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June 2023

GCE Economics A 9EC0 01

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Introduction

This was the seventh 9EC0_01 examination in the 2015 Specification series. It proved once again to be an accessible, wide ranging paper that facilitated a high degree of differentiation between candidates. The questions written covered a broad range of microeconomic issues from Themes 1 and 3. It was clear that candidates had prepared well using the past papers available online. Many candidates also demonstrated clear evidence of topical examples to support their answers to the longer questions. Candidates were also able to respond well to the command words used in the questions and demonstrated effective use of data.

In Section A, the majority of candidates answered the multiple choice questions correctly, although 4(c) proved a challenge for some. In this example C was the only correct answer because the area EKPe was the original producer surplus and the imposed minimum price would increase producer surplus to by GEPeP1. The addition of guaranteed minimum price to the question may have helped. Consideration of the difficulty of this question has been taken into consideration when setting the grade boundaries for this paper. Section A continues to highlight the requirement for candidates to be confident in their use of quantitative skills. Questions 2(a), 4(a), and 5(a) were very significant in this regard. Question 2(a) asked candidates to work out the opportunity cost of a movement from point X to point Y, so it was clearly asking for the reduction in the number of oats. Candidates often just calculated a ratio of 2:4 or 1:6. In question 1(a) there were no marks for a definition because candidates were asked for an advantage of a free market economy. When asked to draw a diagram, many candidates did this successfully for 3(b) but there were many errors drawing the short run profit maximising equilibrium of a loss-making firm in monopolistic competition. Candidates should ensure they practise the full range of diagrams in the specification because questions could ask directly for a diagram, as was again the case with the price discrimination question, 6(e).

Section B responses are now demonstrating clear evidence of the recognition to go beyond basic analysis. In 6(a) many candidate either identified the market for online streaming services as an oligopoly or legal monopoly. However, many either calculated the concentration ratio incorrectly or didn't use the data to support their answers. 6(b) was generally well answered, and candidates have become much more familiar with the reasons for irrational behaviour. There are three different types on the specification, and candidates were often confident of how they linked to the situation of Netflix subscribers. 6(c), which tested the practical application of the concept of cross elasticity of demand, was well answered. However, some candidates confused cross elasticity of demand with price elasticity or income elasticity of demand, or wrote the formula out incorrectly. 6(d), which tested the private and external benefits of viewing educational websites and TV programmes, required a clear assessment of the impact of each. Many candidates were able to demonstrate the third party, for example, as the firm gaining productivity benefits from more highly skilled workers. Though a diagram was not asked for in the question, this was an excellent example of where one would help to develop the analysis. Question 6(e), as we mentioned before, did ask for a diagram and the simple 2 sub-market diagram was quite adequate, though many candidates offered a whole market diagram as well. It is important to note that many candidates confused product differentiation with price discrimination.

For Section C, where the candidates have a choice of which question to answer, just over half went for question 8. This question explored policies to deal with carbon emissions caused by road transport, so those candidates who used emissions trading schemes had to be careful to link the policy to road transport. Question 7, which tested methods of government intervention that could be used to control household energy bills in the UK was very topical, and candidates demonstrated in depth understanding. Question 8 was similarly well answered, and again the topicality made for interesting reading. There is now clear evidence in section C of candidates focusing in on two to three well developed points. To score full marks a justified judgement is, as ever, required to achieve this.

Question 1 (a)

In this question candidates were asked to give one advantage of a free market economy. There were no marks for a definition. The marks were awarded for the ability to explain how Cuba's reforms create the opportunity for market forces to flourish, thus generating a range of possible benefits for the Cuban economy. Most candidates performed well on this question, though there was a tendency for some to neglect the stem, and consequently miss the application mark.

1 In a major reform of its command economy, the Cuban government will allow small private businesses to operate in most fields. Free market economists have long called for the role of small business to be expanded to help jump-start the economy and to create jobs.

(Source adapted from: https://www.telegraph.co.uk/news/2021/02/07/cuba-allows-massive-expansion-private-businesses/)

(a) With reference to the information provided, explain **one** advantage of a free market economy.

(4)

A free market economy is when firms are owned by private investors, instead of the state/government. One advantage of a free market economy is that firms focus on competing against eachother, therefore there will likely be an increase in productive efficiency. The Cuban government will allow "small private businesses" to operate in most fields, owned by private investors therefore they will compete against eachother to increase efficiency and improve product quality.

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Examiner Comments

This is a strong response, which achieves all four marks. The idea of competition generating improvements in productive efficiency and improved product quality is well developed. The candidate uses quotation marks to integrate the stem into their answer, which is a good way to get the application mark.

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Examiner Tip

Though a breakdown of the available marks isn't noted on the question paper, it is good practice to refer to the stem in your answer in order to apply the theory.

1 In a major reform of its command economy, the Cuban government will allow small private businesses to operate in most fields. Free market economists have long called for the role of small business to be expanded to help jump-start the economy and to create jobs.

(Source adapted from: https://www.telegraph.co.uk/news/2021/02/07/cuba-allows-massive-expansion-private-businesses/)

(a) With reference to the information provided, explain **one** advantage of a free market economy.

(4)

As firms have more freedom / are private, they have a greater incentive to make profit so are more likely to innovate and create better quality and low priced goods for their consumers. This improves standard of living and quality of life for consumers.

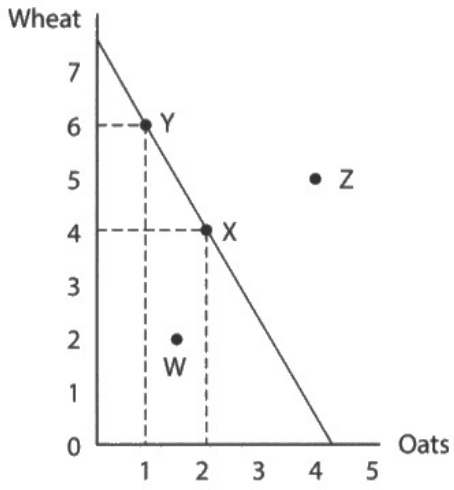
ResultsPlus
Examiner Comments

This response scored 3/4. The idea of the profit motive leading to more innovation, lower prices and better quality is well developed. However, there is no application to the stem, just an advantage of the free market.

Question 2 (a)

In this question, the focus is on having the ability to clearly calculate the opportunity cost of the decision by the farmer to harvest 6 units of wheat at point Y. Candidates were being asked to calculate this change, which is 1 unit of oats. The main issues faced by candidates were either stating the opportunity cost of 4 wheat to 2 oats at point X and 6 wheat to 1 oats at point Y. The question was asking about the reduction in the number of oats. Another issue was to discuss the increase in the production of wheat, which though rewarded, didn't score full marks.

2 The production possibility frontier shows last year's harvest for a UK farmer at point X.



(a) Calculate the opportunity cost of the decision by the farmer to harvest 6 units of wheat this year at point Y (movement from point X to point Y).

(2)

2 - 1 = 1 unit of opportunity cost of oats

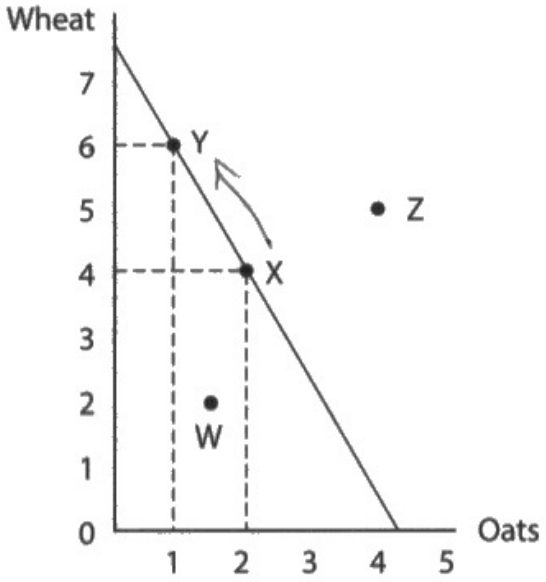
ResultsPlus
Examiner Comments

In this response the candidate has correctly calculated the opportunity cost as 1 unit of oats.

ResultsPlus
Examiner Tip

Ensure you read the question carefully so that you give the correct answer in terms of the movement from point X to point Y.

2 The production possibility frontier shows last year's harvest for a UK farmer at point X.



(a) Calculate the opportunity cost of the decision by the farmer to harvest 6 units of wheat this year at point Y (movement from point X to point Y).

(2)

6 - 2 = 4

4 - 2 = 2

~~4-2=~~ 2 - 4 = -2

ResultsPlus
Examiner Comments

In this response, the candidate has calculated the opportunity cost ratios at point X and point Y but has completed an incorrect calculation. This scored 0/2.

Question 2 (b)

This question is looking for a recognition of what would happen to efficiency in the following year, when a farmer operates inside the production possibility frontier, to achieve the knowledge mark. The analysis mark is then given when the candidate explains why efficiency would fall. This was a well answered question, with the majority of candidates scoring both marks.

(b) Explain the impact on efficiency of producing at point W in the following year.

(2)

Point W is an inefficient production point. This is because it is not making use of all resources or factors of production. It is inefficient because it could be producing more

ResultsPlus
Examiner Comments

In this response the candidate clearly tells us that point W is inefficient, which achieves the knowledge mark. The explanation that the farmer is not making use of all resources then gets the analysis mark, so 2/2.

(b) Explain the impact on efficiency of producing at point W in the following year.

(2)

Producing at W means that production is inefficient and not at full potential on the PPF, leading to lower output for both wheat and oats in the following year

ResultsPlus
Examiner Comments

This second example achieves both marks because the candidate tells us that production at W is inefficient, leading to lower output for both wheat and oats in the following year.

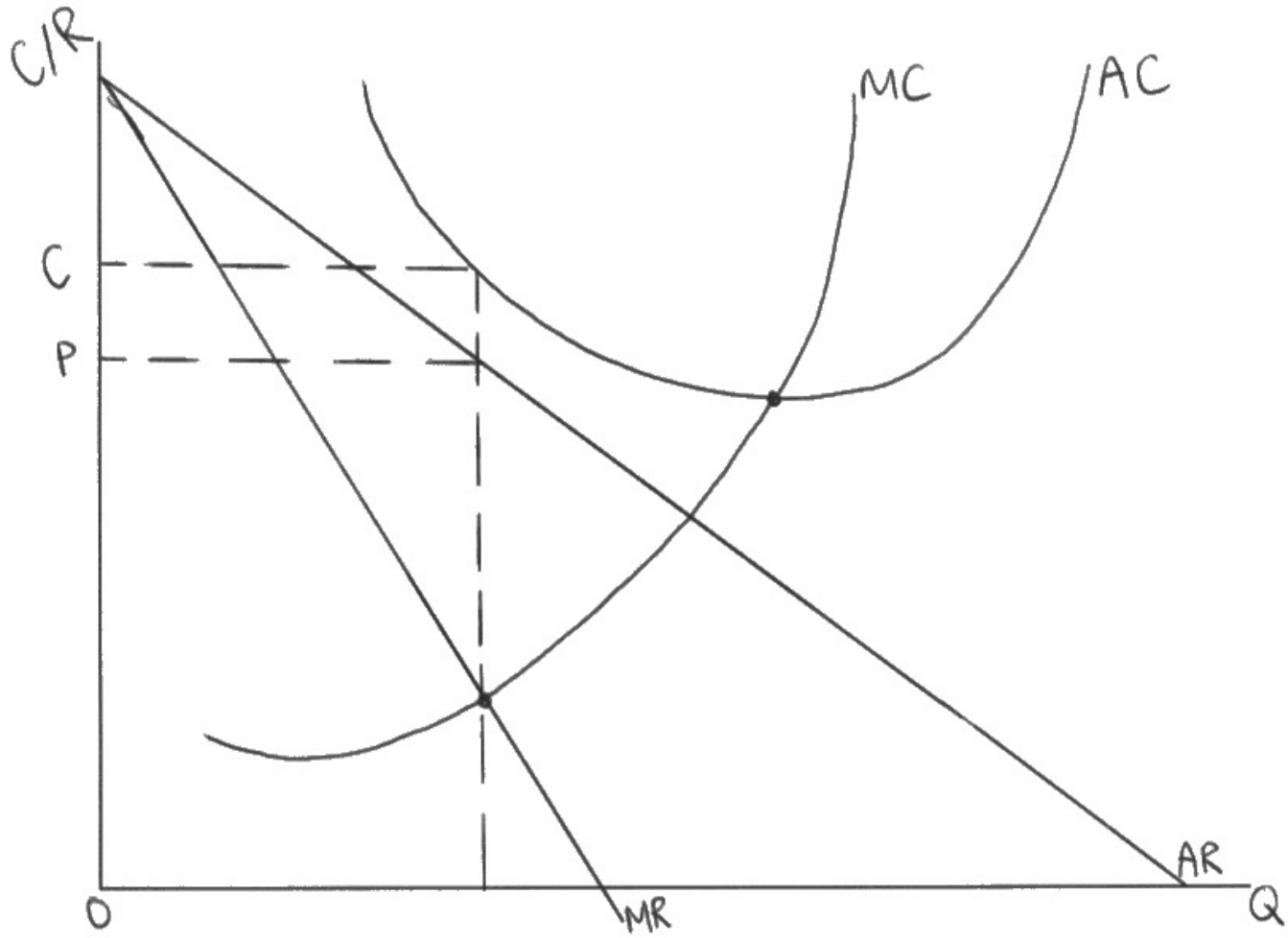
Question 3 (b)

There are four marks for this question, and most candidates scored at least 3 of them. Correctly identifying the brownie baker facing a downward sloping average and marginal revenue was sufficient for the first mark. The candidate then had to identify the profit maximising point where marginal revenue equals marginal cost. They then had to draw the average cost curve above the average revenue curve before correctly marking the area of loss on the diagram. Many candidates did not successfully indicate the area of loss. In another case, the candidate either drew the AC curve at a tangent to the AR, indicating normal profit, or below the AR curve, indicating supernormal profit.

(b) Small local bakeries have many of the characteristics of monopolistic competition.

Draw the short run profit maximising equilibrium of a **loss-making** luxury brownie baker.

ACE ✓ ✓ (4)



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Examiner Comments

In this response the candidate has successfully drawn the downward sloping curves, and has marked the MC=MR as the correct output. They have then drawn AC above AR and extrapolated the profit maximising output to the point where it hits the AC curve. They have marked this point on the y axis as C to distinguish it from the Price charged at P. This is sufficient to indicate the area of loss, though it would have been better if the candidate had shaded or marked it as 'loss'. Nonetheless, this scored full marks.

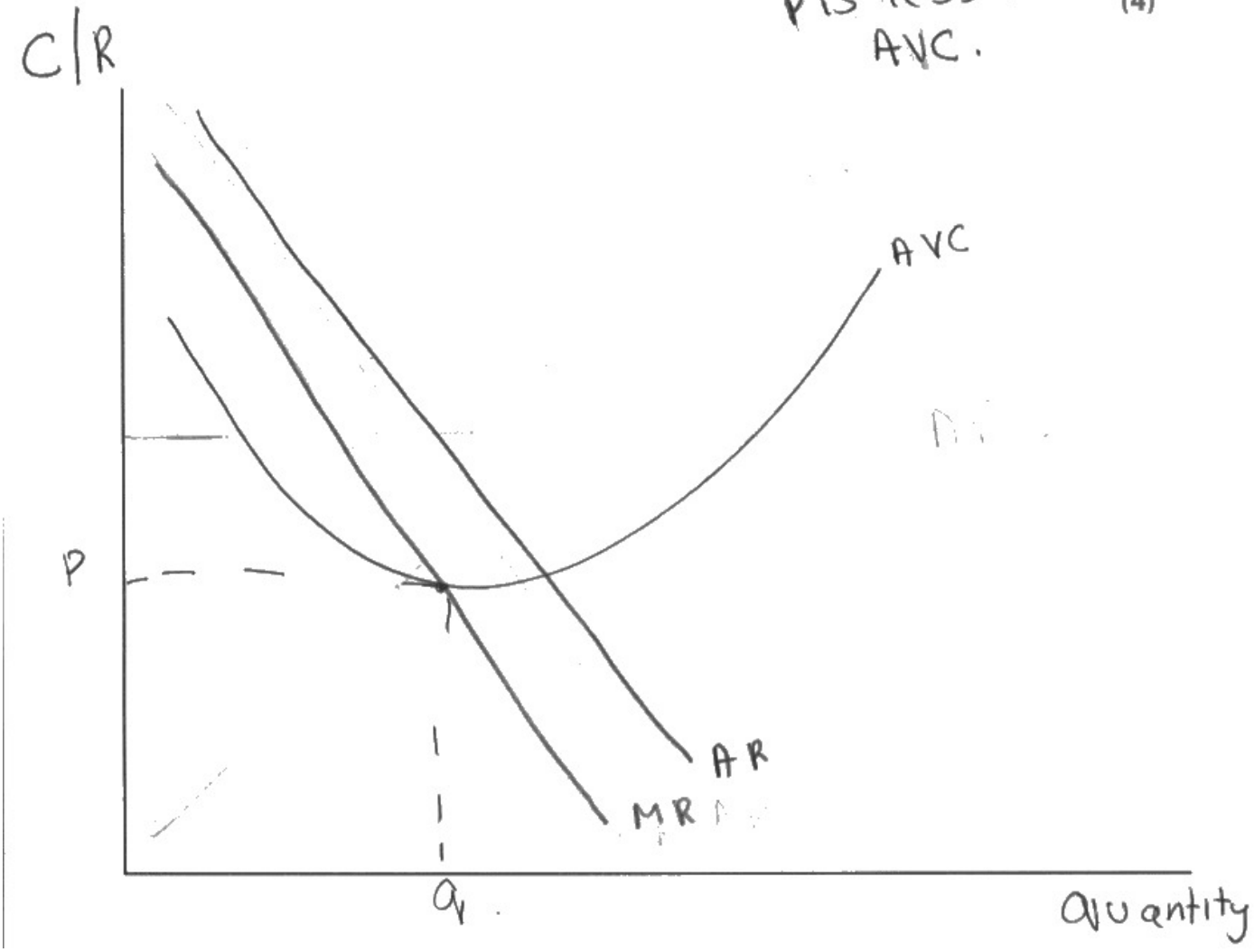
ResultsPlus
Examiner Tip

It is good practice to clearly label all points on your diagrams as carefully as possible.

(b) Small local bakeries have many of the characteristics of monopolistic competition.

Draw the short run profit maximising equilibrium of a **loss-making** luxury brownie baker.

P is less then AVC. (4)



ResultsPlus
Examiner Comments

In this example the candidate has successfully drawn the downward sloping AR and MR curves. However, the marks stop there. The AVC curve gets nothing because we're looking for an AC curve. The candidate has also marked the output where MR equals AVC, when it should be MC. The comment 'P is less than AVC' is a recognition that costs are higher than revenue, but it is poorly phrased and does not link to the AR curve. This scores 1/4.

Question 4 (a)

This was a straightforward percentage change question and the vast majority of candidates answered it correctly. However, around 10% of candidates either scored 0 or just 1. Again this stresses the importance of practising the quantitative skills type of question. A typical mistake was to divide the change by the new price rather than the original price.

4 An annual season ticket for a train journey between London and Reading is planned to increase from £5 044 to £5 664 in 2023.

(Source adapted from: https://commonslibrary.parliament.uk/how-much-could-rail-fares-increase-by-in-2023-and-why)

(a) With reference to the information provided, calculate the percentage change in the price of an annual season ticket.

(2)

$5044 $5664

$\frac{5664 - 5044}{5044} \times 100 = 12.29\%$

ResultsPlus
Examiner Comments

On this response we can clearly see an accurate formula, followed by the correct answer.

ResultsPlus
Examiner Tip

For all the calculation questions make sure you show your workings just in case there is an error in your calculation. A calculator can make sure you get this calculation right.

4 An annual season ticket for a train journey between London and Reading is planned to increase from £5 044 to £5 664 in 2023.

(Source adapted from: https://commonslibrary.parliament.uk/how-much-could-rail-fares-increase-by-in-2023-and-why)

(a) With reference to the information provided, calculate the percentage change in the price of an annual season ticket.

(2)

$\frac{5664 - 5044}{5044} \times 100 = 10.3\%$

ResultsPlus
Examiner Comments

On this response, the candidate has entered the correct data into the formula, therefore scoring the first mark, but has then made a mistake with the calculation. As a result, it scores 1/2.

Question 4 (b)

This is another 2 mark 'explain' question, which carries 1 mark for knowledge and 1 for analysis. The candidate has to say either what 'consumer' is or that consumer surplus falls for the knowledge mark. They then have to explain why 'consumer' falls. Overall, this was answered well, with the majority of candidates scoring both marks. Common issues were usually failing to explain why consumer surplus falls.

(b) Explain the likely impact of the increase in price of a season ticket on consumer surplus.

(2)

Consumer surplus will decrease because the difference between the maximum price consumers are willing and able to pay and the actual market price will fall.

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Examiner Comments

In this response the candidate correctly indicates that consumer surplus will fall then goes on to explain that this happens because the difference between what they are prepared to pay and actually pay has decreased because of the rise in price.

ResultsPlus
Examiner Tip

It is always good practice in the 2 mark questions to clearly justify the reason for the noted change, in this case why consumer surplus falls.

(b) Explain the likely impact of the increase in price of a season ticket on consumer surplus.

(2)

An increase in price means people have to pay more of their disposable income creating a negative consumer surplus. This means ~~the~~ consumer pays

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Examiner Comments

In this response there is some explanation of why consumer surplus falls, which we credited, but the candidate does not state that consumer surplus falls. We did not award the idea of negative consumer surplus.

Question 5 (b)

This question on monopsony turned out to be very topical, with the whole issue of public sector wage setting headlining in the news during the spring and summer of 2023. Many candidates did well on this question, though a minority scored full marks. To score the knowledge marks candidates had to have a sense of the public or private sectors of the economy. Another knowledge mark could be achieved by recognising the process of wage determination or an understanding of monopsony. The analysis mark required an explanation of why public sector pay lagged behind that of the private sector. Finally, the application mark was achieved by either using the stem or the chart above 5(a).

(b) Over 90% of nurses work in the public sector. Nurses in the public sector have experienced wage rises lower than those in the private sector over the past 10 years.

(Source adapted from: https://www.nuffieldtrust.org.uk/resource/chart-of-the-week-real-terms-nhs-staff-pay-from-2010-to-2020)

Using the information provided and the concept of monopsony, explain why nurses in the public sector have had lower wage rises than those in the private sector.

(4)

A monopsony is a market that contains one sole buyer. The NHS is the monopsony in the example with 90% of nurses working for them. They are able to give lower wage rises due to having price setting power in the market. It means that they can set wages and prices at whatever level they want without nurses complaining due to the fact the Nurses have occupational immobility as there is nowhere else to work but the NHS for nurses. On the other hand, Nurses in private sectors have had higher wage rises due to the fact, private sectors earn higher profits so they can pay higher wages.

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Examiner Comments

This response achieved full marks for the understanding of monopsony and of the private sector, then the application mark for 90% of nurses working in the NHS. The analysis mark was awarded for the explanation of 'nowhere else to work'.

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Examiner Tip

Again, candidates are strongly encouraged to use the stem or other supporting material to gain any available application marks. In this example there was just the one mark for application.

(b) Over 90% of nurses work in the public sector. Nurses in the public sector have experienced wage rises lower than those in the private sector over the past 10 years.

(Source adapted from: https://www.nuffieldtrust.org.uk/resource/chart-of-the-week-real-terms-nhs-staff-pay-from-2010-to-2020)

Using the information provided and the concept of monopsony, explain why nurses in the public sector have had lower wage rises than those in the private sector.

(4)

Monopsony is where there is a single buyer in a market i.e. NHS. NHS nurses will see a lower rise in their wage because the NHS ~~do~~ is the main consumer of nurses supply therefore all nurses are looking for a job in the NHS. This means the labour supply of nurses is so high that they can price set, knowing nurses have no other options for nursing work. Private sector nurses are sort after more because there are several small private healthcare firms who price take because of the low supply of labour and therefore ~~other~~ offer high wages due to low labour supply.

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This example shows no application of the data. The candidate scores the knowledge marks for the understanding of monopsony and a second knowledge mark for the understanding of the private sector health care. The analysis mark is achieved through the explanation of very few alternative employers.

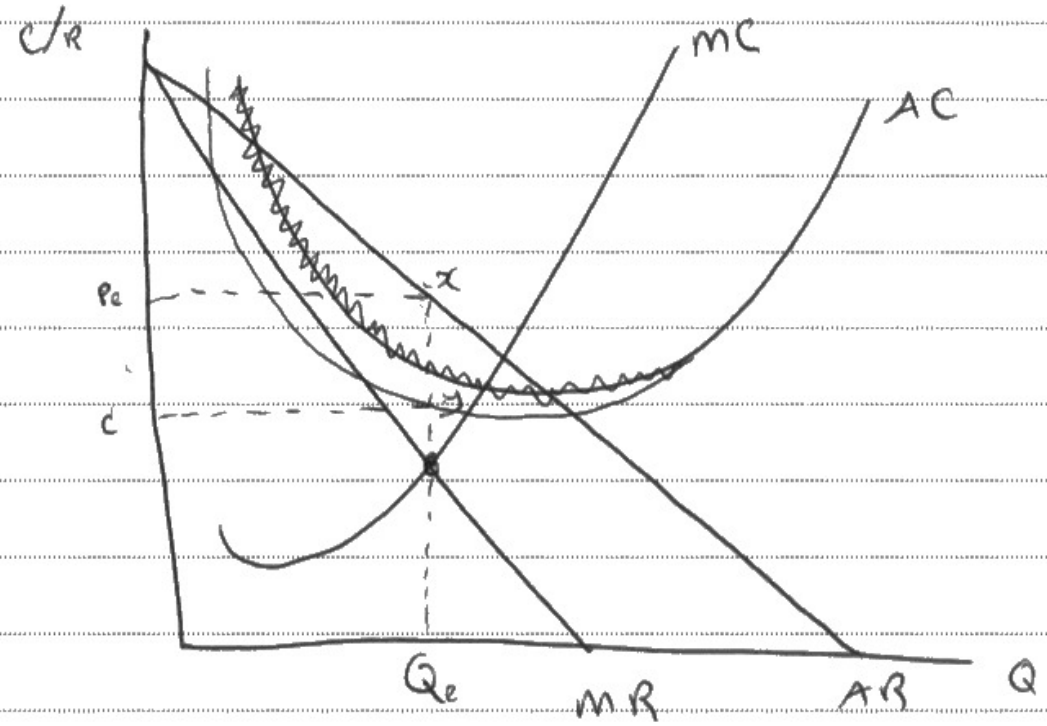
Question 6 (a)

For this question, there is one mark for identifying the correct market structure as either an oligopoly or a legal monopoly. A further two marks were awarded for the correct calculation of any concentration ratio. Two analysis marks were available for a linked explanation, for example high barriers to entry or a market dominated by a few large firms. There were a few cases of candidates either not using the numerical data at all, or calculating the ratios incorrectly.

6 (a) With reference to Figure 1, explain the market structure that best describes the market for UK online streaming services.

(5)

The market for UK online streaming services is an oligopoly. This is a market with a few big firms (a high concentration ratio), high barries to entry. As shown in figure 1, there was a 3-firm concentration ratio of 58.5% in the second quarter of 2022. This depicts the oligopolistic nature of the online streaming services as only 3 firms have 58.5% of market share.



The graph above shows the area $P_e XCY$ is supernormal profit made by these firms as oligopolies

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In this response, the candidate achieves the knowledge mark for the identification of the market as an oligopoly. There is then a correct calculation of the 3 firm concentration ratio in the second quarter of 2022, which is 58.5%. The analysis marks are then achieved for the reference to a few big firms and high barriers to entry. This is a strong response which also makes use of a diagram, though this would not be necessary to achieve the full marks available.

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Examiner Tip

Again, we can see here the importance of using quantitative data to achieve the application marks, and again the importance of a calculator to aid with the process.

6 (a) With reference to Figure 1, explain the market structure that best describes the market for UK online streaming services.

(5)

As shown in Figure 1, the 5 firm concentration ratio for UK online streaming services in Q2 2022 was 74%. This means that the market for online streaming services is ~~likely to~~ likely to be an oligopoly. An oligopoly is where there are a few very large firms which dominate the market. As shown in Figure 1, there are only a few firms which control most of the market share.

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In this second response, the candidate has correctly identified the market structure as an oligopoly, and calculated a 5 firm concentration ratio of 74% for the second quarter of 2022. It is acceptable for this question to round numbers up or down to the nearest whole number. The first analysis mark is awarded for the recognition of a few large firms dominating the market, but no further marks are achieved, so this response scored 4/5.

Question 6 (b)

The assess type questions on this paper take us into levels based marking, which means that we are looking for a best fit approach to awarding marks. There are 6 marks for knowledge, application and analysis, and 4 for evaluation. This question was answered well by the majority of candidates, with many very strong responses. The usual approach was to write about why Netflix subscribers did behave rationally, for example by switching to Disney because it has a higher customer satisfaction rating. The counter view, that subscribers behave irrationally tended to centre on the idea of habitual behaviour, with subscribers paying for a service that isn't necessarily used extensively, or the idea of 'forgetful subscribers', who forget to cancel after a short term trial period.

(b) With reference to the information provided, assess whether Netflix subscribers behave rationally.

(10)

Rational consumers are those that constantly try to maximise utility.

Netflix Subscribers do behave rationally as ~~as~~ in the last few years '200,000 have left the services to save money or switch to better value alternatives such at Disney + which has higher satisfaction rankings. This shows rationality - as consumers are trying to maximise their utility by cancelling unnecessary subscriptions to increase their discretionary income or spend it in more satisfying businesses such as disney + which now has a 21.5% market share whereas netflix only has 4.5%, 3x smaller the 2021. As consumers recognise they can find better deals elsewhere so switch they are rational

However due to Netflix using nudges and tricks such as 'free-trials' consumers/subscribers are not always rational as they continue to pay high prices such as '£15.99' per month even when Disney + and all

other services are cheaper. As consumers may be forgetful to cancel or not bothered to deal with administrative faff many continue to subscribe even when utility is not maximised. Consumer inertiality is also dependent on income elasticity of demand, for individuals on high wages their willingness to switch when price rise may vary real wages fall may be limited as £13.99 is a relatively small cost therefore even if they aren't maximising utility they may continue to subscribe, therefore not acting rationally.

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This first response is a very strong example. The candidate explains carefully how Netflix subscribers behave rationally, by cancelling their subscriptions and switching to better value alternatives like Disney+. The candidate also makes a clear link to the concept of maximising their utility. There is full use of supporting numerical data in the response, which really helps to lift the quality. The counter view is also well developed, with the candidate going on to explain a series of reasons why subscribers are behaving less rationally, such as other services being cheaper or 'not being bothered to deal with the administrative faff' of trying to switch or cancel a subscription, which is a good reference to habitual behaviour or inertia. This response scored at the top of level 3 for knowledge, application, and analysis. It also scored at the top of level 2 for evaluation. Overall, this achieved 10/10.

Ensure that in levels based responses, you clearly link the analysis of concepts to data which supports your points, like the previous example.

(b) With reference to the information provided, assess whether Netflix subscribers behave rationally.

(10)

Some subscribers arguably ~~don't~~ do behave rationally. As the cost of living has risen, in 2022, 200,000 subscriptions have been cancelled. This is because consumers have less disposable income, so they reduce consumption of ~~luxury goods~~ normal goods such as Netflix subscriptions ~~to~~ to afford necessities. However, ~~it depends~~ Apple TV is £2.00 cheaper per month, so consumers should arguably ~~be~~ get an Apple TV subscription rather than ~~a Netflix~~ Netflix subscription.

Some subscribers may act irrationally. If the price of a Netflix subscription rises, they may not switch to a different firm due to inertia. Consumers may not be bothered if the price increase isn't significant leading to a decrease in consumer surplus and ~~to~~ not maximising utility. However, there may be information gaps, maybe consumers aren't aware of cheaper alternatives such as Apple TV, leading to them not switching as they they think the change in price is fair.

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Examiner Comments

In this response the candidate develops some analysis of rational behaviour by subscribers. There is clear use of context. However, the analysis is not linked to utility, so it didn't get into level 3 for knowledge, application and analysis. The evaluation was clear, and linked to inertia and information gaps. Overall, this scored top level 2 for KAA and top level 2 for evaluation. Overall, 4 + 4.

Question 6 (c)

In the 'examine' question, the marks are allocated evenly across all four skills, so two marks each for knowledge, application, analysis and evaluation. The question specifically asks for the likely numerical value of the cross elasticity of demand between UK online streaming services. The knowledge marks are given for an understanding of XED, and for recognising that the value is positive. Application marks are available for reference to the changing market share of the different streaming services, and analysis marks for the explanation of substitute goods. As ever, the two evaluation marks are available for the recognition that the strength of the relationship between streaming services changes over time or that some may be complementary goods. Overall, this was a slightly more demanding question which caused some issues for candidates, the main one being the confusion between the numerical value of substitutes and complements.

(c) With reference to the information provided, examine the likely numerical value of the cross elasticity of demand between UK online streaming services.

(8)

Cross elasticity of demand is the responsiveness of demand for a Good A due to change in price of Good B.

The likely numerical value of the XED between UK online streaming services is likely to be high which means XED higher than 1 as they offer similar services. This means that if price of Netflix increases to higher than £15.99, the demand for Disney+ is likely to increase as it charges £7.99. This is because there is not high significant difference between the 2 streaming services. However, Netflix offers many promotional option such as 'one-month free subscription' which may hook on customers and lead to lower XED.

Another likely reason why XED is likely to be high, XED>1 is because due to the cost of living crisis. Disposable income is lower for each household therefore they may have to cut down or switch to cheaper alternatives when looking at streaming services. As streaming service is a luxury good as it is not needed in every day life, when cost of living increases, demand for streaming services will fall. This is seen as from Q1 2022 to Q2 2022, Netflix market share has fallen by 4.9%. However, the effect of reduction in use of streaming services such as Netflix depends on the proportion of income that streaming services take up for high income individuals it may

be low therefore XED will be low as there will be no need to change streaming services as it does not significantly affect cost of living.

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This is a strong response. The first paragraph gets a knowledge mark for an understanding of XED, and a second one for the value being positive. The application mark is achieved for the reference to the prices of Netflix and Disney+ and the first analysis mark for the explanation of them being substitutes. The first evaluation mark is given for the reference to the Netflix promotional offer which may lower XED. The second paragraph gets the second application mark for the reference to the falling market share of Netflix. The final analysis mark is then achieved by the explanation of cutting back by switching to cheaper alternatives. The last evaluation mark is then given for the last sentence of the response. Overall, 8/8.

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Examiner Tip

You should remember to evaluate in 'examine' questions. Many candidates didn't do this and dropped marks as a result.

(c) With reference to the information provided, examine the likely numerical value of the cross elasticity of demand between UK online streaming services.

(8)

It is likely that there is high cross elasticity of demand (higher than 1). This is because Netflix has seen a decrease of market share from 9.4% to 4.5% in just one quarter of a year. This suggests that there are many substitutes meaning that if price of Netflix increases, the demand for other services such as Disney + increases. However, Netflix has many loyal customers, suggesting the cross elasticity of demand wouldnt be high.

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Examiner Comments

This response was weaker than the first, and scored 5/8. There is a knowledge mark for the recognition of the value of XED being greater than 1, and then an application mark for the changing Netflix market share figure. The analysis of substitute goods gets both analysis marks. The final sentence referring to loyal customers gets one mark for evaluation. A second mark could have been achieved through a more extensive development of the point.

Question 6 (d)

This is the first of the 'discuss' type questions, and has 8 marks available for KAA and 4 for evaluation. This is a topical question, and tested the candidates' understanding of the private and external benefits of viewing educational websites and TV programmes. The question asks for both private and external benefits, so it is important to explain each separately and then evaluate the extent of them. This question was generally well answered. Common pitfalls were the failure to clearly distinguish between private and external benefits. Many candidates drew diagrams, which helped to focus the analysis, though diagrams were not expected or asked for specifically.

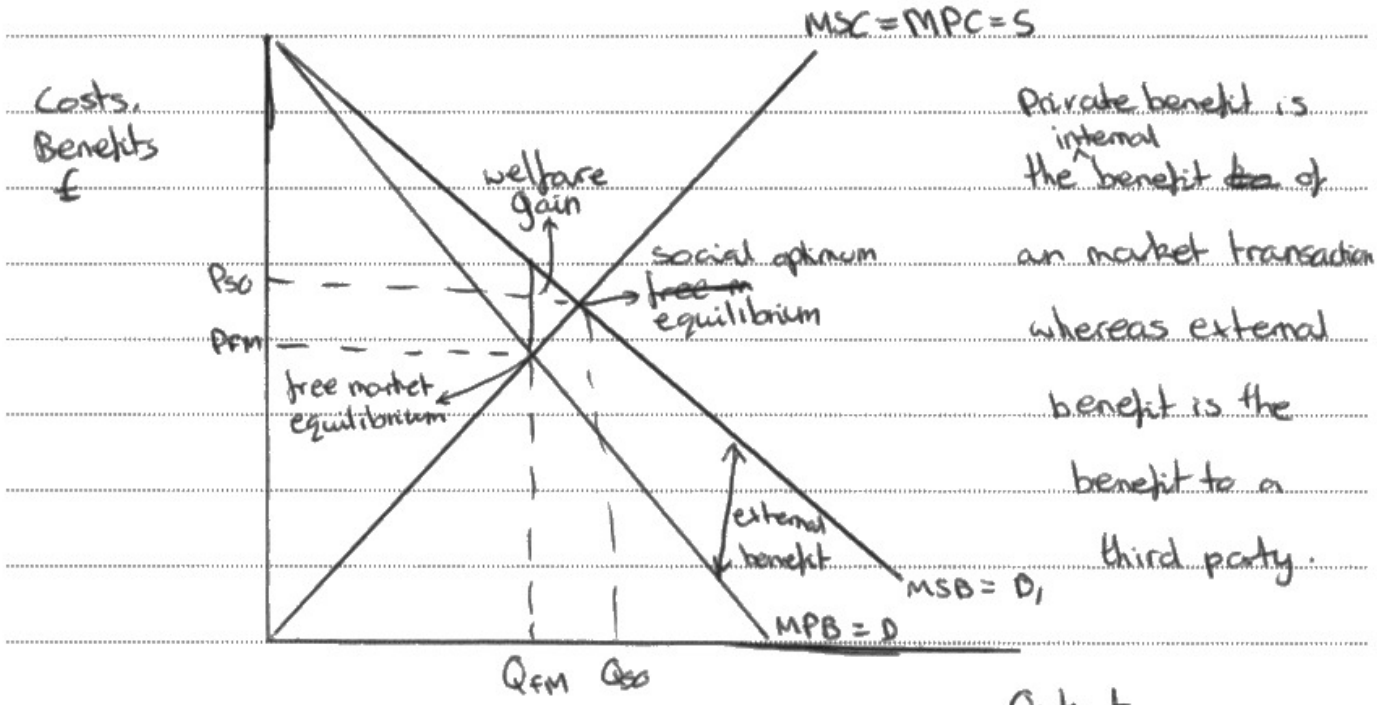
(d) With reference to Extract C, discuss the likely private and external benefits of viewing educational websites and TV programmes.

(12)

① Firms ↑ productivity

② ↑ skills → free

③ benefit to parents → small



Private benefit is internal the benefit of an market transaction whereas external benefit is the benefit to a third party.

One likely private benefit is that children will become better educated. For example, extract C states that 'the guides are written by teaches and subject experts'. This will increase the quality of education children will receive as well as increasing the amount they can learn ~~with them having~~ as it is online, meaning that one they come home ~~the~~ from school, they can keep on learning. This will increase their skills and qualifications. This is a private benefit as they are consumers are directly benefitting from its consumption.

However, ~~this may be~~ the likelihood of students using the websites

such as BBC bitesize as there main way of learning instead of schools is unlikely. This means that the private benefit of educational websites is small as it can't be used as the main source of learning. Nonetheless, during COVID ~~the~~ online learning was prevalent, meaning these platforms such as Oak Academy would have a greater ~~extra~~ private benefit of Q_{EM} P_{EM}.

B

B One likely external benefit is the increase in productivity for firms. For example, BBC bitesize achieved around '2 million weekly unique browsers'. This will lead to ~~students~~ a large amount of students increasings there skills and therefore education meaning that their productivity with increase. This will benefit firms ~~as~~ as their supply of labour will be productive allowing ~~increase~~ decreased costs and so increased profits. This is an external benefit as it benefits the third party of firms causing these educational platforms to be underpriced ~~for~~ at P_{EM} rather than P_{SO} and so causing ~~it to be~~ BBC bitesize to be free.

However, it could be argued that this external benefit will only be felt in the long run as the benefits of educating a 4 years old will take over 15 years to enter the labour market meaning that firms will only benefit from this increase in productivity in the long run. Nonetheless, this will still provide a significant external benefit to firms as seen by the ~~diff~~

distance between MSB and MPB on the graph.

ResultsPlus
Examiner Comments

This first response is a strong example which is clearly written and in context throughout. There is an excellent diagram which labels the size of the external benefit and is explained by the candidate. The private benefit to the viewer is clearly developed and contextualised. This achieves top level 3 for KAA. The size of the private benefits are then questioned with reference to online learning being less important when compared to face-to-face learning. This achieves level 2 evaluation. There is then an explanation of the likely external benefits, specifically the impact on the productivity of firms, which again achieves top level 3. Finally, the candidate evaluates the impact by considering the long run impact of the benefit and how this will lessen the impact on firms. Overall, this response scored 12/12.

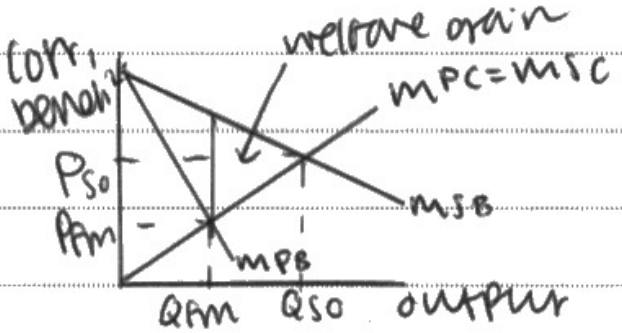
ResultsPlus
Examiner Tip

Though not asked for in the question, this response is an excellent example of how diagrams taught as part of the specification can be used to support an argument.

(d) With reference to Extract C, discuss the likely private and external benefits of viewing educational websites and TV programmes.

(12)

An external benefit is when an economic transaction has a positive impact on a third party. A private benefit is a benefit felt by the producer or consumer.



One likely private benefit of viewing educational websites & TV programmes is higher grades in exams. For example, extract C states that BBC's 'Bitesize attracted ... 3.3 million in the GCSE exam period.' This suggests that a private benefit gained would be improved education & higher grades from exams. As the number of website visits peaked in the exam period, it shows that students have a high determination to succeed in exams and gain the highest marks possible by examining data outside of the curriculum. Having higher grades will allow

students to gain the benefit of receiving higher quality education in the long run leading to greater career opportunities and higher wage rates. Higher wage rates will allow consumers a higher standard of living and increase welfare gains.

However, due to the high number of students who look at the website in this period of time, there is the risk of higher grade boundaries. With higher grade boundaries, students will find it harder to receive the private benefit of improved grade and then in turn an increase in welfare in the long run. Jobs will become increasingly competitive and the prospect of higher grade will be diminished.

An external benefit of viewing education websites and TV programmes is greater economic efficiency. For example, extract 1 states that 'an National academy has been 'set aside £43 million' for funding. This

suggests that ministers have high confidence in the Oak National Academy in improving the quality of employees in the future. This increase in quality will allow firms to employ employees that are more skilled and due to this, lower their costs and employ less. Firms will be able to increase their productive efficiency and supply more products for a lower cost and offer a lower price to consumers looking to buy them. This leads to the external benefit of a more powerful, more efficient economy that experiences greater growth.

However, the £43 million pounds being set aside may lead to unintended consequences of rising negative externalities in ~~the~~ pollution. The money being used could've been put towards reducing pollution and ~~improving~~ as a subsidy to firms to increase investment in green technology.

This is another strong response, though not quite as developed as the first example we looked at. This response scored 10/12, with level 3 for KAA and level 2 for evaluation. The KAA achieved 8 marks and the evaluation 3/4. The evaluation isn't quite as developed or sophisticated as the other example.

Question 6 (e)

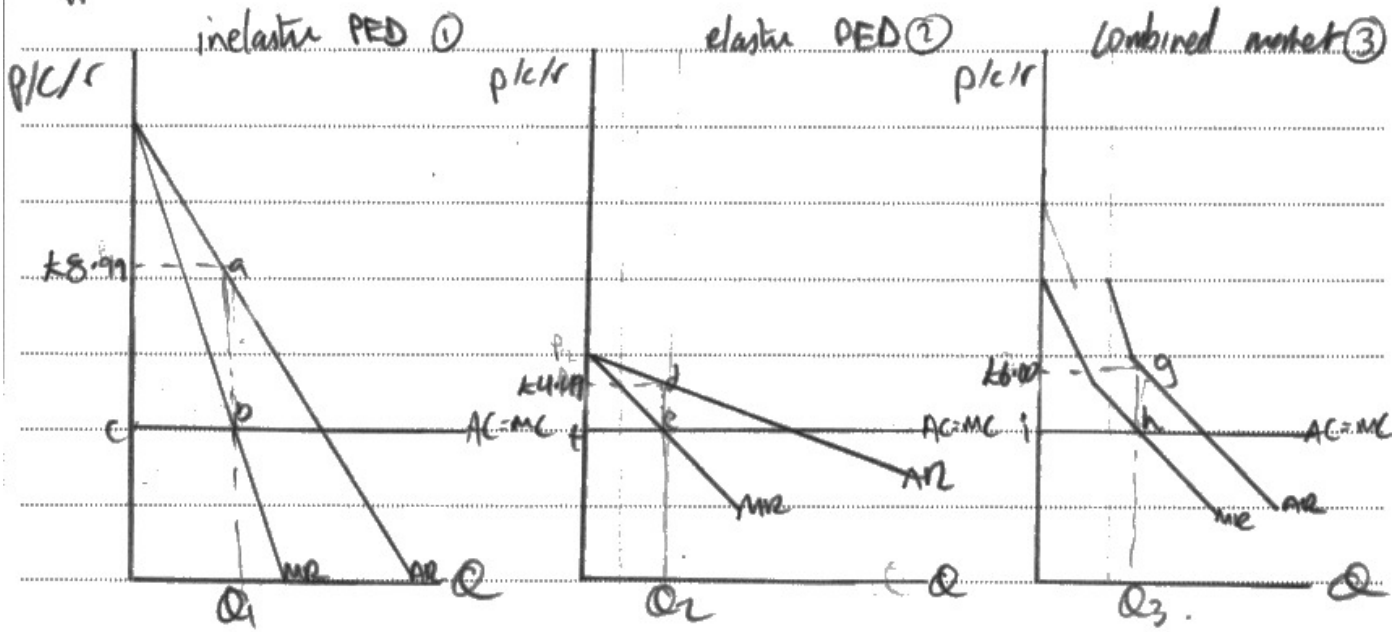
The second of the 'discuss' type questions, this one has 9 marks available for KAA and 6 for evaluation. This means that more emphasis should be given to evaluation in responses. A diagram is specifically asked for, and candidates were expected to make a clear distinction between the impact on profits in price elastic markets and price inelastic markets. Many good responses did precisely this and discussed different pricing between student and non-student markets, or between UK and Indian markets. There was some confusion between price discrimination and product differentiation, so candidates are reminded that price discrimination is charging different prices for the same product to different groups of consumers. The ability to separate markets is pivotal to the success of the strategy, and good responses could explain this and then evaluate by developing the idea of 'seepage' between markets, for example when consumers share passwords.

(e) Using examples from Figure 2 or Extract B, discuss the likely impact of price discrimination on a firm's profits. Use a relevant diagram to support your answer.

3rd degree

(15)

Price discrimination is when a firm charges a different price for the same good/service, based on different PEDs within the market.



Price discrimination should increase a firm's profits. This is because you are charging a higher price for consumers whose demand is PED inelastic and a lower price for consumers whose demand is PED elastic. Amazon Prime Video offers nearly 50% off a standard Prime Membership. This is because students are often have less disposable income than working adults, so their fall in demand is more than proportional to a rise in ~~price~~ price. ~~Conversely~~ To maximise total revenue for a PED elastic good, you must drop prices. TR = P × Q. Conversely, Prime charge £8.99 for its standard membership. This is targeted towards workers who often have more disposable income than

students. Therefore they are willing to pay a higher price than as Prime at £8.99 a month takes up be a smaller % of their disposable income. Therefore, the fall in demand ~~is~~ is less than proportional to the rise in price. Diagram (1) shows the supernormal (SNP) profit as £8.99 abc for the inelastic portion of the market. Diagram (2) shows ~~profit~~ SNP area of £4.49 def. These two areas combined have a larger area than £6.00 ghi. £6.00 is a hypothetical figure that Prime would charge to a combined market. Whatever this price is, it will not create an SNP area greater than the ~~sum~~ sum of £8.99 abc + £4.49 def.

To evaluate, price discrimination is only possible if the same service is being provided. This is shown in the diagrams, where all firms face the same horizontal cost curves i.e. AC=MC. However, extract B states that a student membership offers "many other exclusive benefits". These exclusive benefits are not offered to normal subscription members, meaning a different ~~good~~ service is being offered. These extra benefits may increase the costs of providing a student membership, raising the cost line AC=MC. This may erode any increased profits from price discrimination. On top of this, Prime need

perfect information when dividing up the market based on varying PEDs. They rely on the assumption that all students' demand is PED elastic and all non-students' demand is PED inelastic. This may not be the case. A student with lots of disposable income from part-time jobs may be willing and able to pay the £8.99 membership fee, but is placed in the elastic portion of the market based on age. An unemployed adult will not be able to benefit from a cheaper price, but has to a higher price solely on the basis of their age, rather than their personal income. Also, UK students need a "valid student email address" to get a student membership. This means young people who cannot afford higher education cannot benefit from cheaper prices.

ResultsPlus
Examiner Comments

This is a very strong example which achieved 14/15, with 9 for KAA and 5 for evaluation. The diagrams are detailed and used throughout the first paragraph. There is also clear use of the information provided and the concepts are clearly explained. The evaluation is also very thorough, and considers how price discrimination may not increase a firm's profits as much as expected. The questions raised about the ethical aspects of price discrimination are valid but really need to be linked back to the impact on profits to get full marks.

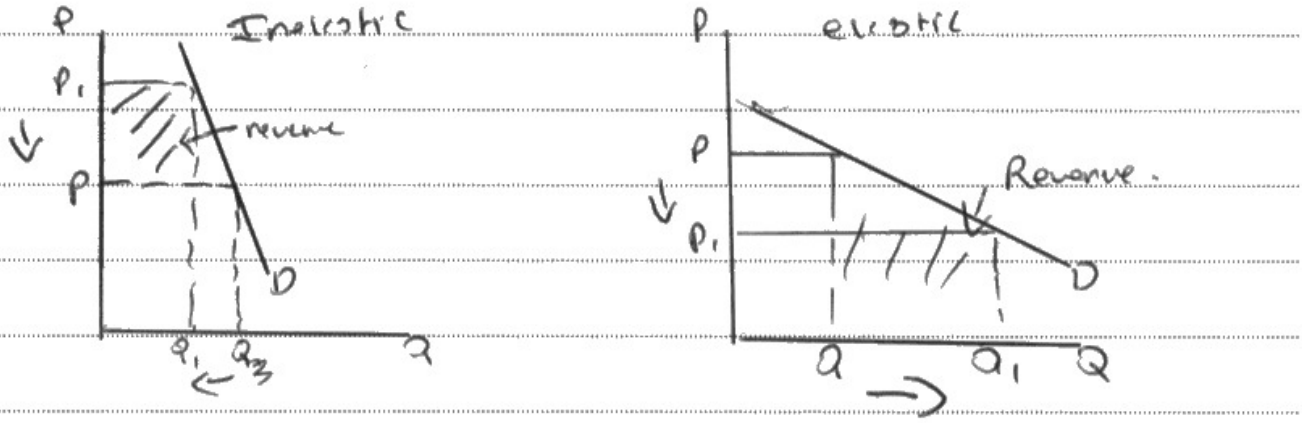
ResultsPlus
Examiner Tip

Again, this is a question which specifically asks for a diagram. It is always good preparation to practise drawing all of the diagrams on the specification.

(e) Using examples from Figure 2 or Extract B, discuss the likely impact of price discrimination on a firm's profits. Use a relevant diagram to support your answer.

(15)

Price discrimination is when firm charge different prices to different ~~mark~~ market segments.

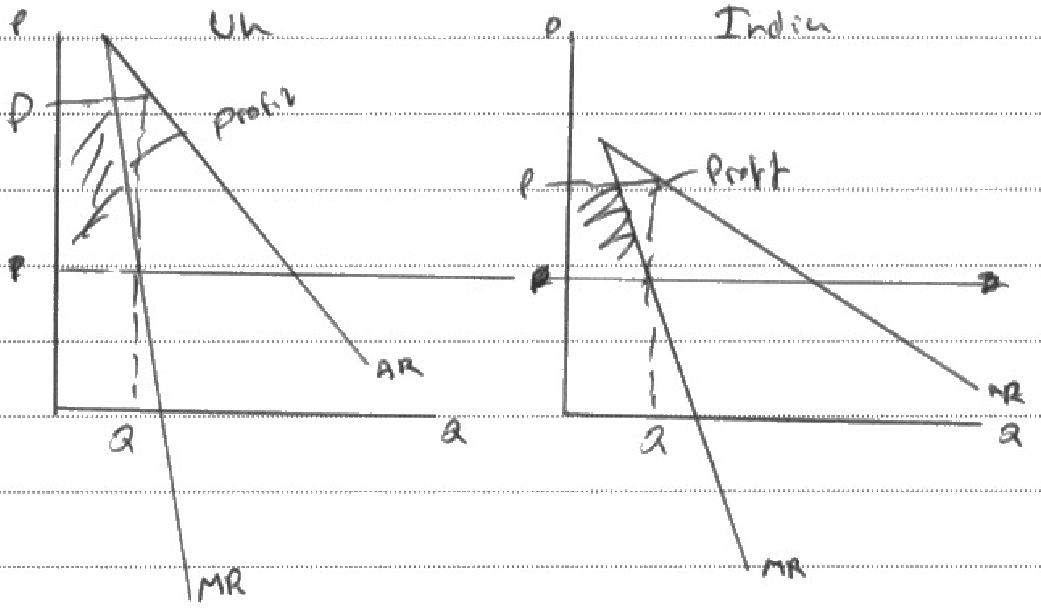


One impact of price discrimination is that firms are able to charge ~~a higher~~ highest price for different consumers.

As shown above, consumer with elastic demand such as student firm ~~that~~ should lower prices as they have lower ~~in~~ income ~~therefore~~ therefore having elastic demand as shown from Q to Q1 due to an extension of demand. The revenue is greater than ~~the~~ what the price decreased by. Those with inelastic demand firm can afford to increase prices as they are less ~~re~~ responsive to a change in price.

However, this may depend on the stage of ~~the~~ trade ~~economic~~ cycle. During a recession the demand for streaming online might be low as consumers have reduced confident and income therefore firm should ~~be~~ decide prices

based on the stage of ~~er~~ trade cycle in order to ~~maxise~~ maximise revenue



~~The~~ ~~to~~ ~~com~~ firm may ^price discriminate based on the location of the country. UK is likely to be inelastic as income are like on average £33000 ~~a~~ compared to India which will be low ^of £5.42 therefore it ~~a~~ will charge different prices based on the location they are need

Overall, ~~the~~ firm such as Netflix may ~~the~~ have different objective in different country. In UK /US ~~they~~ ~~m~~ they will want to profit maximise but in India they might want to sale maximise ~~a~~ in order to increase market share.

ResultsPlus
Examiner Comments

This second response scored level 2 for KAA, 6/9 and level 2 for evaluation, 3/6 giving a total of 9/15. The diagrams are not as well developed as the previous example, lacking any revenue or cost curves. Similarly, the areas shaded are revenue and not profit. It then goes on to discuss students against adult price elasticities of demand, but again this isn't linked to profit. The reference to the trade cycle is evaluative, but linked to revenue. The second diagram is better, with clear reference to profit and there is a useful discussion of UK and Indian markets. The evaluation is about the differing business objectives, but not linked to profit.

Question 7

This first essay question was marginally less popular than question 8, but was, nonetheless, very accessible. Rising energy bills have been a significant issue for UK households, and this question was looking for the most likely methods to control them. The most popular proposals were energy price caps, the use of windfall taxes, and nationalisation of energy suppliers. Strong responses made full use of relevant diagrams and were able to develop them in the context of the UK market and the regulatory framework affecting it. For questions such as this, a good understanding of topical events is very important when it comes to developing chains of reasoned application.

EITHER

7 The average UK household energy bill (gas and electric combined) rose 80% from £1 971 in 2021 to £3 549 in 2022.

(Source adapted from: https://www.telegraph.co.uk/money/consumer-affairs/energy-price-cap-rise-october-2022-what-happen-household-bills/)

Evaluate possible methods of government intervention to control household energy bills in the UK.

~~regulator~~ price cap ~~demerge~~ demerger

(Total for Question 7 = 25 marks)

OR

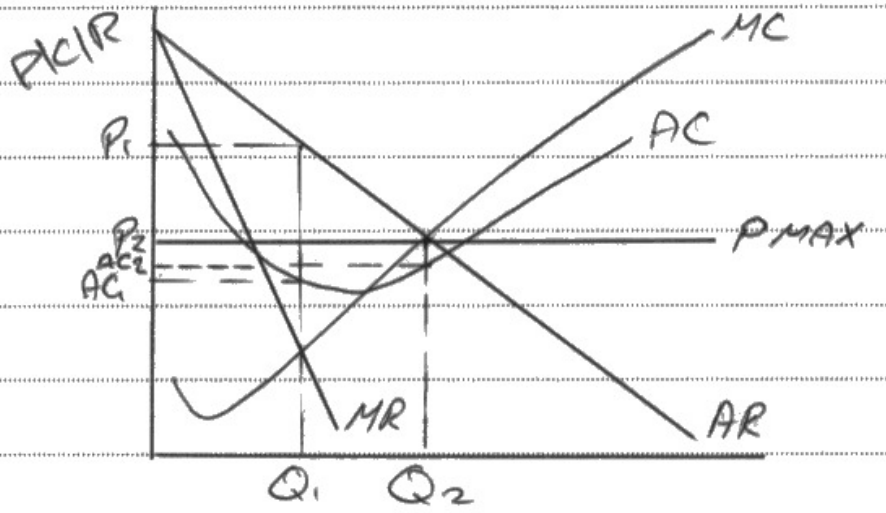
8 Using 2021 estimates of carbon emissions, it is estimated that a petrol car journey from London to Glasgow emits approximately 3.3 times more carbon dioxide per passenger than the equivalent journey by train.

(Source adapted from: https://www.gov.uk/government/statistics/transport-and-environment-statistics-autumn-2021/transport-and-environment-statistics-autumn-2021)

Evaluate possible methods of government intervention to reduce carbon emissions caused by road transport in the UK. indirect min price

~~household energy firms~~ the market for household energy is highly concentrated, with 6 big firms taking up a significant amount of the market share. the government could impose tighter regulation on these firms in the form of maximum

prices. as a result of the maximum



price on energy, firms will increase the quantity supplied ↑ to closer Q2 and be operating ~~at~~ nearer to the point of allocative efficiency. ~~this ensures greater overall economic welfare as fewer resource~~ this is where MC=AR and ensures a greater overall economic welfare as there is less wastage of resources. the price decrease to P2 will cause energy to become more affordable for consumers. due to energy being price inelastic as it a necessity for many. consumer surplus will significantly rise. this will result in a rise in real incomes across the UK. improving

the standards of living for many.

However, tighter regulation means that the barriers to entry for the market will increase. this is because less supernormal profit can be made so fewer firms will join the market. this ~~can~~ means the big 6 energy firms will retain their market power ~~and~~ due to a lack of contestability. in the long run when the government removes the price cap the firms will therefore have even more price setting power and be able to freely profit maximise - maybe even choosing to collude as an increase in market concentration will cause a rise of interdependence between these firms. this will cause prices for consumes to eventually soar, decreasing consume surplus and real incomes, thus standards of living.

~~profits~~ another form of government intervention that could be used is a demerger. a demerge is when one firm splits into two different firms. these can be forced by the Competition and Markets Authority (CMA) if they believe firms are using anticompetitive behaviour. a demerger would increase the contestability of the market. barries to entry would fall as there is a lower market concentration, meaning new firms will enter the market. this increases the ↑price elasticity of demand, as more substitutes are available in the market. as a result, firms will lose their price setting power and consumer prices will decrease. this increases consumer surplus and real incomes, causing an improvement in standards of living.

however, by demerging a firm, the supernormal profits made by each smaller firm will be significantly less. this means that they have less

ability to by dynamically efficient ~~and~~ so will ~~to~~ reinvest less back into the company such as innovative technologies. resultantly they will see a rise in AC and MC over time and a fall in the quality of the product which will cause consumer prices to increase and consumer surplus and consumer welfare to fall.

overall, a price cap scheme is a good idea in the short term but not for too long as market concentration may ~~rise~~ increase too high. the UK government may place a windfall tax on energy firms.

ResultsPlus
Examiner Comments

This is a strong response, which scored 20/25. This comprised level 4 KAA, at 14/16 and top level 2 evaluation, with 6/9. The candidate discussed a maximum price solution, which is supported by a clearly drawn and well referenced diagram. This achieved level 4. The evaluation of this policy achieved bottom level 3. The second method proposed is a demerger, which would enhance competition by breaking up large energy suppliers. This was well developed, though the reference to increased contestability was slightly unclear. Nonetheless, it just edged into level 4. The evaluation following the paragraph lacked application, so was awarded level 2. The recommendation at the end of the essay adds to its quality but the proposed windfall tax is not explained or evaluated.

ResultsPlus
Examiner Tip

Given the time constraints affecting this paper, it is only necessary to write two well developed paragraphs to achieve full marks for KAA. Each should then be evaluated separately, so it is clear where the evaluation begins. Good signposting makes it easier for the examiner to follow your arguments and will keep you focused on the question. A conclusion is always necessary to make a justified judgement and therefore enables you to score full marks.

EITHER

7 The average UK household energy bill (gas and electric combined) rose 80% from £1 971 in 2021 to £3 549 in 2022.

(Source adapted from: https://www.telegraph.co.uk/money/consumer-affairs/energy-price-cap-rise-october-2022-what-happen-household-bills/)

Evaluate possible methods of government intervention to control household energy bills in the UK.

price cap NMW **(Total for Question 7 = 25 marks)**

OR

8 Using 2021 estimates of carbon emissions, it is estimated that a petrol car journey from London to Glasgow emits approximately 3.3 times more carbon dioxide per passenger than the equivalent journey by train.

(Source adapted from: https://www.gov.uk/government/statistics/transport-and-environment-statistics-autumn-2021/transport-and-environment-statistics-autumn-2021)

Evaluate possible methods of government intervention to reduce carbon emissions caused by road transport in the UK.

~~price cap~~ ↑ tax of fuels **(Total for Question 8 = 25 marks)**

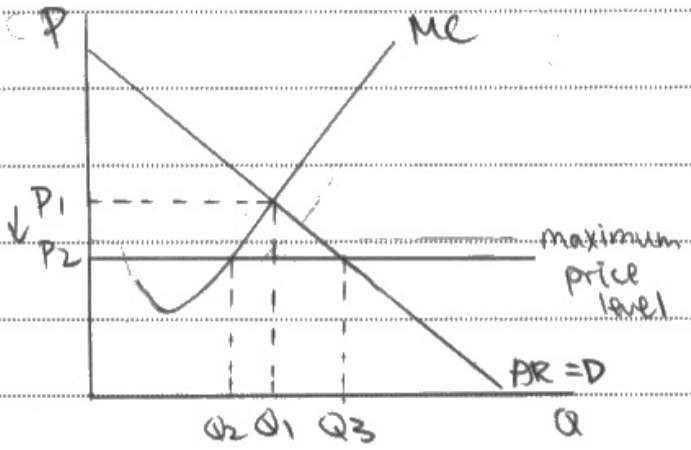
Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 7** ☒ **Question 8** ☐

Write your answer here:

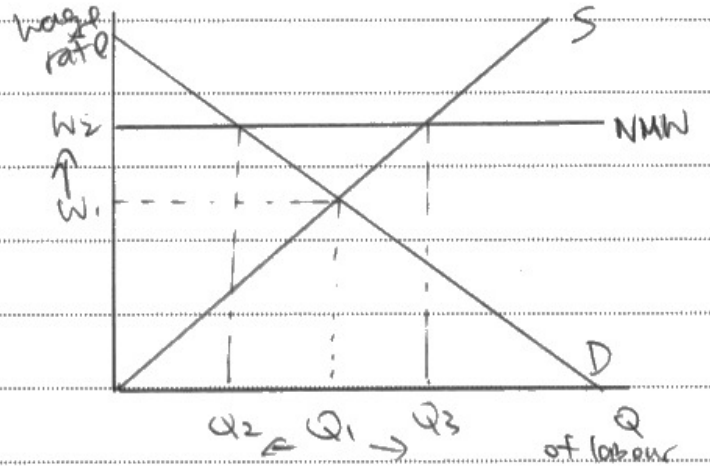
~~In order to control~~ Government intervention refers to government step in to ~~control to~~ help consumes or producer. ~~In order to control household energy bills in the UK, government can set a price cap on energy prices~~ Current energy prices increased a lot in the UK, households face a high energy bill. In ordes to control household energy bills in the UK, government can set a price cap on energy prices.

to prevent some exploitation from producers on households.



A price cap is set below the ~~market~~ market equilibrium, firms can not set price above the maximum price level. Price fall from P_1 to P_2, leads to a change in quantity demanded and quantity supplied, excess demand appears between Q2 and Q3. As price become lower, households have less pressure on paying energy bills, consumer surplus gained.

Another method to ~~o~~ control ~~energy bill~~ household energy bill is to set a national minimum wage, which is set above the equilibrium level. This increase the wage rate of workers from W_1 to W_2, leads to an excess supply of labour between Q_2 and Q_3. The rise in wage rate means household ~~to~~ receives more income, ~~they~~ their disposable income increases, ~~increase ratio~~ purchase on goods and services, ~~more~~ rise satisfaction, rise standard of living. ~~Poverty and trade~~ Higher income means they pay higher taxes, government receive more tax revenue and spend ~~onto~~ other social welfare such as healthcare and education. and decrease budget deficit where PSNB is currently at £133 million. ~~incentive~~ incentive workers by higher wages, increase productivity, lower AC, firm benefit.



ResultsPlus
Examiner Comments

Our second example is much weaker, and it illustrates a range of issues. The energy price gap is chosen as a method, but the diagram shows MC rather than supply. This isn't explained. The explanation of consumer surplus just lifts this response into level 2 for KAA. The plan at the top of the page refers to the National Minimum Wage (NMW) but the method is not written about in the main body of the essay. There is no evaluation. Overall, the response scores 6/25.

Question 8

This final essay question explored solutions to another major issue of our time, global warming and the carbon emissions that are a major contributory factor. The question specifically asks about the emissions caused by road transport, so methods had to address this specifically and not wider causes. Many candidates discussed tradable pollution permits, which currently don't cover road transport in the UK but can be applied to it in the future. Some candidates discussed permits applied to car manufacturing. However, the strongest answers discussed the use of the tax system to penalise certain categories of transport or fossil fuel use, together with the subsidisation of alternative forms of transport. Other methods were congestion charging and road pricing. Many candidates used well developed supporting diagrams, which is always good to see.

EITHER

7 The average UK household energy bill (gas and electric combined) rose 80% from £1 971 in 2021 to £3 549 in 2022.

(Source adapted from: https://www.telegraph.co.uk/money/consumer-affairs/energy-price-cap-rise-october-2022-what-happen-household-bills/)

Evaluate possible methods of government intervention to control household energy bills in the UK.

(Total for Question 7 = 25 marks)

OR

8 Using 2021 estimates of carbon emissions, it is estimated that a petrol car journey from London to Glasgow emits approximately 3.3 times more carbon dioxide per passenger than the equivalent journey by train.

(Source adapted from: https://www.gov.uk/government/statistics/transport-and-environment-statistics-autumn-2021/transport-and-environment-statistics-autumn-2021)

Evaluate possible methods of government intervention to reduce carbon emissions caused by road transport in the UK.

(Total for Question 8 = 25 marks)

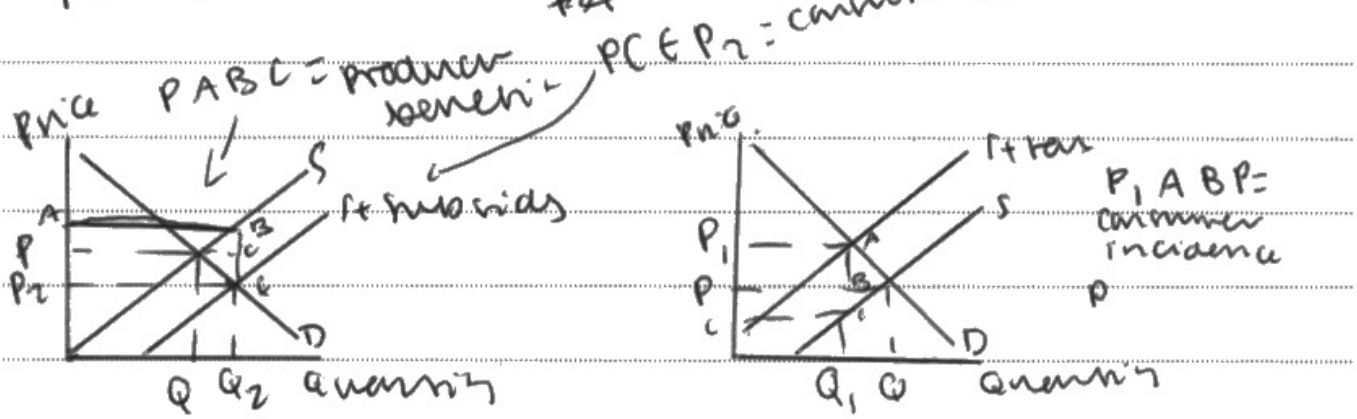
Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 7** ☒ **Question 8** ☒

Write your answer here:

Government intervention is when the free market leads to market failure with an inefficient allocation of resources, to the government intervenes to correct market failure. Government intervention that can be used to reduce carbon emissions caused by road

transfer in the UK include subsidies, taxes, and also information provision.



One way government intervention can be used to reduce carbon emissions is through the use of subsidies. Subsidies are used to lower the cost of production for firms, so that they can increase the supply of their goods. A government subsidy can be granted to companies who ~~use~~ create electric cars. When the government provides a subsidy to producers, producers are encouraged to increase their producing and efficiency so that they can increase their supply and gain as much profit as possible. When firms supply increases from Q to Q_2, this encourages a decrease in price ~~too~~ from

P to P2. As prices fall, consumer ~~will~~ demand for the electric cars will rise as the cost will fall making the cars more attractive than their substitutes or the highly polluting ~~diesel~~ petrol cars. This will lead to a large reduction in the level of carbon emissions produced by road transport.

However, there is an opportunity cost to the government. The money spent on providing a firm with a subsidy could've been used to tackle the problem of carbon emissions and pollution as a whole rather than focusing on one company. In order for the subsidy to be efficient, the subsidy would need to be equal to the external cost. Also, this wouldn't prevent the creation of diesel & petrol cars. People would still be polluting.

Another way in which government intervention can be used to reduce carbon emissions is information provision. Information provision is used when the

free market leads to information gaps and the consumers are unaware of all the information needed. for example, it states that 'a person can journey ... emits 3.3 times more carbon dioxide per passenger ... than by train.' This suggests that consumers are unaware of the main levels of negative externalities that are produced when they choose to travel by car rather than by public transport. The government can intervene by providing consumers with information about the negative side effects of their travel. This can be done through power or by creating advertisements on TV & on radio to that those who are producing more carbon emissions are targeted directly. This encourages consumers to switch to travelling by train rather than by car.

However, information provision may looks & aims to encourage the switch from consumers might not

be successful. ~~The one~~ If a consumer new to freelancing travel, it may be more cost efficient for them to use their own car rather than continuously buying new train tickets which can be extremely expensive. This then runs the risk of their being unintended consequences or money being wasted if the incorrect ~~tax~~ group of people is being targetted.

A third way in which government intervention can be used is the implementation of taxation and fines. E.g. for example, the government aims to ban all petrol & diesel cars by 2030 and also, the government have placed ULEZ zones around London that charge people for driving one type of car that can be used is a pigovian tax which is a tax on a good with a negative externality. This tax can be implemented as an indirect tax on diesel & petrol cars to prevent consumers from buying

them. When a tax is implemented on a good, the price of this good is pushed up to try and prevent consumers from consuming a good that creates a negative externality. As this ~~good~~ tax is placed onto cars that produce high carbon emissions, there will be a fall in demand that results in a reduction of these emissions. Similarly, the ULEZ zone payments act as a fine and a tax paid for by commuters whose cars fall under the category of being high polluters. They prevent people from owning their high polluting cars and instead encourage them to use cheaper, less polluting public transport.

However, the impact of the tax may be minimal if the ~~demand~~ price elasticity of demand for cars is inelastic. This means that the percentage change in demand is proportionately lower than the percentage change in price. Cars are seen as a necessity so consumers will continue purchasing

them despite the rise in price. Moreover, this tax may be regressive and push the poor into greater levels of poverty if they rely on having a car. ~~In order to get~~ a their car is highly polluting, causing them to pay the ULEZ fee.

Overall, there are many ways in which government intervention can be used to reduce carbon emissions from road transport. However, there are negative & unintended consequences that arise from all methods of intervention.

TOTAL FOR SECTION C = 25 MARKS
TOTAL FOR PAPER = 100 MARKS

ResultsPlus
Examiner Comments

This is a very focused and well developed response that achieves full marks. The candidate discusses the subsidising of electric car manufacturing as the first method, and this is developed using a well-drawn if slightly small diagram. It clearly shows the producer and consumer benefits of the subsidy on the diagram. The second policy chosen is information provision. As with the first method, the analysis is crisp and clear and the contextual development very strong. Finally, the candidate discusses indirect taxation on petrol and diesel alongside ultra-low emission zones. The link back to the tax diagram earlier in the essay is apparent. Again, this is clear and the evaluation very strong. The conclusion makes a justified judgement.

EITHER

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(Source adapted from: https://www.telegraph.co.uk/money/consumer-affairs/energy-price-cap-rise-october-2022-what-happen-household-bills/)

Evaluate possible methods of government intervention to control household energy bills in the UK.

(Total for Question 7 = 25 marks)

OR

8 Using 2021 estimates of carbon emissions, it is estimated that a petrol car journey from London to Glasgow emits approximately 3.3 times more carbon dioxide per passenger than the equivalent journey by train.

(Source adapted from: https://www.gov.uk/government/statistics/transport-and-environment-statistics-autumn-2021/transport-and-environment-statistics-autumn-2021)

Evaluate possible methods of government intervention to reduce carbon emissions caused by road transport in the UK.

(Total for Question 8 = 25 marks)

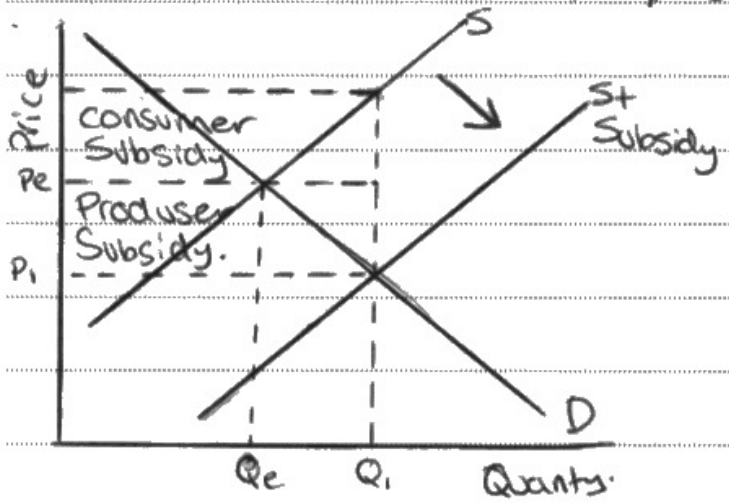
Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 7** ☒ **Question 8** ☒

Write your answer here:

Government intervention is necessary when the Market fails. In this case carbon emissions are too high and classified as a failing market as too much carbon emissions dont meet the Government objective Number 6 of preserving the environment.

One likely way the Government could Intervien to reduce carbon emissions is to give Subsidies out to the train companies. One likely reason people drive to Glasgow is Price of tickets. Subsidies from the government could ~~reduce~~ ~~consumer~~ the price and incentivice more people to take the train. The ~~Price~~ Subsidy would



cause S to move to S+ subsidy. This Increase in supply shifts the supply curve to the right and decreases price while Increasing Quantity demanded. The 2 Boxes show howmuch of the subsidy goes to the consumer and howmuch goes to the producer. The decrease in Price and Increase in supply is likely to Incentivise People to take the train instead of their car.

However, the choice of car over train could be due to comfort or amount of luggage. Some people might prefer the comfort of their own car over a train and might need to use their car to ~~move~~ ~~travel~~ travel once in Glasgow. Also Some people

might be going for holiday reasons and have too much luggage that would make taking the train Stressful. Thus cheaper tickets for trains might not be enough of an Insentive over the comfort of a car.

Another device the government could use to Intervien and Prevent Carbon emmissions would be placing tolls on the roads. In Placing tolls on highways the government could ensure the cost of driving to Glasgow is higher than the tramticket of a train to Glasgow. This could Insentivise People to take the train by making car travel more expensive than train. However this would result in a time lag as to Install the technology and employ the people to ensure tolls are paid will take months if not years. this time lag will mean 3.3 times more carbon is emmitted untill they are in Place which could have a big negative effect on the environment.

Another method of Intervention to prevent Carbon emmissions could be to Improve train lives. & This would make the train Journey more efficient and Quicker.

A quicker train journey would incentivise people as most people would like to get places in the quickest time possible. Faster trains would also mean more train journeys could be taken Increasing options to Consumers and resulting to more Supply of Seats meaning Higher overall Supply which could result in a decrease in Price.

However Improving trainlines and their efficiency would also Involve a time lag and could result in train tracks closing which would Decrease Supply in the Shortrun and worsen the Problem for Months or Years.

ResultsPlus
Examiner Comments

This second example is less secure, and achieved 14 marks. The first policy of a subsidy is explained but the diagram has the consumer and producer benefits the wrong way round. This achieved level 3 – and level 2 for evaluation of the effectiveness of the method. The second method, the use of tolls, is again less well developed and scored bottom level 3. The evaluation of the time lag is in context but not developed. The development of train lines is again relevant and gets level 3 for KAA and level 2 for evaluation. Overall, this response achieved the bottom of level 3 for KAA and level 2 for evaluation, 9+5.

Paper Summary

Based on the performance of candidates on this paper, we can offer future candidates this advice:

- Ensure you carefully study and understand the full specification because understanding of cross elasticity of demand and external benefits were weaker than they should have been. Ensure that you are aware of all the definitions and diagrams in the Specification.
- Be aware of a formula and quantitative skills as explained in the Specification. Ensure you can properly interpret statistical data, for example in calculating percentage changes.
- When drawing diagrams, remember to ensure they are clear and have appropriate annotations.
- Poor handwriting was evident in many places, so practising writing under timed conditions will go some way towards helping in this regard.
- Remember to keep your answers within the space provided. If you run out of space, ask for additional sheets provided at the end of the essay or ask for additional sheets of paper. Ensure you then clearly indicate which question you are writing about.
- Read the instructions to the questions very carefully to ensure your answer continues to be relevant. Double-check this as you write your answer, and ensure that each paragraph links back to the question. Quality surpasses quantity every time.
- Clearly identify which essay you have chosen by putting a cross in the correct box. Over 5% of essays this summer did not have a cross indicating which question they were answering.
- Ensure you answer the precise question you have been set, for example if the question asks about the carbon emissions generated by road transport make sure you talk about road transport.
- Spend time studying topical issues in the microeconomy. This not only enriches your understanding of the key concepts in the Specification, but will enable you to refer to an industry or firm of your choice if asked in an essay.

Grade boundaries

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

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