

**Paper Reference 8EC0/01**  
**Pearson Edexcel**  
**Level 3 GCE**

**Economics A**  
**Advanced Subsidiary**  
**Paper 1: Introduction to Markets and**  
**Market Failure**

**Monday 15 May 2017 – Morning**

# **Data Book**

**In the boxes below, write your name, centre number and candidate number.**

<b>Surname</b>					
<b>Other names</b>					
<b>Centre Number</b>					
<b>Candidate Number</b>					

## **INSTRUCTIONS**

**There may be spare copies of some data sheets in case you need them.**

**THIS DATA BOOK MUST BE RETURNED WITH  
THE QUESTION PAPER AT THE END OF THE  
EXAMINATION.**

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## Question 1

Capital goods output (million units)	Consumer goods output (million units)	Opportunity cost
0	42	-
10	40	
20	36	
30	30	
40	22	
50	12	
60	0	

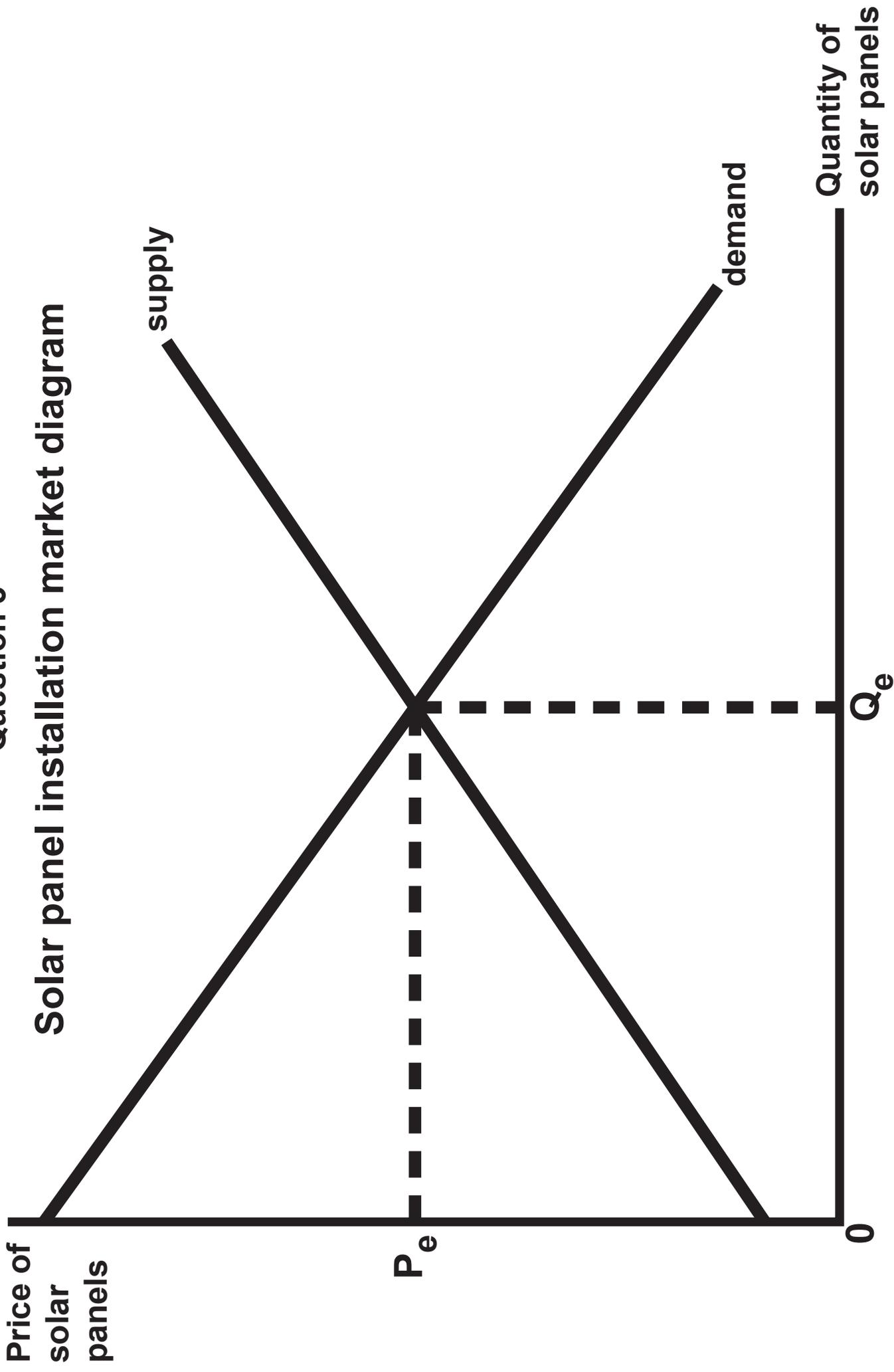
## Question 2

<b>Year</b>	<b>Wheat production (‘000 tonnes)</b>	<b>Index numbers of wheat production (2010 is base year)</b>
<b>2010</b>	<b>14878</b>	<b>100</b>
<b>2011</b>	<b>15257</b>	
<b>2012</b>	<b>13261</b>	
<b>2013</b>	<b>11921</b>	<b>80·1</b>
<b>2014</b>	<b>16606</b>	<b>111·6</b>
<b>2015</b>	<b>16129</b>	<b>108·4</b>

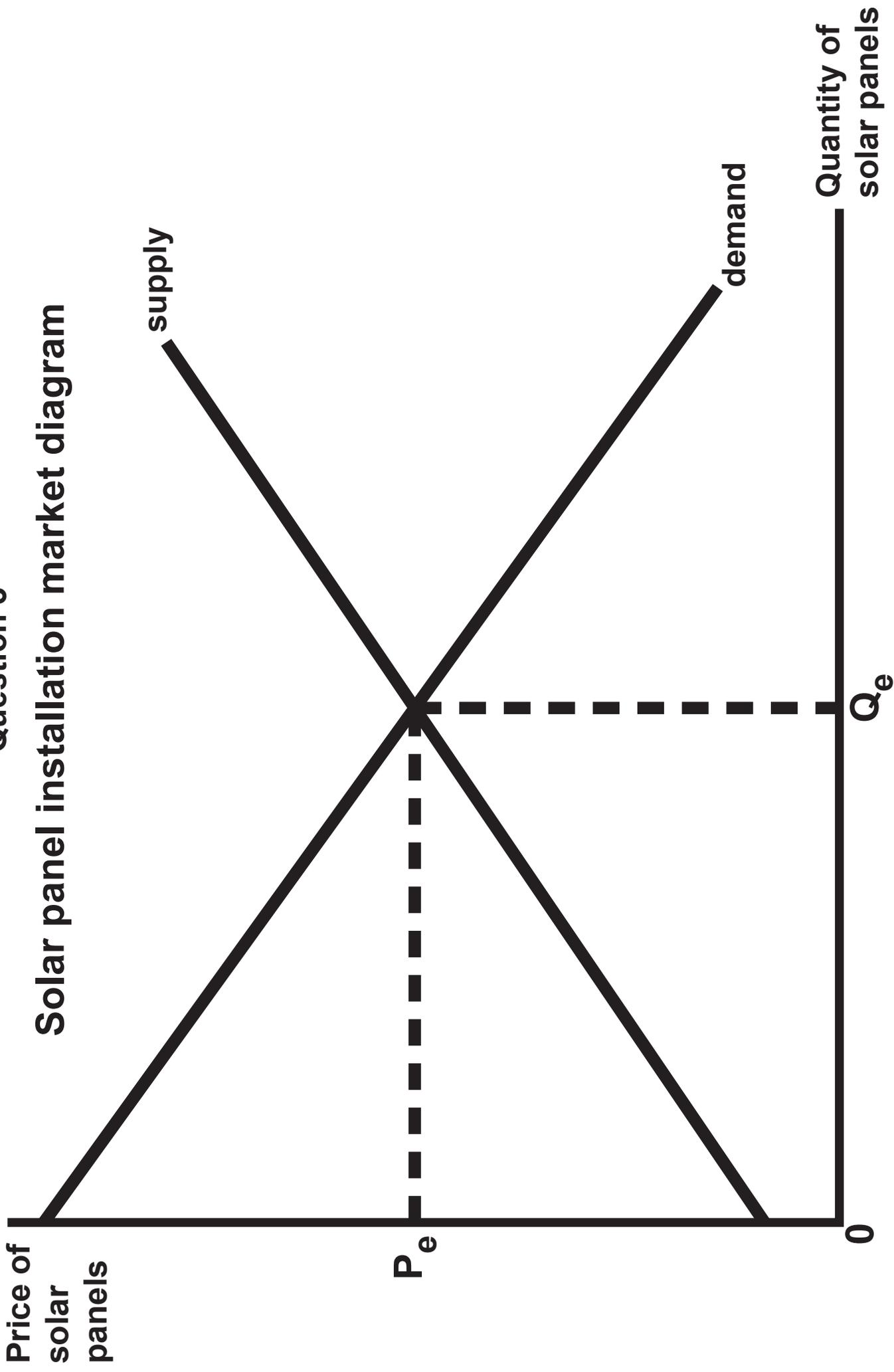
(Source: adapted from [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/466383/farming-statistics-2015-wheat-and-barley-production-uk.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/466383/farming-statistics-2015-wheat-and-barley-production-uk.pdf) )

Question 3

Solar panel installation market diagram



Question 3



## Question 6

## The market for cigarettes

**Figure 1: Price elasticity of demand – a comparison between tobacco and e-cigarettes**

<p><b>Price of packet of 20 tobacco cigarettes</b></p> <p><b>£7.70 – £9.50</b></p>	<p><b>Price of e-cigarette kit</b></p> <p><b>£9.99 – £19.99</b></p>
<p><b>Average price per tobacco cigarette</b></p> <p><b>48 pence</b></p>	<p><b>Single cigarette equivalent price of an e-cigarette</b></p> <p><b>7 pence</b></p>
<p><b>Price elasticity of demand for tobacco cigarettes</b></p> <p><b>–0.35</b></p>	<p><b>Price elasticity of demand for e-cigarettes</b></p> <p><b>–1.9</b></p>

(Source: adapted from <https://www.blucigs.co.uk/united-kingdom/kits/all-kits>)

## Extract A

### Government intervention on tobacco

5 There was a time when smoking was fashionable. Television and magazine advertisements glorified smoking. Everyone from your dad to your doctor smoked in all places – cars, restaurants and even hospitals.

10 Tobacco is still the single biggest cause of cancer in the world and the leading cause of preventable deaths. Nearly 80% of the 1 billion smokers worldwide live in low- and middle-income countries.

15 Bans on tobacco advertising, promotion and sponsorship can reduce tobacco consumption. Comprehensive smoking bans covering indoor workplaces, public places and public transport have been introduced in 48 countries.

Tobacco taxes are the most cost-effective way to reduce tobacco use, especially among the young and people in low-income groups. A tax increase

(continued on the next page)

**Extract A continued.**

that raises tobacco prices by **10%** decreases  
20 tobacco consumption by **4%** in high-income  
countries and **5%** in low- and middle-income  
countries.

However, some **8 million** people are expected  
to die each year by **2030** – because they have  
25 smoked tobacco or have been exposed to  
passive smoking. The use of alternative products  
such as electronic cigarettes (e-cigarettes) are  
gaining in popularity but information about their  
effects is uncertain. Little research has yet been  
30 done about the long-term health effects of  
e-cigarettes and the nicotine dispensed by  
e-cigarettes is highly addictive. The illegal  
tobacco market still counts for **1** in every  
**10** cigarettes consumed globally. In addition,  
35 tobacco companies still spend tens of billions of  
dollars each year on advertising and promoting  
tobacco products and sponsoring events. They  
continuously challenge the regulatory measures  
governments are taking.

(Source: adapted from <http://www.who.int/topics/tobacco/en/> and <http://www.who.int/mediacentre/commentaries/reducing-tobacco-use/en/>)

## Extract B

### Free market approach

**Are free markets incompatible with good health?**

**If the solution to every problem involves banning advertising, raising prices and restricting**

**availability, you might easily conclude that the**

**5 free market is the disease and government regulation is the cure. From this perspective, the providers of food, alcohol and tobacco are determined to push the most unhealthy products on the public at the lowest prices.**

**10 Contrary to this viewpoint, the profit motive is not unhealthy. Businesses have an obvious incentive to keep their customers alive and customers have a strong incentive to seek out healthier options.**

**15 Any company that can make a scientifically sound health claim gains a competitive advantage over its rivals. Health sells. In contrast, government regulation can lead to negative health outcomes. Markets can correct themselves long before government failures are even acknowledged.**

**(continued on the next page)**

**Extract B continued.**

- 20** Over a million Britons, almost all of whom are smokers or ex-smokers, use e-cigarettes, as a less hazardous product than cigarettes and yet e-cigarettes face increased regulations and in many countries they are banned.
- 25** It is neither consistent nor ethical to prevent smokers from switching to much safer alternatives. Efforts to regulate e-cigarettes are a far greater threat to public health than the products themselves.
- 30** We argue that the interests of consumers are nearly always better advanced by the provision of accurate information and free choice than by prohibitions and regulations. The government policy of small but steady tax rises on tobacco
- 35** and ever-larger warning labels is becoming less effective and leads to unintended consequences.

**(Source: adapted from <http://www.iea.org.uk/blog/free-market-solutions-in-health-should-be-allowed-to-flourish>, Christopher Snowdon, 11th July 2013)**