~greater~~ create a larger sum of bycatches and this recouperate some of the lost leakages. As a result, the extent of leakages will be determined by the growth or decline in an export market.

~~However~~ ~~one~~ Alternatively, one likely impact of energy price rises in the CFI is decreased investment. For example, if costs are rising and volatile, it could create business uncertainty and reduce levels of investment. This is because the costs of production are volatile due to fluctuating energy/commodity prices. Subsequently this deters investment which is a injection into the economy. As a result ~~there~~ decreasing the sum of injections in the economy and highlighting a decline in the CFI.

In conclusion, rising energy and commodity prices will likely create a leakage surplus in the CFI.

However it depends on the economies ability to recoup costs through exports to understand the extent of this.



The candidate demonstrates accurate knowledge and understanding, supported throughout by the use of relevant well-chosen evidence. There is a reference, in the second paragraph, to a decrease in the value of the circular flow of income as a result of increasing leakages which is a direct answer to the question. This is balanced by rising incomes for some and a possible outcome of a rise in the export of business services.

Arguments are developed and to some extent evaluated. Reference to rising uncertainty and to falling investment is particularly impressive. While there is an awareness of the validity and significance of competing arguments, the final comments about the ability to “recoup costs through exports” was rather weak and prevented the response reaching the top of level 4.



It is a very good idea to plan a 12-mark response before beginning the full answer. Be clear about the main arguments and counterarguments. 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 macroeconomic impact of income inequality, specifically in the context of the UK. There was some confusion evident about the difference between income and wealth, which resulted in some substituting the term wealth for income. The distinction between income and wealth is in the specification (in Theme 3.6.4) and needs to be understood.

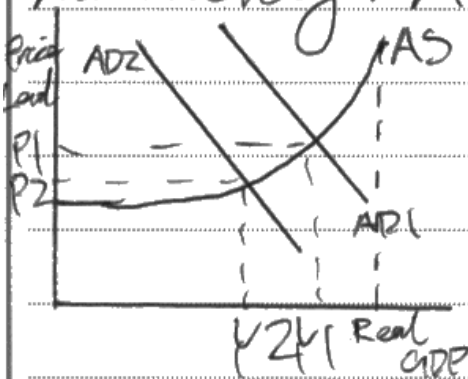
As with many of the longer, levels based questions, there was a tendency to make unsupported assertions and lots of unexplained points about poverty or wealth, rather than following through coherent chains of reasoning in respect of income inequality. This led to many level 2 or even level 1 scores. Quality of argument and the use of accurate analysis and evaluation are vital in answering such a question.

This is an example of a 9 mark, top of level 3 response, which makes a valid effort to answer the question.

(h) With reference to Extract E, assess the possible impact of income inequality on the UK economy.

(12)

Income inequality is the difference in income between ~~a person~~ people or a group of people in the economy. Income inequality may have a negative effect on the UK economy by reducing economic growth. As wealthier people tend to save more money than they spend, the more money they have, the less money is spent so the 'C' component of AD will fall. As the top fifth earn a huge 36% of income in the UK this could reduce economic growth massively. As shown in the diagram:



as AD falls, it cause a decrease in economic growth as real GDP falls from $Y1 \rightarrow Y2$.

However, income inequality may have little impact on the UK economy as although a fall in C could reduce AD, we could see an increase in I as the rich get richer. As

income inequality rises, wealthy people who own the vast majority of assets in the country will have more money. This means that more money can be invested into improving assets in the economy like property for example. Because of this there will be less change in AD and could improve both capacity utilisation and productivity in the UK economy.

Overall, I think that income inequality has a negative effect on the UK economy. With the bottom fifth earning just 9% of income, it makes consumption fall which slows down growth in the economy. Also, it can create cyclical unemployment as it becomes harder for poorer people to get a better wage.



There is accurate knowledge and understanding, specifically in reference to the likelihood that the better off may save more than they spend. The use of an AD/AS diagram is good and adds to the analysis. There is the use of relevant evidence to support the argument, with reference to Extract E and the UK income quintiles. Clear chains of reasoning, with well-developed arguments, are also present with the section on the possible impact on investment. There is an awareness of the significance of competing arguments, although this lacks balance and is evident in the conclusion which does not really add anything to the previous analysis.



The most successful conclusions do not have to cover every point made in the essay or introduce a new point. A judgement should be made about the main arguments. For example, what is most important? How might this change in the future? What might happen, for example, if income inequality was reduced and more active redistributive policies implemented?

Question 2

There were some very valid responses to this question that addressed the issues and demonstrated good knowledge and understanding, which was pleasing. However, some responses just selectively quoted from the case study and remained largely descriptive.

While the question referred to cloud computing in the UK, as well as some well-known service providers, this did not mean that these were the only firm or country that could be addressed in the essay.

A common error was to provide a purely generic discussion of forms of government intervention and then not cover any suitable ways in which the specific sector and the large multinational firms might be controlled by governments. There were responses which recommended quotas and tariffs, without explaining how this might be implemented in the cloud computing sector. There were hardly any attempts to discuss how the environmental impact of data centres might be reduced, or discussions of "power hungry" AI systems.

The response here is excellent and was awarded top of 4 level and 20 marks.

2 Evaluate the methods by which the activities of multinational corporations (MNCs) such as *Microsoft*, *Amazon* and *Google* may be controlled.

(20)

Regulatory bodies may wish to control the activities of firms if they deem their practices to be harmful to consumers. One method of control may be through government legislation. This is the process of introducing laws which make harmful practices illegal. An example of this is the introduction of targets for firms - such as in the rail industry where limits have been set on the number of trains that can be late. This can be useful in markets with low levels of competition, where market failure is occurring - there is a lack of competitive incentive for firms to deliver a good level of service to consumer. This legislation can act as a form of surrogate competition in the market, encouraging firms to improve their services or face legal ~~competit~~ repercussions. This can lead to improved ~~substan~~ allocative efficiency and customer satisfaction, as consumers are closer to getting the service they desire. In the context of extract F, this could include a ban on 'Egress fees', which would allow for consumer to more easily switch between providers of cloud services, and reduce a potentially significant barrier to entry for new firms - which may increase competition within

the market, and in turn consumer choice. However, legislation is only as effective as its enforcement. If it is not properly enforced, then it will have no effect. Furthermore, the cost of implementing a new policy and then the administration cost of enforcing it may result in a significant fiscal burden on the government. This may represent a huge opportunity cost for the government, in the form of funds that may have been better spent on other policies - such as subsidising new firms in the market. Firms may find ways around policies, such as in the rail industry where service providers simply extended the estimates for journey times to avoid fines, as they were technically not late. Finally, any government intervention introduces the risk of government failure. This may come in the form of unintended consequences, where a policy such as banning 'Egress fees' may make costs unmanageable for firms and lead to them going out of business - actually reducing consumer choice.

An alternative ~~not~~ method of control, may involve intervention from the CMA on firms operating within the UK. Due to the ~~highly~~ oligopolistic nature of the UK cloud computer services market, with the top three firms dominating 80% of the market, they may mandate that the top three firms sell portions of their business to

the remaining 20%. This would reduce their monopsony power, and increase competition in the market. This would control their ability to be price setters, and force them to be more competitive. However, this may instead result in these firms leaving the UK, as they are multinational, if they no longer deem operating in the UK worthwhile.

To conclude, controlling MNCs is challenging due to their size, and ability to spread operations across multiple nations. This is especially so in the cloud services industry, due to its 'remote' and digital nature. This allows firms to base their operations in one nation, while providing their service online in another, which presents a huge obstacle in effective regulation. This was demonstrated in the US, when they attempted to regulate Chinese-run 'tiktok'. It seems unlikely that they can be effectively controlled, and the cost of attempting to likely likely outweighs the benefits. One potential solution would be to have a state run cloud service, which could be internally regulated.



The candidate demonstrates accurate knowledge and understanding, supported by use of relevant evidence referring to targets in the rail sector and a ban on egress fees to support the argument. The question is addressed immediately in context.

There is a developed chain of reasoning, showing understanding of connections between causes and consequences in respect of legislation and enforcement. Arguments are thus well developed and evaluated. This puts the response in level 4.

The conclusion on page three is balanced and nuanced, adding to the previous analysis and evaluation and moves it to the top of level 4.



For a 20 marks response it is important to create a simple plan at the top of the available space. This can help to ensure that the response is balanced and not one-sided. A conclusion should show judgement and not attempt to introduce new concepts which have failed to appear elsewhere in the essay.

Question 3

The final question was generally not answered as well as the previous one. Often the best responses to this question were able to refer specifically to structural and technological unemployment in the context of the UK, as well the likelihood that geographical immobility and cyclical unemployment might be a cause. It was disappointing to see that few candidates introduced the concepts of underemployment and high rates of economic inactivity into the analysis.

Candidates who used their own examples to support analysis, such as reference to declining manufacturing in the UK or the cost of living in different UK regions, were rewarded and were often able to show an awareness of competing arguments by doing so.

The response here is a valid, mid-level 4 response.

3 Evaluate the view that the main causes of unemployment are technological and structural.

(20)

One reason why the main causes of unemployment are likely to be technological is because in Extract A, AI models 'hold the promise of automating all sorts of tasks'. This includes work relating to 'writing, creating graphics and summarising and analysing data.' Furthermore, a recent report by Goldman Sachs has said that approximately 500 million jobs are likely to be at risk of being replaced by AI. With AI being able to ^{perform} ~~replace~~ many different functions in an economy, this will reduce ~~the~~ ^{particular} firms' need for labour, leading to redundancy and unemployment. This is simply due to the fact that firms are likely to invest in capital intensive production methods, e.g. the use of AI automation, in order to become more cost-efficient.

However, the use of AI is likely to lead to the creation of more jobs, mitigating the impact that ~~the~~ technological advances have on unemployment. For example, AI ~~is~~ models such as Chat GPT and Google Bard ~~will~~ ^{will} need skill repair maintenance and care, increasing the demand for labour in those particular areas. For example, with the increased adoption of AI by firms, more labour may be needed to maintain and ~~fix~~ ^{fix} any errors, creating new jobs in the economy, mitigating the impact that technological advances have on ~~the~~ redundancies and unemployment. Although, it is still unlikely that the ~~amount~~ ^{amount} of new jobs ^{created} as a result of increased AI maintenance is ~~it's~~ going to be bigger than the amount of employees replaced by AI in the first place.

One reason why the main causes of unemployment is likely to be structural, is due to the immobilities of labour. For example, in the UK, there exists a north/south divide, where those in the south experience a relatively higher standard of living and education compared to those in the north. This has the effect of ~~not~~ reducing the quality of education to employees would receive, meaning that they are ~~not~~ do not have the sufficient skills to transfer to other areas of the economy — they have a limited amount of skills. This can be seen in Extract 1, where unemployment in the South west was at 3.6%, compared to an unemployment rate of 5.3% in the North west. Therefore, as structural change takes place, and demand in one area of the economy falls, and in another area it increases, due to the lack of skills, employment in the north is likely to be higher, and therefore ~~is~~ the main cause of unemployment.

On the other hand, the type of industry that ~~is~~ employees are being made redundant may be more significant than the level of ~~inequality~~ and region of inequality in the UK. For example, in Extract 1, the unemployment in London was 4.8%, compared to an unemployment rate of 2.9% in the Yorkshire and Humber Area. Therefore, although the lack of training and skills ~~and~~ ^{vary} by region, the nature of the industry that is responsible for the unemployment may be more important. London tends to be a ~~service~~ service based economy, and so if workers are being made redundant as a result of lower consumer demand in the economy, ~~for this~~ could be as a more significant cause of unemployment — ~~unemployment related to the economic cycle~~ ^{The type of industry.} ~~unemployment related to the~~ ^{unemployment related to the} ~~economic cycle~~. ~~Industrial~~ service based industries see a reduction in demand due to a recession, and there is less consumer demand. However, in the northern regions of England, where a large proportion of manufacturing takes place for normal

goods, they are unlikely to see a fall in consumer demand, (and so) firms have no incentive to reduce ~~down~~ output, thereby or making employees redundant.

In conclusion, I believe that the main causes of unemployment are likely to be technological in the long term, as firms begin to invest more and more in capital intensive production methods, such as AI automation, reducing the need for labour. Furthermore AI has no limitations, and is still advancing at an ever-growing pace, which could lead to even more layoffs in the long term. However, if the development of human capital in the UK is able to still compete with ~~the~~ AI, we are likely to ~~still~~ ^{still} see a wide range of jobs still being ~~performed~~ performed by humans.



This is a valid response which shows an awareness of competing arguments, with the advantages of capital intensity highlighted along with the outcome for employment. There is balance in this discussion. The idea that there may be lots of new jobs created by AI is questioned, showing judgement.

On page two, the idea of a North-South divide is discussed, with reference to structural unemployment. This is supported with reference to the data on regional unemployment. The quality of analysis certainly put this response into level 4 and this is confirmed with reference to lower consumer demand in London.

This was awarded Level 4 and would have been improved by a more balanced approach introducing, for example, the much-publicised high levels of economic inactivity into the analysis.



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 the UK economy, including employment, unemployment and economic inactivity.

Paper Summary

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

- Candidates should be familiar 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. Candidates also need to be familiar with key concepts included in the specification such as the circular flow of income and geographical immobility.
- Where possible, candidates are encouraged to use the data provided in their responses or to use their own relevant data and examples. 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 relevant to the question 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, not an awareness of competing arguments.
- It is important that candidates practise 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. The available space on the examination paper is an indication of the amount of text expected in response to the question.

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>

