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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 four data extracts and one 20-mark essay question and Section C consisting of four data extracts and one 20-mark question. For the first time, there was a separate Source Booklet and Question Paper. This was to make the use of the data and contexts provided more seamless for candidates - to reduce the time spent turning between pages and increase the likelihood of their active use of data in written answers.

Overall, candidates performed well on this paper but some areas require improved understanding and skills.

For example, successful responses to **Q01(a)** showed an ability to accurately read a graph, extract specific data and then re-organise a standard formula to calculate percentage change. In other words, *QS9 an ability to interpret, apply and analyse information in written, graphical tabular and numerical forms*; _QS8 make calculations of elasticity and interpret the result;_QS2_calculate, use and understand percentages, percentage changes__and percentage point changes._It is surprising that many candidates were unable to extract the correct data from the graph or re-organise the YED formula to calculate the percentage change in demand from the income data and YED coefficient. This really tests some basic skills and understanding.

Q01(c) demanded an understanding of the regressive nature of food price inflation and how this might impact living standards. While most candidates were able to explain the likely impact on diet, using supporting evidence from the data extracts, far fewer really demonstrated an understanding of the regressive impact.

Similarly, **Q01(d)** needed more than simply stating two ways in which Trade Unions work with employees and employers, such as negotiating on pay and conditions. It also needs some development and a demonstrated understanding of how this might impact the labour market. That is, the supply of labour and the demand for labour.

Q01(g) required candidates to select from a range of policy instruments most likely to reduce the cost of childcare. It did not ask for a generic outline of fiscal and monetary policy, or supply-side policies. The most successful responses applied knowledge and understanding to the question. Specifically, to the question of how childcare costs might be lowered. The best responses identified one of the most likely policy instruments, such as subsidies. They then proceeded to evaluate the use of such a policy instrument in terms of cost and unintended consequences.

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. **Q02** presented four extracts where privatisation as a supply-side policy was described, data presented and some outcomes discussed. It was pleasing to see some candidates bring recent data on debt burdened water companies, as well as other privatised industries such as rail, electricity and Royal Mail into their answers. The question was very open and all such use of examples were accordingly rewarded.

Q03 again presented four extracts and another open question about the economic impact of the UK leaving the EU. The best responses here developed arguments beyond the extracts, looking at more recent developments in international trade and US tariffs.

Question 1(a)

This question first requires candidates to select the correct value from Extract D to calculate the percentage change in demand for frozen food, using the YED coefficient -2.37.

The first step was therefore to identify the data series for December 2022 in Extract D - this was -4.4%. The candidate then had to multiply -4.4% by -2.37 to give the percentage change in quantity demand for frozen food in December 2022. The question also asked for the answer to be given to 2 decimal places.

Marks were lost for a range of avoidable reasons. The main reason was not giving the answer as a percentage. This meant an otherwise accurate answer only achieved 3 marks. Another common reason was not giving the answer to 2 decimal places. Another reason was that a negative percentage change in demand was given. In some cases, while the correct value for December 2022 was identified, this was then divided by the YED coefficient producing an incorrect answer.

This is a typical, full-mark response giving the correct final answer but covering all of the available marking points from the mark scheme.

Answer ALL questions.

SECTION A

Read Extracts A–D in the Source Booklet before answering Question 1.

Write your answers in the spaces provided.

1 It is estimated that the income elasticity of demand (YED) for frozen food is -2.37.

(a) Using this data and data in Extract D, calculate to 2 decimal places, the likely change in demand for frozen food in December 2022. You are advised to show your working.

(4)

$\cancel{x}$ $YED = \frac{\% \Delta \text{ demand}}{\% \Delta \text{ income}}$ -4.4% in Dec 2022

$-2.37 \times -4.4 = 10.43\%$ (2dp)

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Examiner Comments

While the correct answer is given as 10.43% (this would achieve 4 marks without any working), a knowledge mark could be awarded for an accurate formula for YED.

1 application mark for identifying the correct value for December 2022 as -4.4% and 1 application mark for the correct multiplication of this value by the YED coefficient (-2.37 x -4.4).

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Examiner Tip

Always check your answer for a calculation question. Check that you have selected the correct value(s) and be careful with positive and negative numbers. If the question asks for 2 decimal places, make sure this is what you present.

Question 1(b)

This question tested knowledge and understanding of the concept of aggregate supply (AS). The candidates who understood that AS is determined by the quantity and quality of the four factors of production, specifically in this case labour, tended to achieve very well. The use of examples from the case study, such as reference to the number of vacancies and the inability of firms to meet export orders then supported the explanation. Of course, it was important that the impact on AS (lower or reduced) was explicitly identified for the analysis mark to be awarded.

This is a full-mark response covering all marking points and showing good understanding of the concept of aggregate supply (AS).

(b) With reference to Extract B, explain the impact of labour shortages on aggregate supply.

(4)

Labour shortages cause a decrease in aggregate supply. If firms do not have enough employees, they may struggle to meet "domestic and export orders". The 1.13 million vacancies in the UK job market means that overall productivity and output in the UK may decrease. As labour is one of the factors of production, a labour shortage leads to an inward shift of aggregate supply, and reduced economic output.

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Examiner Comments

1 analysis mark is gained in the first sentence, where the impact on AS is suggested.

There is then 1 application mark awarded for reference to the number of vacancies and 1 application mark for reference to domestic and export orders.

1 knowledge mark is awarded for the final sentence, where labour is identified as one of the factors of production.

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Examiner Tip

Be familiar with the mark allocation for 4-mark 'Explain' questions. In this case the marks are: 1 knowledge, 2 application and 1 analysis mark.

Read through your answer and ensure that all the marking points have been covered. Are there enough examples? Have you explained how or why? Have you completely answered the question?

Question 1(c)

This question was intended to assess understanding of the regressive impact of food price inflation, specifically in terms of the impact this might have upon living standards. The less successful responses simply gave a definition of inflation, one reference to the increasing purchase of frozen food or cheaper brands. The best responses explained that low and fixed income groups are more likely to spend a higher proportion of their income on food. They then went on to reference this to the context provided, or by reference to the impact high expenditure on food might have on spending on other basic necessities such as energy, clothing and housing. Finally, there was a link to lower living standards, in some cases through poor health.

This is a good response, demonstrating a clear understanding of the regressive impact of food price inflation and the impact on living standards.

This response is characteristic of a full mark response. The question is clearly answered with reference to Extract C.

(c) With reference to Extract C, explain **one** reason why high food price inflation might affect the living standards of low or fixed-income groups.

(4)

A higher proportion
A ~~[illegible]~~ of their income is spent on food due to rising prices. 30% of people are buying discounted food and 21% of people are buying less meat and fish to save money. This means that the higher cost of living due to inflation means low-income consumers have to consume less food or food of lower quality / past the best before date as they cannot afford higher quality goods. This reduces living standards as it may cause illnesses or some people may have to skip meals as they cannot afford enough food.

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Examiner Comments

Knowledge mark awarded for the first sentence, where the proportion of income spent on food is identified.

2 application marks awarded for the valid reference to Extract C - discount food and less meat and fish.

Then the analysis mark is awarded for developing the explanation in terms of the impact upon living standards.

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Examiner Tip

Try to keep a 4 mark-response concise and read though your answer. Would it be possible to guess the question from the response? If not, then it is likely that the question has not been answered.

Question 1(d)

There were many good answers to this question identifying two ways in which Trade Unions impact the labour market. There was also evidence of an effective use of the stimulus material, specifically in reference to higher pay in the case of junior doctors, pensions, holiday entitlement and working hours for teachers and train drivers.

In this question, the two valid impacts must be distinct. For example, pay can be used twice but must be distinct, in so far as higher pay may increase the supply of labour or decrease the demand for labour. The main reason candidates did not achieve full marks was that while they identified an impact such as higher pay (knowledge mark) and made reference to the data to support this (application mark), they did not then go on to explain the consequence for the labour market (analysis mark).

This response achieves the full 6 marks. The candidate has given two valid and distinct impacts: pay and working conditions. Each is supported with relevant evidence with reference to the extracts. Both of the two explanations are then developed in terms of the likely impact on the labour market with decreasing demand for labour and increased supply of labour.

(d) With reference to Extract A, analyse **two** ways trade unions and professional bodies impact the labour market.

(6)

A trade union is one which strives to uphold the rights of workers in the form of pay and working condition. One impact of the 'doctors trade union' is that they would be striving for a 35% pay rise. This would likely decrease the demand for labour since employers will be less likely to pay ~~more~~ higher wages since it will cost the NHS more to operate

Another impact of a trade union is that they would likely increase the supply of ~~labour~~ labour. This is because more people would be willing to work for better working conditions, working hours and holiday entitlement this would likely cause an excess in supply of labour and therefore disrupt the equilibrium wage rate.

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Examiner Comments

2 knowledge marks awarded in first sentence for 2 distinct impacts of Trade Unions: pay and working conditions.

1 application mark for the reference to 35% pay rise.

1 analysis mark for decrease demand for labour.

Then 1 application mark for reference to working hours and holiday entitlement.

Finally, 1 analysis mark for excess supply of labour as a consequence.

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Examiner Tip

Where two ways/impacts are required for a 6-mark question, think in terms of 3+3 marking. 3 marks for the first way/impact (1 knowledge + 1 application + 1 analysis) and 3 marks for the second way/impact (1 knowledge + 1 application + 1 analysis).

Check your answer before moving on. Are all marking points covered?

Question 1(e)

The wording of this question was taken almost directly from the specification: *3.5.3 b) Skill shortages and their impact on international competitiveness* and overall, this question was completed quite well and it was clear that many candidates understood the impact of skill shortages on productivity and costs. 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 ways in which the impact of skill shortages on international competitiveness might be reduced.

This response is awarded the full 8 marks and achieves Level 3. It covers all of the marking criteria for Level 3: 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 B, discuss the impact of skill shortages on international competitiveness.

(8)

Skill shortages may decrease international competitiveness. With 1.13 million vacancies ~~open~~ ~~for~~ unfilled, firms may struggle to produce goods or services as there are lack of people that are willing and able to do the job. ~~The~~ Consequently, firms may need to pay higher wages to attract ~~more~~ people to work and fill these vacancies. This may cause a rise in firms production cost and ~~in many~~ for many firms labour cost ~~are~~ is the biggest cost or takes up a great proportion of their costs. As a result, firms may increase price of products or services to maintain their profits and thus decreases ~~to~~ competitiveness on the international market.

However, skill shortages may be improved through education and training programs. For example the government has ~~made it free for~~ increased funding ~~for~~ in training programmes to ~~incentive~~ encourage ~~adults~~ and improve affordability of attaining new qualifications ~~or~~ and new skills. Thus ~~p~~ ~~these~~ people can ~~b~~ be retrained and fill in the skill shortages ~~and~~ or gaps in the labour market. Moreover, it depends on what type of skill shortage exists, if ~~it is~~ skill shortages are mainly in ~~a~~ sectors like ~~for~~ caretakers then these ~~jo~~ shortages may be filled quickly.

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Examiner Comments

The candidate has demonstrated accurate knowledge and understanding, showing a good awareness of the impact on international competitiveness, supported throughout by use of relevant evidence which is well chosen.

Arguments are developed using logical, coherent chains of reasoning. The impact on wage costs, for example, is logical and coherent.

There is certainly a balanced awareness of competing arguments, exemplified by the suggestion that such skills shortages might be reduced through training and education.

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Examiner Tip

For all levels of response questions (8 or more marks), read through your answer and check that the question has been answered. A good way of doing this is to read the response as if you did not know the question. Then ask, would you be able to tell what the question was by simply reading the response? If not, then the response probably needs more development, focused on the terms of the question.

Question 1(f)

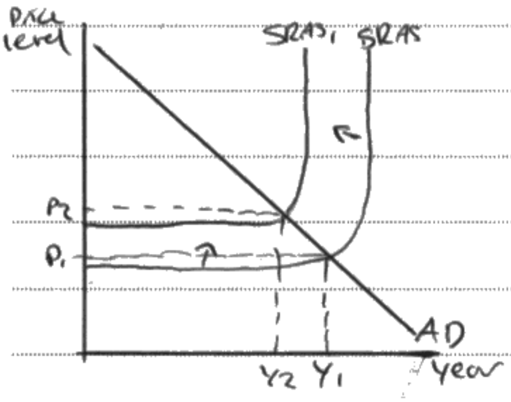
This question is intended to test understanding of the macroeconomic impact of the strikes referenced in the extracts. What was surprising was that while many responses discussed the impact in terms of rising costs and lower productivity, far fewer responses fully developed this analysis to explore the impact on economic growth, inflation, unemployment or the current account on the balance of payments.

The best responses used the data to demonstrate an awareness of competing arguments, highlighting that while aggregate demand (AD) and aggregate supply (AS) might be decreased in the short-term, in the long-term the settlement of disputes might increase AD and AS.

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 strikes, in terms of AS, growth and inflation. This is then balanced by an understanding that the impact depends upon the outcome of the industrial action.

(f) With reference to Extract A, assess the economic impact of the increasing number of strikes on the UK economy.

(10)



One impact of the increasing number of strikes on the Uk economy is that it will reduce the amount of aggregate supply within the economy. Hundreds of thousands of Uk workers took strike action about pay over the winter of 2022 -2023. This means that a significant amount of employees were not working over this period of time meaning the amount of work being done reducing. As shown in the diagram above this leads to an increase in price for the products that are not being made at full capacity in order to match the amount of demand from consumers. This therefore, causes high rates of inflation as prices go up causing there to be a reduction in economic growth as the Monetary Policy Committee will have to take action to prevent prices going up to much.

However, an increasing number of strikes can have a positive impact on the Uk economy as it means workers will eventually become more motivated and will begin to see higher wages. Junior doctors demanded a 35% pay increase to make up for what they argued were 15 years of below inflation pay rises. Although it will see a reduction of short run aggregate supply it can lead to a higher rate of long run aggregate supply. As the workers begin to have higher rates of pay they will be willing to work better as they believe they are getting paid a fair amount. This also attracts new people into training to ~~become~~ have the sufficient skills to gain higher rates of pay. Therefore, causing more people to be working in these industries which help them to function better and generate significant rates of tax revenue from high wages.

In conclusion, I believe that an increasing number of strikes has a significant impact on the Uk economy. Although in the short term it can put strain on the economy and hinder economic growth. In the long run it can have a more beneficial impact on economic growth and peoples incomes.

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Examiner Comments

The script meets most of the Level 4 criteria: 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.

A higher mark within the Level would have been achieved with reference to the short-term impact on AD as well as the long-term impact on inflation and unemployment.

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Examiner Tip

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 Examiner Reports.

The space provided in the answer book is indicative of the amount of words required and time allocated to the question. Do not spend much more than 10 minutes on a 10-mark question when there are longer questions to tackle in the paper.

Question 1(g)

This question intends to test understanding of policy instruments available to government to reduce barriers to employment and to reduce economic inactivity. There are lots of opportunities to gain high Level 3 or Level 4 marks here, provided answers focus on the policy instruments most likely to reduce childcare costs. Obviously, fiscal policy and supply-side policies were the expected policies; however, some candidates gave a generic discussion of fiscal and monetary policy without really addressing the terms of the question.

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 indirect tax on childcare or the high profitability of the nursery sector, 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 higher mark 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. It meets some of the level descriptors for Level 4: 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.

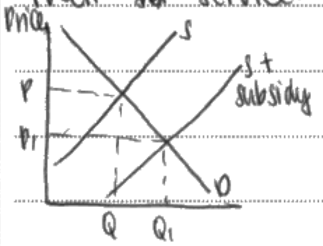
According to the OECD, in 2022 the UK had the third most expensive childcare costs in the world.

(g) With reference to Extract B, assess how government economic policies might help to reduce the cost of childcare in the UK.

(12)

Government economic policies refer to the changes the government can make in order to get the intended effect. They can do this through the fiscal policy where they can alter government spending and taxation. They could also regulate the childcare industry or offer subsidies.

Childcare is an expensive industry and often results in parents 'leaving the labour market' as it is such an expense. The government could offer subsidies to childcare firms so that they can then reduce the cost of their ~~se~~ service. As shown by the diagram, a subsidy helps to increase



supply and as a result, push prices down. This may incentivise parents to put their child into childcare so that they can get a job and contribute to the labour market. Alternatively, the government could increase regulation of the market and put limits on the prices that can be charged. This would help to ensure childcare is affordable but may be relative as not everyone views the same thing as affordable. They could also reduce income tax so that employees get to keep more of their income. This may means that childcare costs seem relatively cheaper as a smaller proportion of their income is spent on it.

However, although the government can implement economic policies to try to reduce the cost of childcare, employees may continue to stay out of work and keep their child at home. Parents may be 'economically inactive' and firms may need to 'adopt flexible working policies and support staff training needs to reduce skills shortage'. Even if the government managed to reduce the cost of childcare in the UK, it isn't guaranteed that parents will use it - especially if they aren't educated or trained. Some government policies ~~of~~ can have unintended consequences. For example, if they regulate childcare firms too much, the excessive red tape could cause firms to shut down completely. Also, decreasing taxation would mean that government revenue decreases and could cause standard of living to fall if less is spent on public goods or welfare payments.

Overall, government economic policies may help to reduce the cost of childcare in the UK. It depends on how much the government could reduce it by and whether it's enough to incentivise parents to spend it and for themselves to get back into work. May have a small impact in the short term as government policies take a while to show effect. In the longer term, childcare costs may significantly reduce.

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Examiner Comments

The candidate demonstrates accurate knowledge and understanding, mostly supported by use of relevant well chosen evidence.

Arguments are developed and to some extent evaluated. Reference to the use of subsidies, including a relevant diagram, as well as price controls, are coherent and logical. While there is an awareness of the validity and significance of competing arguments, the comments about the likelihood of parents not taking the opportunity to use childcare was rather limited. This keeps the response at the bottom of Level 4.

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Examiner Tip

It is a good idea to briefly 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 macroeconomic impact of falling real pay. What was surprising was the confusion evident about the meaning of the term 'real pay'. Some candidates talked about pay after tax, or confused real pay with disposable income. However, many did understand the terms of the question and went on to discuss the impact on aggregate demand (AD), aggregate supply (AS), economic growth, inflation, unemployment and the balance of payments on the current account. Some also discussed inequality and rates of poverty. This was very pleasing.

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

This is an example of a 10 mark, bottom of Level 4 response, which does make a good effort to answer the question and meets some of the Level 4 descriptors: 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.

The response would have been improved by more development of the points made in the conclusion. As it stands, the conclusion adds little to the previous analysis and evaluation.

(h) With reference to Extract D, assess the impact of falling real pay on the UK economy.

(12)

Real pay is pay relative to inflation, where even if actual wages rise, inflation may increase costs faster, leading to lower purchasing power for consumers.

A fall ~~of -4.4%~~ in real pay means consumers have ~~nearly 4.5%~~ less purchasing power. This is important because it means consumers are spending more on necessity goods, leading to lower disposable incomes for other goods. As a result aggregate demand (AD) may fall, due to lower consumption, which makes up 60% of AD, in turn slowing down economic growth.

However, despite 2022 having ~~negative growth~~ falling real pay, during 2021 there was huge growth of up to 7.8%. This is important because, although recently inflation has overtaken wage growth, previously wages grew rapidly, meaning currently consumers should still balance out or even have more purchasing power than before 2021. As a result, previous growth can mean consumers may not stop consumption completely due to time lags in responses to real incomes, therefore growth may not substantially fall.

Additionally, due to large growth in 2021, this can lead to more government fiscal spending. This is because, as incomes were higher, it is likely that the government recieved large tax revenue through income tax, one of the largest contributers. As a result, the ~~govern~~ can invest this back into the economy through projects such as HS2 or a hospital, which can employ the multiplier, leading to growth in the economy.

However, as inflation is high, this can cause consumer confidence to be low. This is because, as people see their incomes fall, they are more likely to save money rather than consuming, which is a withdrawal from the circular flow of income. As a result, as AD falls, the reverse multiplier may lead to ~~this~~ negative or stagnant growth.

Overall, the impact of falling real incomes largely varies in the SR and LR due to time lags in responses, and low stagnant growth.

(Total for Question 1 = 60 marks)

TOTAL FOR SECTION A = 60 MARKS

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Examiner Comments

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, specifically relating to increases in real pay, is particularly good.

Arguments are developed and evaluated. There is an awareness of the validity of competing arguments. The reference to the potential impact of tax revenues is good but needed more development such as reference to fiscal drag.

Finally, there is a brief attempt at a conclusion to the essay but the quality of previous analysis and evaluation is just sufficient to demonstrate an awareness of the validity of competing arguments for Level 4.

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Examiner Tip

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? Consumer confidence? 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 market failure and negative externalities, along with one or two disadvantages without reference to the case study material or to the high revenues, dividends and lack of investment in the sector.

While the question did not refer directly to the extracts, this did not mean that these were to be ignored in favour of other examples or even used to the exclusion of other examples such as privatisation of energy, railways or Royal Mail.

There were some examples of essays focused entirely on the characteristics of monopoly, giving little or no direct attention to regulation or to the question. There were also some very short responses, which perhaps indicated problems with time management. It is important to allocate sufficient time to the 20-mark essays.

This very good response gains 18 marks, at the middle of Level 4. It meets most of the level descriptors for Level 4: Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

The response would have been improved by a more developed conclusion and by more analysis of the link between high revenues, high dividends and low investment (leading to negative externalities).

SECTION B

Read Extracts E–H in the Source Booklet before answering Question 2.

Write your answer in the space provided.

2 The water industry in England and Wales has been transferred into the private sector.

Evaluate the extent to which this has resulted in unintended consequences.

(20)

The water industry in England and Wales being transferred into the private sector was aimed to increase efficiency and investement in the water industry as companies look to maximise their output ~~and~~ with the incentives of achieving high sales revenue and profits. ~~Th~~ This has led to water and wastewater companies making supernormal profits which is ~~ago~~ is seen as government failure as it has brought about ~~unint~~ unintended consequences. It is evident in extract E that many of these highly profitable water companies have paid record dividends to shareholders. This conveys how the government transferring the water industry in the private sector has brought about privatised monopolies which are able to charge consumers high prices ~~resulting in them~~ due to their high market power. This would leave consumers having to pay much higher prices for the supply of water which is a basic necessity. This can be reinforced as the revenue ~~made~~ made by Severn-Trent waters made up to

£1443 million pounds. However this would also bring about higher tax revenues to the government which may be used by the government in order to ensure regulation in the water industry and may even be able to be spent on subsidies in order to lower ~~to~~ the cost of water being paid by consumers, hence reducing the unintended consequences which have been created by government intervention.

Another unintended consequence that has been caused as a result of the privatisation of the water industry ~~is~~ is water companies providing low quality water with the water being provided not meeting the quality that it should be by the regulators. This is because ~~as~~ ~~in~~ although privatisation increases efficiency, this has been taken too far with water companies unintendedly dropping the quality of water that is provided. It is evident that the ~~e~~ environment Agency is responsible for regulating water quality and resources which includes the regulation of drinking water in England and Wales and ensuring that it is safe to drink for consumers. ~~A fall in the quality of~~ If ~~wat~~ the water ~~is~~ being provided does not meet the quality checks, this could lead to further unintended consequences such as the health of the citizens being damaged by drinking water that ~~is~~ is unsafe

This would then lead to an increase in costs to the NHS as they would have to take care of the patients who may fall ill. However ~~if the government~~ it is evident that Ofwat regulates the economic activity of water companies in England and Wales and can issue penalties, such as fines to the firms if they do not meet conditions of their licences which would result in companies ensuring that the water ~~they pro~~ that they provide is quality controlled.

Another unintended consequence would be an increase in pollution caused by ~~water~~ the water industry. Water companies that are driven by profit would not care about the pollution that they cause which is a negative externality ~~as~~ It is evident ~~that~~ in extract F that "externalities are notorious, notably the widespread release of raw sewage into rivers or beaches. This can be reinforced by extract E as firms have failed to meet the target to reduce water pipe leakage which has led to increases in sewage emmissions.

In conclusion, transferring the water industry to the private sector has brought about a high extent of unintended consequences despite increases in efficiency. This may be difficult for the government to regulate as stated in extract E as "polluters have been left to self-report pollution events but have unreported them widely"

(Total for Question 2 = 20 marks)

TOTAL FOR SECTION B = 20 MARKS

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Examiner Comments

The candidate demonstrates accurate knowledge and understanding, supported by use of relevant evidence referring to revenue and dividends, monopoly power and water as a basic necessity to support the argument.

There is a developed chain of reasoning, showing understanding of connections between causes and consequences in respect of water quality and regulation. Arguments are well-developed and partially evaluated, although the link between high profits, dividends and lack of investment are not sufficiently developed.

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 try to use your own examples to support arguments. Try to keep up to date with developments in the UK economy, including utilities and transportation, as this is an area subject to recent policy interventions.

Question 3

This final question was generally answered quite well, with more responses demonstrating a balanced awareness of competing arguments than in Q02. Often, responses to this question were able to refer to the impact on the balance of trade and economic growth, as well as the trade-off with being outside of the EU and able to negotiate bilateral trade agreements with USA, Australia and New Zealand. Less often, there was an engagement with the concepts of trade creation and trade diversion, both concepts clearly stated in the specification.

In addition, some candidates discussed the extent to which being outside of the common agricultural policy (CAP) presented threats and opportunities for UK agriculture.

Although the Trade and Co-operation Agreement is referenced in the case study materials, this does not mean all answers have to relate to this specific treaty. Candidates who used their own examples of more trade recent negotiations to support analysis were rewarded and were often able to show an awareness of competing arguments by doing so.

This very good response gains 18 marks, at the middle of level 4. It meets most of the Level 4 descriptors: Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

The response would have been improved with some effort to address labour immobility and the impact that restrictions on EU migration has had on UK labour shortages.

SECTION C

Read Extracts I–L in the Source Booklet before answering Question 3.

Write your answer in the space provided.

3 Evaluate the impact on the ~~UK economy~~ of the decision to ~~leave the EU.~~

(20)

The impact on the UK economy of the decision to leave the EU is positive to an extent. This is because as a result of leaving the EU ~~they~~ UK is able to agree to preferential trade agreements with other countries without having to have the same trade agreements ~~with~~ ~~each~~ their other EU countries have with other countries. This may result in potential trade creation as the UK no longer has a common external tarrif so can benefit from potentially cheaper alternatives to import. As a result of this ~~they co~~ the UK can reduce costs of production and potentially become more internationally competitive which would boost exports and reduce the balance of trade deficit. Thus resulting in economic growth as ~~AD~~ Aggregate demand rises.

However there is a potential trade off as ~~what~~ by the ~~the UK leaves the~~ UK leaving the EU they now have to complete inspections of specific goods when selling to the EU. For instance the 'TCA' has meant that to qualify for tarrif free access the firm must prove their goods are 'locally made' and ~~their~~ there are complex rules to follow to prove this The increase of red tape creates a disincentive to trade due to it being time expensive and also costly, this may negatively impact the UK exports into the EU and worsen the deficit in balance of trade. This can be seen as the balance of trade between the UK and EU has gone from £-38,589 million in 2021 to £-108,710 million in 2023. A £70,121 million decrease which will negatively impact AD as (X-M) is a component of it so economic growth may fall.

In addition the UK leaving the ~~EU~~ EU may have a negative impact on the UK economy to an extent. This is because the subsidies replacing the EU's common agricultural policy have been delayed. And as a result of this it has left many farmers much poorer. ~~As a~~ As cost of farming rises, food prices may also rise which will have an impact on the whole economy. This may result in cost push inflation and so a potential fall in real incomes which will reduce the disposable incomes and in turn reduce consumption. As AD = C + I + G + (X-M) and C is 60% of AD, a fall in consumption will result in an inward shift in aggregate demand and a fall in real GDP which will negatively impact the economy.

However with farming becoming more costly it may result in innovation and increased efficiency in order to reduce costs and improve their international competitiveness. In addition with the government spending less, the budget deficit may be reduced and so the government may reduce taxation rates which would boost individuals disposable incomes and allow them to consume / purchase more goods, resulting in a rise in aggregate demand and so a rise in real GDP. This would in turn mean there is economic growth.

In conclusion, whilst leaving the EU enables the UK to set preferential trade agreements and benefit from revenues due to tarrifs, the negative impact of increased red tape, reduced tourism from EU countries and reduced exports to the EU will overall negatively impact the UK economy as they will see a fall in demand for exported goods and also potentially a rise in inflation as many goods are purchased from abroad.

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS
TOTAL FOR PAPER = 100 MARKS

ResultsPlus
Examiner Comments

The candidate demonstrates accurate knowledge and understanding, supported by use of relevant evidence using the concept of trade creation to support the argument.

There is a developed chain of reasoning, showing understanding of connections between causes and consequences in respect of increasing 'red tape' and the trade deficit. Arguments are well-developed and partially evaluated.

A conclusion is attempted and does add to analysis and evaluation. This moves the response to the middle of Level 4 rather at the bottom.

ResultsPlus
Examiner Tip

Try to organise 20-mark responses around arguments and counter-arguments. Use paragraphs to structure these arguments, so that competing arguments are linked. This can help to provide balance. In addition, this can then help to construct a conclusion based on the significance of these competing arguments rather repeating earlier points.

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 are taken from DfE Subject Content for Economics and 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 and examples. The use of data requires more than simply quoting figures or copying sections of text from the extracts. It is the active use of the data that is rewarded. The level descriptors are quite precise here where, for example, Level 4 in a 12-mark question requires that arguments are 'supported throughout by use of relevant evidence which is well chosen'.
- 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. This is important exam technique for improving time management in an examination.
- It is important that candidates practise completing different types of questions, ideally 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

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