



Rewarding Learning
ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2009

Economics

Assessment Unit AS 1
(Data Response)

assessing

Module 1: The Market Mechanism,
Market Failure and Government Response

[ASE11]

FRIDAY 5 JUNE, AFTERNOON



TIME

45 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **all six** questions.

INFORMATION FOR CANDIDATES

The total mark for this paper is 40.
Quality of written communication will be assessed in questions **1, 2, 5** and **6**.
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

Study the information below and answer the questions which follow

DRUGS STRATEGY CLEARLY NOT WORKING

Variations in the street price of heroin and cocaine (constant 2006 prices)

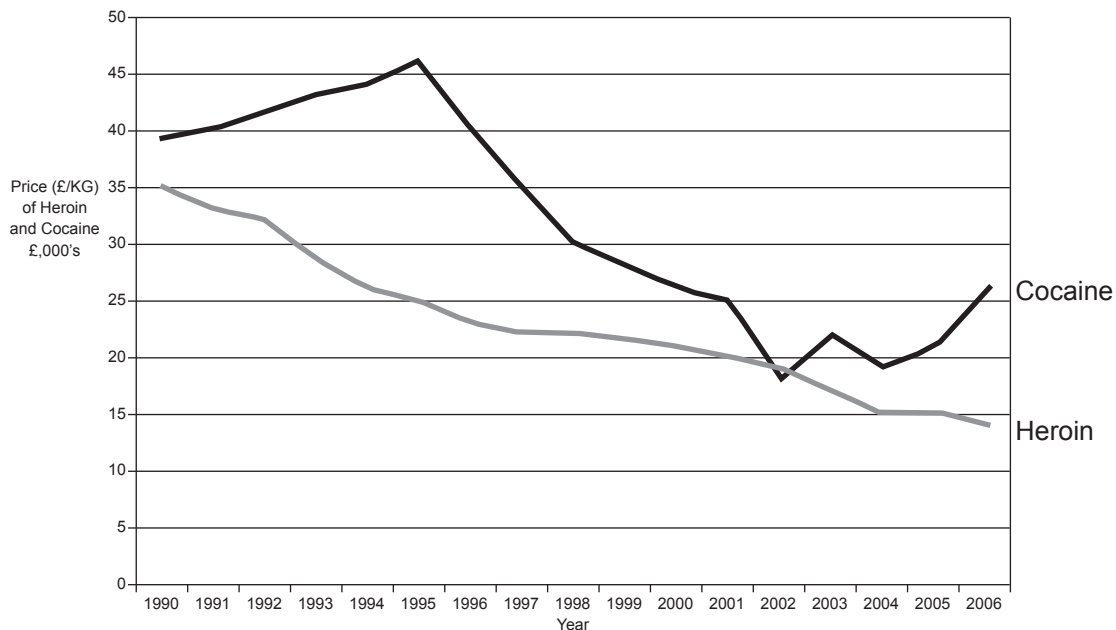


Fig 1

The illicit drugs trade in the UK. Matrix Knowledge/Home Office 2007. © Crown Copyright 2007

A leading think tank on drugs misuse published a report in October 2007 which claimed that current government policy on drugs has failed to lessen their use and has led to a crime epidemic.

1

The report claims that drug prohibition has allowed criminal gangs to control the market, criminalised millions of users and put a huge strain on the justice system. “It is clear our drug policy cannot continue down the same failed path for ever,” the report states. “Prohibition’s failure is now widely understood and acknowledged by key stakeholders in the debate. The political benefits of pursuing prohibition are declining in the light of recent government research which suggested that illegal drugs were often less harmful than legal drugs such as alcohol and cigarettes. At the same time the economic costs of continuing prohibition are becoming unsustainable.”

2

The report points out that the UK has one of the highest rates of drug use in Europe. The fact that the street price of drugs has fallen significantly over the last 10 years is quoted as evidence that the current drugs policy is not working. “The fact that the price of drugs such as cocaine has fallen, at a time when the number of people using them is increasing, suggests that the government needs to radically rethink its drugs policy.”

3

However, government ministers claim that tough anti-drug laws are needed to reduce drug use and its associated external costs. A government spokesman claimed that “illegal drugs are costing the UK taxpayer £16.4bn a year in crime and health costs. Tough anti-drug laws are needed to send a clear signal to society that the manufacture, supply and use of these demerit goods is wrong.”

4

He went on to state that “the government is emphatically opposed to the legalisation of drugs. We believe that it would increase drug-related harm and would violate both international and domestic law. While not perfect, prohibition is the only effective method of dealing with drug misuse.”

(After the war on drugs; tools for debate. © The Transform Drugs Policy Foundation, www.tdpf.org.uk)

Answer **all six** questions.

- 1 Using the information in **Fig 1**, compare the trend in the price of heroin with that of cocaine between 1990 and 2006. [6]
- 2 Paragraph 3 states that the price of drugs such as cocaine has fallen at a time when demand has been increasing. With the aid of an appropriate diagram, explain why this might be the case. [6]
- 3 Explain why it might be difficult to accurately estimate the demand curve for drugs such as cocaine or heroin. [4]
- 4 Paragraph 4 refers to the external costs of drug use. Using an example from the passage, explain what is meant by the term external cost. [4]
- 5 With the aid of an appropriate diagram, explain why free markets often lead to the over-consumption of demerit goods such as drugs. [8]
- 6 Evaluate the view expressed in the last paragraph that “prohibition is the only effective method of dealing with drug misuse”. [12]

THIS IS THE END OF THE QUESTION PAPER

Permission to reproduce all copyright material has been applied for.
In some cases, efforts to contact copyright holders may have been unsuccessful and CCEA
will be happy to rectify any omissions of acknowledgement in future if notified.