

Centre No.						Paper Reference					Surname	Initial(s)		
Candidate No.						6	3	5	2	/	0	1	Signature	

Paper Reference(s)

6352/01

Edexcel GCE

Economics

Advanced Subsidiary

Unit 2 – Markets: why they fail
 Thursday 17 January 2008 – Morning
 Time: 1 hour

Materials required for examination
 Nil

Items included with question papers
 Nil

Examiner's use only

--	--	--

Team Leader's use only

--	--	--

Question Number	Leave Blank
1	
2	
Total	

Instructions to Candidates

In the boxes above, write your centre number, candidate number, your surname, initial(s) and signature.
 Check that you have the correct question paper.
 Write your answers in the spaces provided in this question paper.
 Answer EITHER Question 1 OR Question 2. Indicate which question you are answering by marking the box (☒). If you change your mind, put a line through the box (☒) and then indicate your new question with a cross (☒).

Information for Candidates

The marks for individual questions and the parts of questions are shown in round brackets: e.g. (2).
 There are 2 questions in this question paper. The total mark for this paper is 40.
 There are 16 pages in this question paper. Any blank pages are indicated.

Advice to Candidates

You will be assessed on your ability to organise and present information, ideas, descriptions and arguments clearly and logically, including your use of grammar, punctuation and spelling.
 You are advised to spend the first 10 minutes reading the paper. In calculations you are advised to show all the steps in your working.

This publication may be reproduced only in accordance with Edexcel Limited copyright policy. ©2008 Edexcel Limited.

Printer's Log. No.
M29261A

W850/6352/57570 8/8/6/2



Turn over

edexcel
 advancing learning, changing lives

Answer EITHER Question 1 OR Question 2.

If you answer Question 1 put a cross in this box .

Question 1 The 2012 Olympic Games

Extract 1 London wins the Olympic Bid

Most Londoners reacted with joy when the International Olympic Committee awarded the 2012 games to their city in 2005. The budget specified £2.4 billion for building the venues and running the games. Another £1 billion was set aside for redeveloping the Lower Lea valley, a rundown wasteland in East London.

In November 2006, a parliamentary committee was informed that rising raw material costs and extra payments to project managers meant a further £990 million would be necessary and that regeneration work will cost an additional £400 million because of higher land prices. On the basis of these figures, the Olympics will cost as much as £4.7 billion. However, there are other, unknown costs that should be added too, for example, the VAT bill and the extra security resulting from the London bombings on 7 July 2005. Unofficial guesses put the cost of the games as high as £8 billion.

The cost of the games will be funded by a subsidy from the National Lottery and an increase in Londoners' residential property taxes. The government is also promising to spend a further £18 billion or more to improve the city's transport system.

A full assessment of the costs and benefits of hosting the Olympics means adding in many other factors which are much more difficult to measure. Supporters of an Olympics bid often stress the boost to the local tourism trade and local tax revenues from receiving competitors, officials and spectators. However, some tourists who might have come to London may stay away to avoid the crowds. Will the expensive new accommodation and stadiums give a long term boost to the East End like that enjoyed by Barcelona's waterfront, regenerated for the 1992 Olympics? To their credit, the organisers have already drawn up plans to turn the Olympic village into 3 600 flats for lower-paid Londoners, such as nurses and teachers. During the period of preparation for the Olympics, local communities near to the site are expected to experience up to five years intensive development which will also have negative effects on the environment.

Source: adapted from *The Economist*, 8 July 2005 and 25 November 2006



Extract 2

Potential benefits of the Olympic Games

The success of London’s bid for the 2012 Olympics was based on its potential to transform an area in and around the Lower Lea Valley in East London. As well as the Olympic park, up to 40 000 new homes will be built and an estimated 50 000 jobs will be created. It has been predicted that the largest economic impact would occur in London in the pre-games construction period (£3.4 billion) and that between 2012 and 2016 London’s income is expected to rise by £5.9 billion. 5

It is not just the deprived East End of London that is expecting to benefit from the games. More prosperous Hertfordshire, further up the Lea Valley, will also benefit from staging the canoeing events. One study estimates that Hertfordshire alone stands to gain £100 million worth of investment. 10

Across the rest of Britain cities are hoping to reap the potential windfall from the Olympics. Birmingham, Sheffield and Manchester are among the contenders hoping to host advance training camps for the Olympic squads before 2012. Substantial financial rewards are at stake for attracting the biggest teams, from China, the United States, Australia, Pakistan, India and South Africa. 15

Source: adapted from *The Guardian*, 27 September 2006 and 12 October 2006



(a) (i) With reference to Extract 1, explain **two** private costs of the 2012 Olympics.

(4)

(ii) With reference to the second paragraph in Extract 1, suggest **two** reasons why the original estimated costs of the 2012 Olympics were inaccurate.

(4)



Leave
blank

(12)

(c) (i) Explain the potential private and external benefits arising from the 2012 Olympics.

(6)



Leave
blank

(ii) Examine **two** reasons why it is difficult to make an accurate estimate of the potential benefits of hosting the 2012 Olympics.

Lined area for student response

(8)

Turn over for part (d)



BLANK PAGE
Turn over for Question 2



M 2 9 2 6 1 A 0 9 1 6

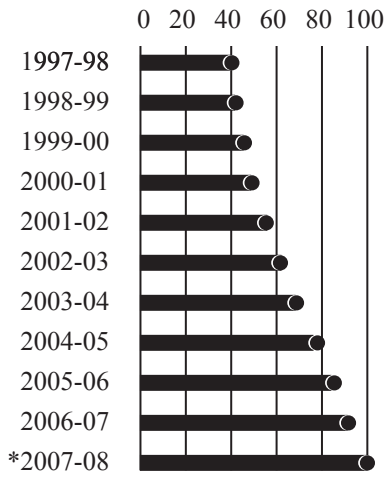
If you answer Question 2 put a cross in this box .

Question 2

The National Health Service

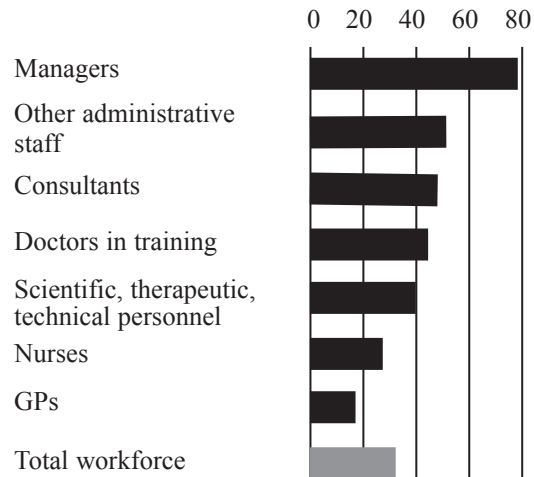
**Figure 1:
NHS spending**

£ BILLION, ENGLAND

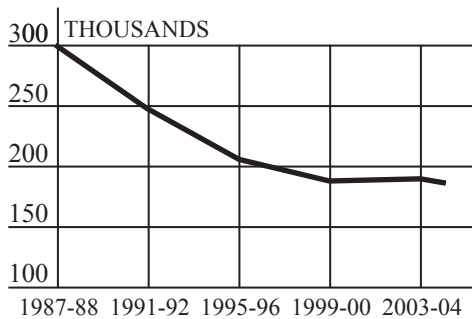


* projected

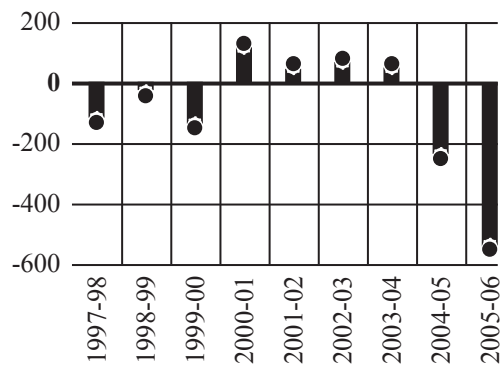
**Figure 2:
% increase in NHS staff since 1997**



**Figure 3:
Availability of hospital beds
1987-88 to 2003-04**



**Figure 4:
NHS surpluses and losses
£ million**



Sources: Figures 1, 3 and 4 *The Independent*, 20 September 2006
Figure 2 *The Economist*, 27 April 2006



Extract 1

The state of the NHS

The NHS will spend £96 billion in 2006-2007. This enormous budget – bigger than most of the world’s economies – will account for nearly a fifth of government expenditure. Expenditure on the NHS has been rising at 6% per annum in real terms since 2000. As a result, publicly financed health spending will reach nearly 8% of GDP next year, compared with 5.4% in 1997. Nevertheless, across the NHS, a loss of around £600 million was made in 2005-06. Part of the explanation is that higher pay accounted for 50% of the increased cash for hospitals in 2005-06. 5

The government’s recent reforms have sought to improve the health service by increasing the role of market forces – for example, through a payments system that ties hospital budgets more closely to the number of patients treated. This measure is intended to introduce an element of competition into the NHS. Private clinics and hospitals are expected to provide 7-8% of publicly financed treatments by 2008. The original underlying purpose of the NHS was the public provision of health care by a state run monopoly. Now the purpose is to provide medical treatment free at the point of use, regardless of whether the supplier is public or private. 10 15

Source: adapted from *The Economist*, 12 October 2006

Extract 2

Billions extra spent on NHS “largely wasted”

A £30 billion increase in government funding for the NHS has been “largely wasted”, according to Civitas, a social policy research group. Apart from a limited number of high profile targets, relating to waiting times, cancer care and coronary heart disease, there has been “little or no evidence of improved NHS performance”. There were also serious shortcomings in the NHS’s performance, particularly in the efficient use of day surgery, mental health treatment and stroke care. For example, the study said that deaths from strokes are nearly 100 per cent higher in the UK than in Australia, Canada, Japan, Sweden, Switzerland and the US. The author of the report said that the government had relied too much on setting targets to improve performance. However, the Department for Health responded by stating: “An increasing number of treatments are being done as day cases, reducing treatment costs by almost £20 billion and enabling more patients to go home early”. 5 10

Source: adapted from *Reuters UK*, 13 August 2006 (found on <http://global.factiva.com>)



Leave blank

(ii) Assess the private and external benefits arising from the consumption of health care. Illustrate your answer with an appropriate diagram.

Lined area for writing the answer to the question.

Continued





Leave blank

Lined writing area for question (b)

(12)

(c) Assess **two** possible economic reasons for the increase in government expenditure on the NHS since 1997.

Lined writing area for question (c)

(8)



(d) (i) Suggest **one** reason why it is difficult to measure performance in the health service.

(3)

(ii) To what extent does the information provided suggest evidence of government failure?

(6)

(Total 40 marks)

Q2

TOTAL FOR PAPER: 40 MARKS

END



M 2 9 2 6 1 A 0 1 5 1 6

BLANK PAGE

