Examiners' Report
June 2025

GCE Economics B 9EB0 03

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June 2025

Publications Code 9EB0_03_2506_ER

Introduction

The 2025 paper proved to be as accessible as previous series of 9EB03 with a similar level of overall demand. It generally performed well, with some very good responses showing high levels of knowledge, analysis and evaluation.

However, as with previous papers, many answers lacked context and supporting evidence. This paper is based on a pre-released topic and centres should have taken full advantage of this and used the topic in classwork, assignments and wider reading. This should have included looking at a wide range of case studies and examples. Answers that showed evidence of this were disappointingly rare; many just treated the exam paper as a comprehension exercise and some responses were wholly generic. Question 1(c), Question 1(d) and Question 2(d) were particularly badly supported in this way.

Candidates need to apply proper context and to use examples to reinforce their responses. Generic or stock answers are very unlikely to access the higher levels of the mark scheme. It is worth stressing that the '*use of relevant evidence*' is a key part of the level descriptors in the mark scheme and without this, candidates will struggle to reach the higher levels.

The other main reasons for some candidates underachieving were the usual ones of not heeding command words and not reading the questions carefully enough. Once again, command words are still being ignored by a sizeable number. Instructions to 'assess' and 'evaluate' were not followed by some candidates. Too many candidates just relied on copying the text from the case studies rather than considering the wider implications of the question. This was particularly prevalent in Question 1(b) and Question 2(d).

The examiners reported that this year in particular, many scripts were difficult to read and mark. Centres should be aware of the various ways in which candidates can be helped if this is the case.

Question 1(a)

Many candidates assumed that this question was just about defining a diseconomy of scale and then saying that the solution was then to use economies of scale, thus ignoring the main thrust of the question. Better responses did consider whether growth would "…*always lead to diseconomies of scale*". Some made good use of real-life examples by looking at some of the biggest firms such as Amazon, Apple and Nvidia. Others looked at ways in which a firm, regardless of size, could overcome diseconomies of scale once they were reached and whether this was feasible.

A mid-Level 3 response for 7 marks.

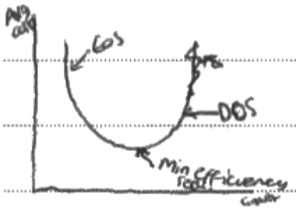
1 (a) Discuss whether the growth of a firm will always lead to diseconomies of scale.

(8)

Diseconomies of scale is when the average costs increase as the scale of production increases.

One reason why ~~being~~ the growth of a firm will lead to diseconomies of scale is the lack of communication and coordination within the firm as more staff is employed to meet increased demand. This is because if a firm grows rapidly, then they'd have to take on more employees to meet excess demand which may result in less communication between employees and employers which would thus decrease quality and increase costs. However this does depend on the rate at which a firm grows.

Growth of a firm may not always lead to diseconomies of scale due to the rate being stable at which firm is growing. If a firm is consistent and operates at a global scale like Coca Cola (MNC) then they'd ~~diseconomies~~ be able to afford to move production overseas and decrease overhead costs and resource scarcity. They may opperate at a point of



minimimum efficiency as shown on the graph on the left allowing for lowest avg cost. However, this graph shows that after a certain point diseconomies of scale are to occur whether thats at a later stage for the firm or currently.

ResultsPlus
Examiner Comments

This response shows accurate knowledge and understanding, logical chains of reasoning and balance with some supporting evidence.

This is a top Level 2 response that scored 4 marks.

1 (a) Discuss whether the growth of a firm will always lead to diseconomies of scale.

(8)

Diseconomies of scale is when a firm's costs per unit of production increase as the scale of production or operation grows. As a ~~fim~~ firm grows larger and larger, it may begin to experience increased overhead costs. As more admin and infrastructure are needed, costs begin to rise. As a result, the business suffers from diseconomies of scale.

However, effective management and certain procedures can keep these costs low. Hiring skilled managers and introducing structure can ensure effective communication and cause the admin and infrastructure to bring in more profit than loss, reducing average costs and therefore, not leading to diseconomies of scale.

ResultsPlus
Examiner Comments

Some knowledge and understanding but no supporting evidence. Chains of reasoning and some balance but also some assertions.

ResultsPlus
Examiner Tip

The use of evidence is crucial for all questions on this paper - don't forget to use it to support your arguments!

Question 1(b)

Most responses used the evidence from Extract B to contrast the objectives of the firm against those of the consumer. Some responses just stopped there without attempting to add balance or any evaluative points. Better responses did this by considering the extent to which objectives might coincide by taking the issues of sustainability and ethical behaviour into account. Others considered that while consumers might want low prices, firms needed to make a profit in order to survive and continue to provide the goods and services needed by consumers.

A strong Level 4 response that scored all 10 marks.

(b) Assess the extent to which the objectives of a firm and a consumer might conflict.

(10)

The objectives of a firm and a consumer are likely to conflict as the primary objective of most firms is to profit maximise, and this means they will either increase the prices of their products or reduce the quality of their products, both of which will detrimentally impact the consumer as they will want to maximise their satisfaction and have their needs and wants met. For firms to profit maximise, they need to either sell high quality products at a high price to appeal to the luxury market of early adopters, or sell low quality products at a low price to increase sales volume, but they may choose to sell low quality products at a higher price to gain more sales revenue, which will conflict with consumers as they want value for money and will not be satisfied paying high prices for poor quality, damaging the firm's customer base and their reputation and leading to consumers buying from competitors who can satisfy their needs and wants sufficiently. This means the firm won't be maximising profit, as they will lose customers to competitors and generate less sales revenue, leading to them not meeting their objective and showing that they should be considerate of the consumer's objective and take their needs and wants into account, rather than exploiting them. Tesco made profits of £2.6bn in 2022 - 2023, while households ~~However, the objectives of a firm and~~ and consumers have struggled with high living costs, meaning consumers want manageable, affordable products and this conflicts with the firm as they want to charge high prices to meet their increased costs and maximise profits, showing they have little regard for consumer welfare and are instead wholly focused on making profit, showing their conflict of interest.

However, the objectives of a firm and a consumer may not conflict, as in some areas they may have a common goal. Not all firms are focused on profit maximisation, some have more ethical objectives and this will satisfy consumers concerned about the environment and will allow them to receive high quality products as the production line is ethical and considerate e.g. Fairtrade. Even for Tesco, who have been increasing prices, they have still taken the living standards of consumers into account and haven't charged extraordinary prices, they have 'shielded customers from the full force of the unprecedented cost pressures', and have only increased prices to remain operational and not face cash flow problems so they can still provide a service to consumers.

Overall, the objectives of a firm and a consumer are likely to conflict more than they are agreeable, as ultimately, firms have to make a profit to remain competitive and keep a stable cash flow position, and this will always clash with consumers who want the lowest price they deem goods to be worth, and want value for money. Although some objectives may complement each other e.g. ethical considerations, the biggest conflict is likely to be profit maximisation vs consumer satisfaction

ResultsPlus
Examiner Comments

This is a well written and argued response that meets all of the Level 4 descriptors in the mark scheme. It shows a full understanding of the question with some excellent evaluation.

A low Level 4 response that scored 8 marks.

(b) Assess the extent to which the objectives of a firm and a consumer might conflict.

(10)

To a certain extent, the objectives of a firm and a consumer might conflict. This is because a firm will want to make high levels of profit in order to attract investment and keep current shareholders happy by providing dividends. While consumers will want low costing products so they can afford to consume more products and have greater disposable income. This is evident as Tesco made abnormal profits of ~~£2.6bn~~ £2.6bn in the 12 months to the end of February 2023 while households are struggling with high living costs so they will have wanted cheaper products, this creates a conflict between the two stakeholders.

However, their objectives might not conflict. This is because, eventually it is the consumer who decides wether or not to buy a good from a firm. If a firm is operating in a highly competitive market or are selling ~~luxury~~ luxury goods then the product ~~has a high~~ can be an elastic good and have a high PED so if they charge higher prices, consumers will just switch. In the supermarket sector consumers can switch to cheaper alternatives like Aldi. This means Tesco has to keep the consumers interests at the forefront reducing the amount of conflict. This is seen as Tesco Chief Executive Ken Murphy has said they have shielded customers from the full force of the 'unprecedented' cost pressures.

In conclusion, it depends on how the economic climate is. This is because Tesco were facing high ~~less~~ increases in cost which could be due to cost-push inflation so they have no option but to increase prices to maintain profitability. However, £2.6 bn of profit is extremely high so they may have hiked prices more than necessary which can create conflict between consumers and firms.

ResultsPlus
Examiner Comments

A thoughtful and good response with developed arguments and clear chains of reasoning. There is some balanced awareness of competing arguments.

Question 1(c)

A popular question and usually well answered. Candidates had plenty to say on the importance, or otherwise, of an ethical stance and its impact on stakeholders. Most looked at the shareholders' need to gain an adequate return on their investment against the potentially increased costs of implementing ethical/sustainable standards. Others considered the employees, local communities and suppliers. Balance often took the form of the short vs long-run situation and how an ethical stance may attract consumers and/or ethical investors, thus negating or reducing any stakeholder conflicts.

A top Level 3 response that scored 9 marks.

(c) Assess whether an ethical stance by a business will lead to stakeholder conflict.

(12)

One of the stakeholders in a business are shareholders who aim to maximise profits in order to increase their divedent payments. ~~E~~ Ethical stance by a business means that a firm will take into account the effect it has on others. For example a firm may decide to pay higher than market equilibrium wages in order to provide a good standard of Living for its employees, however that would mean that Labour costs will be higher and firm will be less profitable. This would conflict with objective of profit maximising. ~~from~~

However ~~a lot of ethical~~ often ethical behavior is encouraged by goverments ~~in~~ by subsidies and tax breaks, because ~~&~~ ethical behavior from firms can lead to improved standard of Living for people in the economy. For example Tata steel have agreed to a £1.25bn investment to switch from coal furnaces to electric arc furnaces in order to reduce its carbon footprint. This investment was partly paid by a subsidy ~~from UK's~~ of £500m by UK government, this would help to offset the trade-off between ethical behavior and profit maximasation objectives since some of the costs are covered by the government. Furthermore ethical behaviour ~~can~~ bring increase in reputation. ~~&~~ PepsiCo was published in Worlds ~~&~~ Most Ethical Companies for 2023, this will attract positive attention

to the brand and is likely to promote customer loyaltly.
~~allowing the firm~~
In conclusion while there is definitly a conflict between shareholders and ethical behaviour due to higher costs, to some extent. Often times ethical behaviour can be viewed as tactical decesions since it can allow for lower ~~taxes~~ R&D costs and increased reputation which would allow the business to grow long term despite short term costs, so shareholders will see higher profits long term.

ResultsPlus
Examiner Comments

This response fulfils all the Level 3 descriptors, showing clear chains of reasoning and well-developed arguments. The use of evidence is good and the candidate brings in a useful outside example with Tata.

ResultsPlus
Examiner Tip

To reach Level 4, this response needs to have a little more depth and development with full balance.

A mid-Level 2 response that scored 4 marks.

(c) Assess whether an ethical stance by a business will lead to stakeholder conflict.

(12)

Stakeholders are any person or group with an interest in a business. Ethical objectives refer to worker's rights, environmental sustainability and ethical practises.

~~Ensuring~~ An ethical stance by a business could increase total costs as they may choose to increase worker's pay and source raw materials sustainably, which can often lead to a greater expense. Increased cost for a business may cause conflict with shareholders because there may be reduced profit, and therefore less dividends paid to the shareholders.

The increased cost could lead to an ~~too~~ increase in price, ~~the~~ which is an example of cost-push inflation. This means that consumers may also have conflict with the business, as they are spending a greater proportion of their income on the product. This could lead to a reduction in demand for the product, as low income households will not be able to afford the increased cost.

If a business adopts an ethical stance, they may change suppliers to ensure they follow ~~have~~ ~~the~~ ~~same~~ the same practises. This can lead to conflict with current suppliers, as demand for the supplier's goods will fall, and if the business makes up a large proportion ~~of~~ demand, suppliers may go bankrupt without the sales to the business.

In conclusion, there is high potential for an ethical stance to cause conflict, however the benefits are universal and therefore all stakeholders will benefit.

ResultsPlus
Examiner Comments

Some knowledge and understanding that lacks any relevant evidence. The second point about suppliers is not wholly convincing. No balance or judgement is attempted.

ResultsPlus
Examiner Tip

Don’t forget that the command word 'Assess' means that you must evaluate your answer.

Question 1(d)

The two 20-mark questions are designed to be as open-ended as possible, allowing candidates to follow a variety of different arguments. Globalisation offers many opportunities for discussion but most looked at the areas of trade, FDI and the rise of MNCs. Some just saw this as a question on the good and bad aspects of MNCs which was fine but it did give answers a fairly narrow focus. Many also talked about the spread of knowledge and ideas, the movement of labour and increasing specialisation. Candidates did need to show the impact of all these ideas on both national and local economies; some restricted themselves by only discussing a national economy.

The most common form of balance was to consider the inevitable negative externalities such as environmental degradation, unequal outcomes and the rise of protectionism. What was particularly disappointing was the lack of example and supporting evidence in many of the answers. Often, three whole pages went by without mention of a single country, area or firm and were wholly generic, By contrast, many were able to discuss the rise of China and other economies, regional decline such as the Rust Belt in the US and the recent trade conflicts over tariffs.

A mid-Level 4 response that scored 18 marks.

(d) Evaluate the extent to which globalisation has benefitted national and local economies.

(20)

Globalisation is the growing links between countries which leads to interdependance and the idea of a 'shrinking world'. This has ~~been~~ been profound in the economic development of the world, as it has catalysed rapid growth, lifting millions out of poverty.

One way globalisation has benefitted national economies is by improving and initialising the development of developing countries. It has facilitated these countries to trade their natural resources and improve their country. For example, Botswana is rich in diamonds and with the increasing links between countries, has been able to export them to developed countries, improving their balance of trade. This has led to them becoming a newly emerging economy as they used the diamond profits to invest in education and healthcare. Furthermore, ~~developing countries~~ developed countries can offshore their production to developin countries like Vietnam and Thailand and have a similar effect as ~~u~~ unemployment rates decrease. However, this can negatively impact ~~However~~, the developed country as people will be left unemployed by the move.

Globalisation can also benefit local economies as it has facilitated the exchange of ideas and values, therefore leading to more migration and tourism. This would benefit local economies as there would be more people spending money and stimulating the economy in places they've seen online due to the improvement of communication. Furthermore, this could also benefit the national economy as there would be more spending in the nation as a whole. However, globalisation can have a negative impact on a local economy. It has allowed large MNCs to exploit, with no regard to the local ~~com~~ communities/environment, scarce resources. For example, in the Amazon Rainforest in Peru, an oil company Chevron, extracted oil and left the environment in shreds. This destroyed the local economy as plants/crops died, animals/livestock died, and people died. In this case, globalisation has ~~greatly~~ been detrimental to this economy.

Moreover, globalisation can also negatively impact national economies as with the increase in trade means there will be protectionism policies and free-trade policies. Protectionism policies such as quotas and tariffs can help local economies as domestic producers have less competition, but can be harmful to other producers who rely on trade with that country. On the other hand, free trade policies and unions like the trade bloc EU, can also cause conflict as the group of countries have common external tariffs on all non-member countries and so theres conflict between countries. In extreme cases, you may even get ~~extrem~~ trade wars, such as between the US and China in 2025, where the US upped tariffs for China to around 150%.

Overall, globalisation has mostly benefitted national and local economies as more money is being circulated around the world as it is more interconnected. And whilst it can have negative impacts on some places, globally it has improved economies.

ResultsPlus
Examiner Comments

This is an example of a response that shows a full understanding of the question. It covers a range of different points and uses well-chosen and relevant evidence to support those points. It would have benefited from a stronger conclusion but overall, a good response

A Level 2 response that scored 8 marks.

(d) Evaluate the extent to which globalisation has benefitted national and local economies.

(20)

Globalisation is when nations trade and export or import to other nations.
Globalisation has led to specialisation where good quality goods and services are being produced. This ~~led~~ has been a catalyst for rapid growth, since unemployment rates decrease, productivity increases leading to firms achieving economies of scale due to expansion.
However, globalisation also opens up new opportunities for competition, this means that ~~other nations~~ firms from abroad may offer cheaper prices ~~$~~ due to the access of raw materials available, leading to a decrease in demand for domestic goods, this could lead redundancies, and further unemployment slowing growth of the economy. This could lead to ~~On the other hand~~ protectionist measures being implemented such as tariffs and quotas which help limits the number of imports ~~and~~ and encourages domestic production to help fill the demand.

On the other hand, globalisation can also benefit local economies, since ~~if~~ ~~ex~~ if imports are cheaper than producing goods domestically, then it allows the government to focus spending else where maximising efficiency.
However, this could lo a reliance on imports, increasing the trade deficit of the country, which leads to less productivity and slower growth - due to increased costs - due to taxation which helps increase tax revenue ~~to~~ which can then be used on ~~tax~~ services like the public sector, education and healthcare. however increased costs can also lead to redundancies, ~~meaning that~~ further increasing the unemployment rate.
To conclude, Globalisation has many benefits, however ~~the people~~ these benefits are not equally distributed, leading to inequality. This may be fixed or reduced with protectionist measures, which could however lead to trade wars or unintended consequences.

ResultsPlus
Examiner Comments

This response typifies a Level 2 response and fulfils the criteria in the Level 2 descriptor. It incorporates parts of the extract and relies on generic assertions. There is no use of example or evidence.

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Examiner Tip

When a point is made, particularly with the longer responses, it should be justified and supported.

Question 2(a)

The concept of a minimum wage and its consequences was widely understood. Most were able to say how and why an increase in the minimum wage might result in unemployment. By way of balance, many discussed the ability of the firm to either absorb the cost or pass it on by way of higher prices. Quite a number offered the counter argument that an increase would encourage more to enter the labour market. However, this was often an assertion and did not consider whether this would be the likely result or not.

A Level 3 response that scored 7 marks.

2 (a) Discuss the effects of an increase in the national living wage on employment.

(8)

~~Whilst some may argue that an increase in the nationt~~ The national living wage has increased which some may argue leads to lower employment and job losses.

However, this is untrue, and has been proven so in the past. When national minimum wage was introduced, many people were concerned about the effects it may have on employment, ~~however~~ but no detrimental effects occured. An increase in minimum or living wage may even lead to increased employment. As stated in Extract 6, 'a pay rise of almost 10%'. This near 10% increase may influence the unemployed to seek jobs and accept more as they will be paid better. Additionally, an increase in national living wage leads to consumers having more disposable income, which may lead to job creation in luxury goods industries.

ResultsPlus
Examiner Comments

An interesting response. Many candidates used the argument that an increase in the minimum wage will lead to an increase in costs and therefore lead to a rise in unemployment. This response questions that assumption and uses evidence from the past to build a strong case against that argument.

A low Level 2 response that scored 3 marks.

2 (a) Discuss the effects of an increase in the national living wage on employment.

(8)

Increasing the minimum wage to £11.44 in the Uk will only Increase the demand for employment as the low-Skilled unemployed Individuals will now be Incentivised to work. Therefore businesses will experience an Influx in applications for vacant Jobs whilst their pre-existing employees are on a higher wage then they were previously. Businesses may retaliate to their Increased wage bill by letting go of their workers, in hope that it Saves costs

ResultsPlus
Examiner Comments

A rather brief response that has elements of knowledge and understanding that rely on assertions without development.

Question 2(b)

Surprisingly, quite a number of candidates confused a supply-side policy with either fiscal or monetary policies. Others seemed to think that it was up to individual firms to have a supply-side policy. Most however, looked at some form of education or skills training to remedy the problem of skills shortages. For the most part the trade-off considered was the opportunity cost for the government and the problem of finding the necessary finance given the demands elsewhere. Good responses took this further and looked at the long-run situation, arguing that improvements to the supply side of the economy would generate economic growth and make up for the short-term costs.

This response reached Level 4 and scored 8 marks.

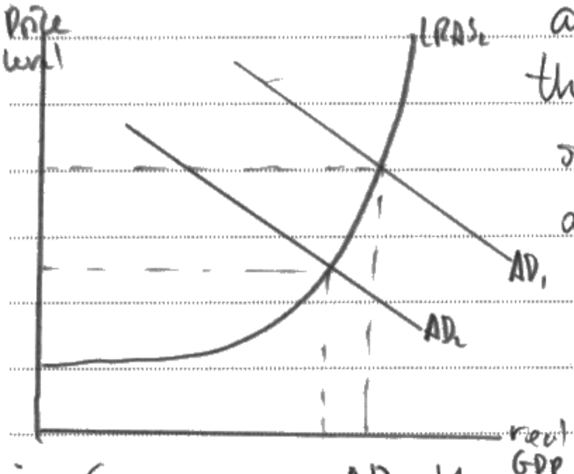
(b) Assess the extent to which supply-side policies for reducing skills shortages may involve policy conflicts or trade-offs.

(10)

Supply sided policies are any policies which intends on increasing the productive capacity of an economy, the quality and quantity of the factors of production.

To reduce skill shortages, a country may engage in training schemes in order to increase the quantity of workers in a certain sector. This is seen in economies such as Spain where the 'Garantia juvenil' initiative has been imposed to help reduce their youth unemployment crises partially fuelled via skill shortage. This leads to trade off as this initiative has taken large resources from the ~~bu~~ Pablo ~~hernd~~ Hernandez de cos' budget and has lead to increased budget deficit. Moreover, when the stakeholders in the Spanish economy realise this large expenditure has taken place, consumption may fall due to households anticipating a tax increase, (ricardian equivalance) however, a fall in consumption may only occur if disposable income is high enough as past a certain point nothing more can be dropped without incurring debt.

Supply side policies to reduce skill shortage tend to require government expenditure to ~~al~~ fund as the majority of training schemes such as Spain's 2028 'formación dual' persona that was for reducing skills shortage. As Government expenditure (G) is a component of aggregate demand (AD) funding Supply side policies not only increases LRAS (long run aggregate supply) but also AD. If ~~the~~ Spain ~~where~~ were currently in an overheating economy, they may have imposed demand side policies to reduce AD as to ~~do~~ have deflationary affects. However, this supply side policy would counteract this policy ~~that~~ as an increase in G increases AD thus showing policy conflict.



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Examiner Comments

A good and thoughtful response that makes good use of evidence from wider reading. As with many responses this candidate saw the policy conflict or trade-off in terms of the opportunity cost of government expenditure. It then went a step further by looking at the possible conflict with a deflationary AD policy.

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Examiner Tip

Using examples from wider reading shows the examiner that you can think beyond the confines of the extract given in the paper and this can strengthen your arguments.

A low Level 3 response that scored 5 marks.

(b) Assess the extent to which supply-side policies for reducing skills shortages may involve policy conflicts or trade-offs.

(10)

~~UK has been faced~~

In order to tackle skill shortages governments can invest in supply side policies. For example UK housebuilding sector is facing skill shortages, in order to tackle that UK government can subsidise ~~invest~~ into apprentership ~~ip~~ for electricians, roof specialists and etc. ~~That would give firms cheaper access to trained workforce allowing~~ That would make these career path more attractive as workers will be able to get paid and recieve qualification at the same time. As a result more people will join these industries allowing to tackle the skill shortage.

However subsidising comes from government finance, so government spending will increase. As a result budget deficit will increase which will contribute to UK's national debt increase (which is currently ~~at~~ one of the highest in the world at 97% of GDP) consequently the national debt intrest payments will also increase which would allow for less government spending on other sectors, and make UK government less fiscally flexible

ResultsPlus Examiner Comments

This response makes some valid points but they are rather brief and lack the development needed to move up the level and beyond.

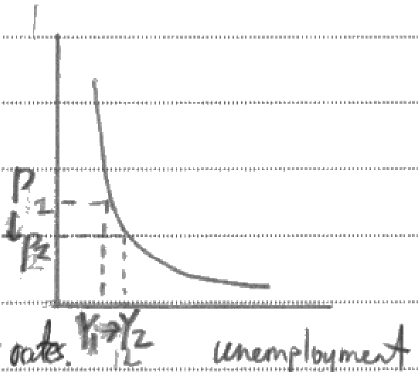
Question 2(c)

Most candidates identified a trade-off between inflation and unemployment although not many made good use of the extract. Having identified a trade-off, many then lost focus of the question and started to examine the pros and cons of inflation and unemployment and/or policies that could be used to reduce their impact. Stronger responses looked at the trade-off, often illustrated by the Phillips curve diagram, then used recent evidence to balance this. Reference was often made to the Covid crisis and the impact of the Ukraine conflict and how these events affected both inflation and unemployment.

A top Level 3 response that scored 9 marks.

(c) Assess the potential trade-off between inflation and unemployment.

(12)



One of macro~~s~~ objectives of the government is keeping a low and stable rate of inflation. If inflation is too high goverment can use contractionary monetary policy such as rising intrest rate. Consequently ~~the~~ cost of borrowing for firms will go up. ~~and~~ As a result firms will borrow less and investment will go down. ~~This would mean that firms would~~ lack of investment would mean that ~~firms will see~~ ~~supply from firms will be less. As a result firms wou~~ firms are not aiming to increase their output and as a result don't need more labour. So in the long run unemployment will go up as shown by a period ~~of~~ ~~to~~ from 2020-2021 when inflation was at ~~an all~~ a very low point hue to covid and unemployment rose by about 1.5%.

~~It~~ On the other hand there may not necessarly be a trade-off between ~~unemploym~~ unemployment and inflation. Government can use supply side policies to shift LRAS to the right. For example UK government has been actively subsidising apprenticeship ~~sto~~ schemes in recent years. As a result firms are more willing to hire and train workers and unemployment goes down. This influx of workers allows firms to produce more and benefit economies of scale which in turn allows for lower total costs. As a result ~~consumers can see a fall in~~ ~~pp~~ firms in competitive markets can drop their prices to gain market share which leads to a fall inflation.

Ultimately the extent to which there is a trade-off depends on what policies are used and in what circumstances. Covid period UK saw a huge trade-off due to firms being reluctant to invest and as a result hire people, however in ~~later~~ second half of 2023 both inflation and unemployment due to governments supply side policies.

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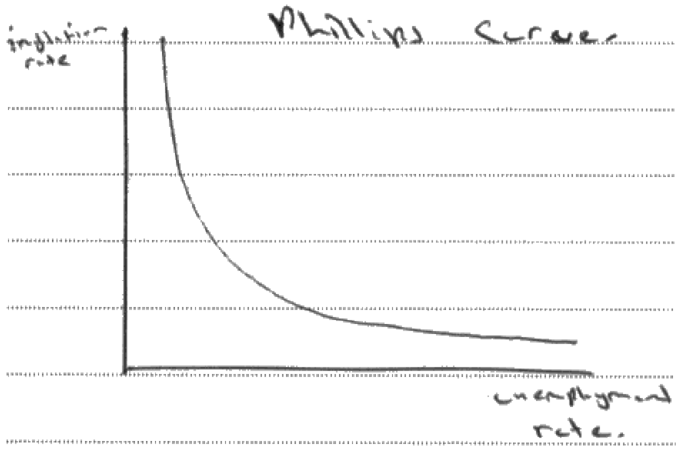
Examiner Comments

A good response that is on the border between Levels 3 and 4. It starts well with accurate understanding of the potential trade-off between inflation and unemployment. There are clear chains of reasoning supported by relevant evidence. A competing argument is offered but ultimately it lacks some balance and therefore is not quite strong enough for Level 4.

A top Level 2 response that scored 5 marks.

(c) Assess the potential trade-off between inflation and unemployment.

(12)



The graph above shows the phillips curve, this is a inverse relationship. As inflation rises, unemployment decreases and vice versa. We can also see this in extract G as in 2021 unemployment is high but inflation is low.

If Inflation rates decrease when there is higher unemployment as there is less demands for goods in the economy. This is due to not having the money to afford goods. Cost of products will be cheaper in order to help sell products. Where as if unemployment is low, inflation rises, as there is more demand, so firms can charge higher prices.

If inflation is low, this means cheaper products. Therefore, standard of living increases as goods are more affordable. This is beneficial for working people as it leaves more disposable income that can be saved or spent on luxury goods. However, this can reduce spending in the economy as fewer people have jobs, so fewer money to be spent. This can hinder economic growth of the economy.

If unemployment is low, it means more spending in the economy as more people have jobs. Possibly promoting growth. However, more items become inaffordable due to high demand, counteracting this.

Overall, there should be a steady balance. The UK's goal is to keep inflation at 2% as it is essential to grow the economy. However, high inflation can cause a recession.

ResultsPlus
Examiner Comments

This response describes the potential trade-off between inflation and unemployment by using the Phillips curve. Chains of reasoning are presented but at times rely on assertion and are perhaps questionable. However, it is one-sided and lacks balance in the form of competing argument and does not use any supporting evidence.

Question 2(d)

As with the other 20-mark question, the intention was to open up a wide discussion about regulation in all its forms, thus enabling candidates to bring in lots of examples from wider reading and their preparation from the case study. However, for the most part, many candidates were content to just use the material from the extracts, which was fine as far as it went but often it was just repeated with little in the way of extra analysis or depth.

Better responses looked at other types of regulation such as employee and consumer protection and the Bank of England's role in regulating the banking industry. Some explored the role of regulatory bodies such as Ofwat which was particularly topical at the time of writing. Balance usually took the form of contrasting the need to prevent or minimise market failure with the need not to restrict growth and/or innovation.

A low to mid-Level 4 response that scored 17 marks.

(d) Evaluate the benefits of regulation in a market.

(20)

Regulation is an interventionalist means of controlling the acts of a firm or firms in a market in order to fix a misallocation of goods and resources to provide more socially optimum ~~social~~ solutions.

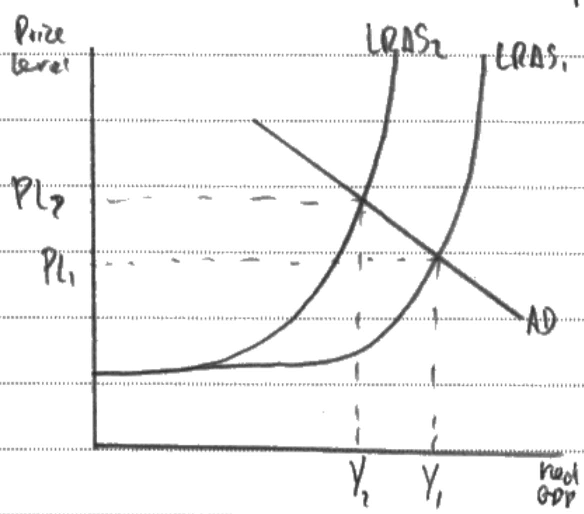
In many markets, firms have the chance to become a natural monopoly. This is because the costs of producing new infrastructure is too high for a new firm to enter the market and it is not in the nations interest to duplicate the infrastructure. This can be seen in the water sector with Thames water who act as a natural monopoly. Usually in a monopoly, the firms have free market incentives to offer lower, more allocatively efficient prices as the threat of new firms entering pushes them to limit prices and other anti competition measures that benefit the consumer. But with ~~th~~ Thames water, no such organic free market solution occurs. ~~The~~ To deal with this and maximise net welfare, the regulator OFWAT intervenes and acts as a surrogate competitor as to ensure more socially optimum levels of production and price. Water is one of the basic human needs so a misallocation of it causing water scarcity would be a serious market failure risking the further negative externality of dehydration and death. Because of this, OFWAT regulate the water market to ensure accessibility to water for all in each jurisdiction, not just Thames water.

this benefits consumers as lower a proportion of ~~mon~~ disposable income are spend on water, moreover, it may help reduce inequality as low income households now have to spend substancially less (proportional to total income) monthly thus further increasing Social net welfare. However, regulation may damage the firms such as Thames water as now they must produce further away from the point of profit maximisation and closer to allocative efficiency thus reducing revenue. However, this depends on OFWATS method of intervention as they may instead subsidise Thames waters loss as to incentivise the increased supply. Subsidies may however damage the market as the governments fiscal deficit widens meaning they may increase taxation as to reduce it or reduce their future expenditure due to this trade-off of water scarcity.

~~Regulation can be beneficial to smaller different firms in different ways for example with regul~~

Regulation can also be imposed to mitigate the effects of environmental degragation. this is because a trade off exists between gdp growth and environmental impact. This can be seen through the European unions (EU) new deforestation Regulation (EUDR) that aims to reduce deforestation by enforcing proof that a product has not been produced as a result of deforestation.

This can benefit partially the rainforests as EU member states can no longer directly damage these rainforests. However, it can be argued that the EU gain no ~~long~~ short term economic benefit from this regulation. This is because all it will cause is an increase in the costs of the factors of production. Rainforest areas in South American countries such as Brazil provide massive economic potential through the timber sale as a result of logging, the mineral and ore rich ground beneath the rainforests, and the cheap nutrient filled soil for agriculture. By placing regulation on deforestation, you do ~~to~~ close the door to benefiting from these new resources and importantly new land. Land is a large cost in the factors of production so this regulation with have a negative effect on business and reduce their productive capacity thus shifting



LRAS (long run aggregate supply) upwards. This will not only lead to a reduction in real GDP from Y_1 to Y_2 but also lead to inflation as price level increases from Pl_1 to Pl_2. This shows the trade off between environmental regulation and economic growth with price stability.

In conclusion, regulation can be beneficial to a market, but should be paired with free market solutions such as tradable pollution permits.

(Total for Question 2 = 50 marks)

ResultsPlus
Examiner Comments

A good response that is coherent, well-argued and developed and makes good use of relevant evidence throughout. However, the discussion on the use of regulation to control environmental degradation has left no room for any judgement or a conclusion which it needs to fulfil all the Level 4 descriptors.

ResultsPlus Examiner Tip

For the 20-mark questions, don't forget to use a conclusion. This should be more than just a repeat of previously made points and add something extra.

A mid-Level 2 response that scored 7 marks.

(d) Evaluate the benefits of regulation in a market.

(20)

Regulation is rules put in place to control a market.

One benefit of regulation is causing firms to have less control of the market. As seen in the extract "The proposed deal would merge the two companies' telecommunications operations under one single network provider. This could ~~se~~ mean that it would make the telecommunications market into a monopoly. Therefore, ~~th~~ Vodafone and Three would be able to charge higher prices to consumers.

One ~~the~~ the other hand if regulation isn't done right it could cause a major trade-off. For example, firms being friends with the regulators as they used to work in the market. This could cause the market not being controlled ~~cor~~ correctly. Therefore, firms could have more control over others and it could mean a heavy costs to the government, which could of been spent on other aspects of the economy like education and healthcare.

Another benefit of regulation is the increase in sustainability. ~~As~~ The extract states "EU firms trading in certain commodity products must be able to show that the products have not resulted from recent deforestation". This could mean there would be a decrease in damage done to the environment as firms will be fined if they don't follow the rule. Therefore, it would cause a reduction ~~in the~~ of negative production externalities caused by firms.

On the other hand firms can argue that regulation is too strict. In the extract it states "~~it~~ include fines of at least 4% of the firms EU turnover". This could mean if firms have massive ~~dep~~ demand they could have to go against these rules. ~~and~~ Therefore, ~~being fined~~ they could be fined, causing less competitiveness in the market.

ResultsPlus
Examiner Comments

This response lacks development and relies on the extract and some generic assumptions. There is an attempt at balance but again, it relies too much on assertion.

ResultsPlus
Examiner Tip

Do not copy out parts of the extract, this adds nothing and uses up valuable exam time that could be used to make some valid points.

Paper Summary

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

- Read the question carefully and answer the question that is set.
- Watch out for command words such as 'assess' or 'evaluate'.
- Use examples to illustrate your argument.
- Use the language of the subject and avoid generalities.
- Watch your timing and do not spend too long on one question.
- Write concisely (and neatly please!).
- Add a relevant conclusion to the longer questions.

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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