

Examiners' Report June 2017

GCE Economics B 9EB0 03





Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications come from Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk.

Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.



Giving you insight to inform next steps

ResultsPlus is Pearson's free online service giving instant and detailed analysis of your students' exam results.

- See students' scores for every exam question.
- Understand how your students' performance compares with class and national averages.
- Identify potential topics, skills and types of question where students may need to develop their learning further.

For more information on ResultsPlus, or to log in, visit <u>www.edexcel.com/resultsplus</u>. Your exams officer will be able to set up your ResultsPlus account in minutes via Edexcel Online.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk.

June 2017

Publications Code 9EB0_03_1706_ER

All the material in this publication is copyright © Pearson Education Ltd 2017

Introduction

This was the first examination of paper 9EB0 03 and it yielded mixed results. For some candidates it gave the opportunity to bring together concepts and topics from across all four themes and show an impressive and integrated grasp of the subject. Rather disappointingly, for many others it represented a wasted opportunity. The pre-release case study should have been the stimulus for independent or group led research into a wide range of examples that could then have been used to illustrate and reinforce answers. It is worth remembering the levels of response indicators, where use of supporting evidence is one of the identifying characteristics for the higher levels. Far too many candidates offered generic and general answers that failed to do this and so prevented access to the full range of marks.

Centres need to appreciate the requirement to allocate 20% of the marks to quantitative skills (QS) as stated in the specification. For example, many candidates either failed to heed the instruction to use diagrams for questions 1(c) and 2(c), or drew inaccurate ones. The stimulus material contained a range of data, in both written and numerical form, QS9 (see specification, appendix 3) requires candidates to be able to 'interpret, apply and analyse information in written, graphical, tabular and numerical forms'. Many candidates chose to ignore the data or did not make full use of it, once again limiting their attainment.

On the positive side, many candidates had prepared well and it was pleasing to see the use of many examples and case studies beyond the ones included in the extracts. Diagrams were often used well and arguments based on these were convincing and able to access the highest level.

Question 1 (a)

Most candidates showed an understanding of the nature of market failure and were able to give examples to illustrate this, usually based on the evidence given. However, many just discussed market failure in general and its effects on the NHS rather than addressing the question set which was specifically about the food industry. This meant that they were unlikely to move beyond L2. Even amongst those candidates that did, there was often a failure to provide counter arguments and therefore did not provide a balanced awareness of competing arguments. However, there were some very good answers that used the data well to identify that perhaps it was as much a societal issue as one that could be solely blamed on the food industry.

This response reached L3 with 6 marks.

1 (a) Discuss the extent to which the UK obesity problem can be seen as market failure in the food industry.

Market failure occurs when a market has too
many negative externalities. In the case of Obestry
this occurs through the Missallocation of resources
and the overconsumption of demerity goods.

(8)

The Uk doesny problem can be seen as market
failure because exernalities are putting pressure on
the the NHS with 5% of the NHS budget being used
to save health problems based on Obestry Uk
clossing is market failure to a large extent because
externalities are effecting 3rd parties and the government
has been forced to intervene, with the introduction of
the sugar tax, which is would not have done unless it
saw the market as failing.

On the other hand the case of UK obestly cannot be blamed on the food industry as a whole. A select few

products and brands, such as toke-aways or longrade, have excerted the obesity rate due to overconsumption and assymetric information of the older generations or the young generations who could have not been educated properly. The Majority of the food market is relatively relatively free of these externalities.



This response shows understanding with some use of evidence and there is an attempt at a competing argument that is relevant to the question.

Question 1 (b)

Some responses were superficial and a number of candidates scored low marks as they only described the data rather than answering the question. Many candidates were able to point out that there was an apparent correlation between poverty and obesity levels but relatively few were able to use the conflicting evidence in the data, such as the relatively small difference between obesity levels in men of different income quintiles, and assesses whether poverty reduction was the most suitable policy to use. Some candidates were able to consider other possible reasons for obesity which furthered their evaluation.

(b) Using Extract B and Figures 2 and 3, assess whether poverty reduction policies are the most effective way of dealing with the obesity crisis in the UK.

Parety reduction polaries may be effective in dealing with the obscity crisis in the UK. This is because people with lower incomes are more likely to be observed to them charring to buy more unhealthy loads like McDonards rather than more expensive healthing foods to example, obesity rates among unskilled accupations is 85-2% whilst their professional accupations have an desit rate of 18.1% In tempty increasing uniques and reducing ponerty there will be less consumption by adults of

(10)

cheaper of fatty foods and more consumption of healthier more expensive products. However, the higher the income of a family, the more likely theyre to have obere children

In tem, it may be more effective for the Uk government to do something like imposing a sugar tow. In tem, less people would purchase the sugary foods / chinks due to them being too expensive, particularly for lawer income families so they will be forced to buy alternative snack foods like fruit dear leading to less obesity in the UK due to the reduction in consumption of whealthy foods and the increase in consumption of whealthy foods for everyone in the UK.



This response is rather brief but does make some valid points using the evidence. There is some inaccuracy but a counter argument is attempted, although this is rather assertion based. This response reached L3 and 6 marks.



The question instructs the candidate to use Extract B and figures 2 and 3, there is only one use of the data in this answer, more reference to the data would have been good. Always read the instructions carefully and make full use of the evidence provided.

(b) Using Extract B and Figures 2 and 3, assess whether poverty reduction policies are the most effective way of dealing with the obesity crisis in the UK.

From fig 2 and 3, it shows that the most deprived area with low income earners are more likely to be obese. to rexample, there's a difference between 11.1 % of children age 10-11% years old and most deprived area house obesity than those who liver in the least deprived area Thus, poverry reduction can be a significant step to deal with obesity crisis that ear the government 26 billion/yr One poverty reduction policy is the ability to claim benefits eq child benefit and the disposable income could be higher to use in buying healthier food as an alternative to maybe cheaper fast-food e.g. Burgerking. However, some people are not aware of the policy due to mis-information or decide not to take up this benefits. Therefore, the government takes the cost that could have been used on other things eg education It may also creates Sigma within he community so this policy may not be effective in dealing with oberity as it is not direct with many cost involves. The scheme could also poverty trap as the cut line of each categorie is very abript so people are discourage to work have less mehration and Lonce with have obesity Another policy could be to increase the supply of skilled labour by training scheme or subsidiering films to

train. This can be effective as it increases workers metivation and get more people to be productive but can also give them knowledge about the cost of these unhealth food as they're surrounded by peers trained or coworkers who have healthier habits Moreover, it workers could have disposable in come to join gym membership and live an active life. Thus, if people take up the offer for this scheme, find stable job, then it could help solve obesily crisis as well as increase standard of living.

Hon the other hand, poverty is not the only cause of obesity as the highest income quintile still have 24.2%, prevalence for men which is only 0.5% difference from those with lowest income. So other policies which have might be cheaper or raise government revenue could be to promote the health effect regulating food industries eg. traffic light for salt, sugar, saturated fat content on every products or sugar tax as seen in extract C to decrease demand for more unhealthy foods.

In conclusion, poverty reduction could help to a certain extent but the test potentes cost of policies may be higher than the external cost if government does not have full information. It could be use with other policies e.g. sugar tax to help combat obesity crisis in the UK.

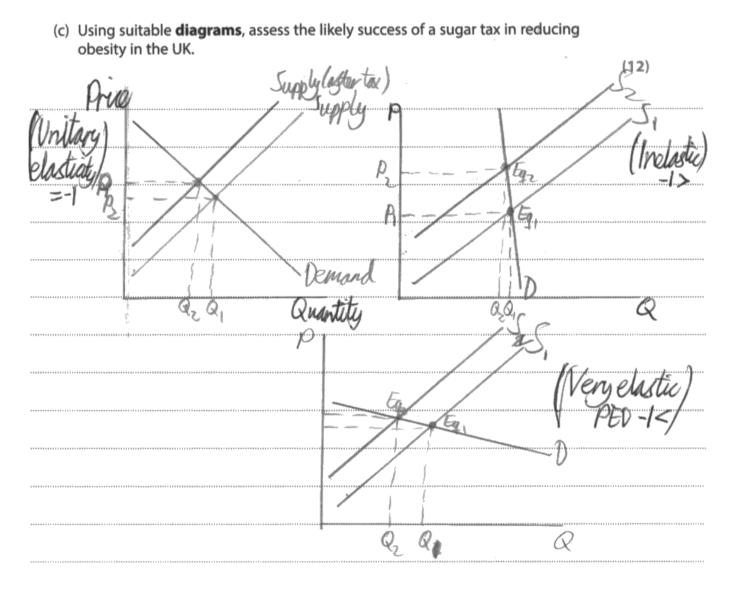


By contrast this response is much longer and contains some material that is not directly relevant to the question asked. However, it does make good use of the supporting evidence and the counter arguments on the second page are developed and balanced.

Question 1 (c)

Some candidates ignored the instruction 'Using diagrams' and did none at all, whilst others produced inaccurate ones. Candidates need to be able to correctly draw and refer to relevant diagrams as a basis for their discussions. However, most candidates were able to provide an accurate diagram showing a leftward shift of the supply curve following the imposition of a sugar tax. However, despite clear instructions in the question, the majority of candidates did not follow this up with a secondary diagram to show, for example, that the effectiveness of the tax might be dependent on elasticity values. This limited the use of relevant evidence by candidates and did not demonstrate a full and thorough understanding of the question, making it difficult to access the higher marks. Better answers used supplementary diagrams to show that the effects of a sugar tax may be diminished due to the price inelasticity of certain products. Few candidates were able to provide a creditable conclusion.

A reasonable response which just gets into L4 and scores 10 marks.



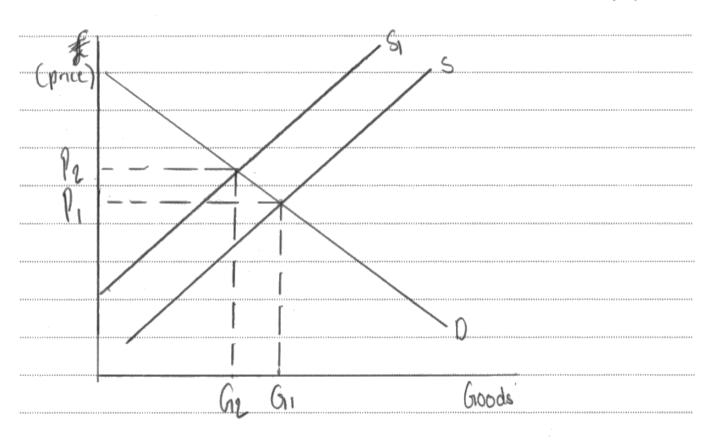


The diagrams are good and support the arguments put forward. These could have been developed a bit more perhaps, and the final judgement is a little dogmatic but it does show full understanding of the question and is L4.

This response reached L2 and scored 4 marks.

(c) Using suitable **diagrams**, assess the likely success of a sugar tax in reducing obesity in the UK.

(12)



Sugar taxes is generally successful as it see a ciscourages comme seems should supplies to produce more of the demont good. This intil decrease supply, so the cruve is children out hand trave less supply of something at a high frice on this case sugar sugar but will encourage tousinesses to modifice more healthier food and drifts in exert to reduce poverty and Urobesty finally sugar taxes will be applied more on travaluses that exist in the 1th market, and many also head to companies; who makely

base their production on sugar food



A brief response with a single diagram. The discussion is limited, one-sided and assertion based, with no allowance for competing arguments.



When setting out an argument or chain of reasoning it is always a good idea to be conditional, e.g. say 'it may happen' or 'this may lead to...' rather than ' it will happen' or 'this will lead to...'. This also acts as a prompt to set up a counter argument which is essential to reach the higher levels.

Question 1 (d)

This question proved to be one of the better ones on the paper in discriminating between the more and less able candidates. It also showed clearly those candidates or centres who had prepared well by thoroughly researching the areas outlined in the pre-release.

There were some candidates who simply repeated the data in the paper and did little else than describe the information, gaining few if any marks. Many candidates adopted a narrow focus of just discussing government intervention in the food industry. A 20 mark question requires a more wide ranging approach. Other candidates ignored the data and attempted to have a general discussion on government interventions. A number of these responses were able to score reasonably well showing evidence, chains of reasoning, awareness of counter arguments and balance. Finally, there were a small number of candidates who combined a wide ranging and perceptive discussion of government intervention supported by well chosen data from the extracts and their own research, thus gaining good marks.

This response reached L3 and scored 13 marks.

(d) Evaluate the argument that market failure can be solved by government intervention.

(20)

Market failure is the disallocation of resources and government intervention is the policies set out by the government in order to to reduce market failure.

In the UK, there is a market failure for obesity which is claimed to be caused by sugary drinks and foods. The market failure occurred due to the lack of under standing of private and external costs of consumption

which lead to a greater social cost than social benefit. The government could intervene by bringing in regulations and legislations on the amount of sugar consumption per each individual by limiting the available supply of these products. The government can also introduce indirect taxes such as the ones of on tobacco and alcohol. Such taxes increase the price of the product which would lead to a decrease in the quantity demanded where there is an elastic demand for the product. Paon Another possible government intervention is grants and cubsidies. To reduce obesity in the UK, enhancing exercises and physical activity can improve the situation amongst with indirect taxation. A subsidy, money given by the government to an individual the to spend it on a certain good or service, can be set up on gym memberships to get more people into working out and lovering the obesity rate. Prill 1 , S. As a seen on the diagram, a suitable subsidy by the government would lead to a decrease in the price of the product and an increase in the quantity demanded. This would result in a positive reaction to the government intervention and therefore work it is more likely to some market failure. However, there is a chance of fraud when giving

free money to the public where the individual doesn't spend the money on the designated product which would than lead to government failure. Also, regulations and logislations have to be enforced by the government in order for them to be effective but it is impossible, for example, to place a police officer next to every newspaper stand in order to avoid underage underage purchase of tobacco and alcohol products. The adminstration costs would exceed the social benefits which would make it very inefficient for the government. Overall, there are several policies to deal market failure. It all depends on how big the problem is where there is a market failure such UK obesity crisis and also how the government is able to intervene so problem is solved rather than making it worse which can than lead to government failure which the UK government would than & need to readjust its strategies to tackle the problem which can be costly and time concuming.



This response shows reasonably accurate knowledge and understanding supported by some relevant evidence. Chains of reasoning are developed with some counter arguments but these lack balance and are not as developed as they could be.

Question 2 (a)

Most candidates were able to define and show an understanding of what a minimum wage is, its purpose and its effects. Some candidates were able to supplement this by providing an accurate diagram to show the effects of the minimum wage on employment levels. Many candidates were unable to go beyond a basic analysis of increased costs and reduced profits for Whitbread with the alternatives being redundancy or a price increase. Some responses developed a counter argument considering the positive effects in terms of employee motivation and productivity. Only a minority of candidates seemed able to give any meaningful evaluation in the context of Whitbread, such as the possibility that increased incomes might lead to increased spending on the leisure industry or to use evidence from the real world.

This response reached L2 and scored 4 marks.

2 (a) Discuss the likely impact of an increase in the minimum wage on a firm such as Whitbread.

(8)

One Impact or an increase in the minimum wage would be the heavily increased cost to the Stores and Chains, such as interserve (ackening Firm) who will see a fish increase in costs. This will mean that Companies will either lay off staff to reduce labour Costs within the business, or they will need to increase the price of goods to cover the increased Costs however this may reduce demand for the product Another impact, however, could be a more motivated and efficient workforce, this could lead to an increased production rate. This may mean that the production costs decrease because productive Capacity allows for a reduction in fixed costs as it an be spread over More units, Variable costs should also fall because staff members waste less resource



A completely generic answer that nevertheless has some knowledge and understanding and some developed chains of reasoning.



All questions on this paper require awareness of competing arguments and some evaluation. Don't forget to include this.

Question 2 (b)

This question appeared to be the most accessible on the paper. The majority of responses were able to show a consideration of the impact in the context of Lidl, with a discussion of increased costs and the subsequent potential impact on profits. Many candidates offered counter arguments that referred to the positive impact on Lidl's reputation or the effect on staff motivation. Stronger candidates reached well into L4 through discussion of attaining and keeping staff more easily as well as recognising the potentially low impact of a cost of £9m given the size of the business and its turnover of £4bn.

(b) Assess Lidi's decision to become the first UK supermarket to pay at least the full

This response reached L3 and scored 7 marks.

living wage' (Extract E, line 4). (10)A lung wage is the can be able to live on fairly comportable Liell's decision to pay at least the full living wage to all its employees could have regative implications for the pusiness. This is because it will cost them film per year on lidle with have increased costs eading to the potential of a loss in profits. therban it being harder to expand (due to the increased costs implicated to employing more people, being forced to lay off some of its 900 workers and potentially close down some of its shops overall leading to a loss of propts

However, it is highly to the likely that Lidle will be able to custom high proprite even with the added cost of Elm seeing as it had £4bn in sales last year Moreover, Lidl's 9000 stall will see an average increase in wages of £1,200 meaning that they will be more motivated and therefore afficient at their jobs due to them being more content with their wages in turn, consumes may experience a more friendly workers at Lidl guing them a USP and leading to the potential of more demand for Lidl products leading to an increase in sales and the potential for an increase in proprite despite the £9 billion increase in costs.



A good L3 response, accurate knowledge and understanding supported by use of relevant evidence; clear chains of reasoning and competing arguments are present. However it lacks the development and balance required for L4.

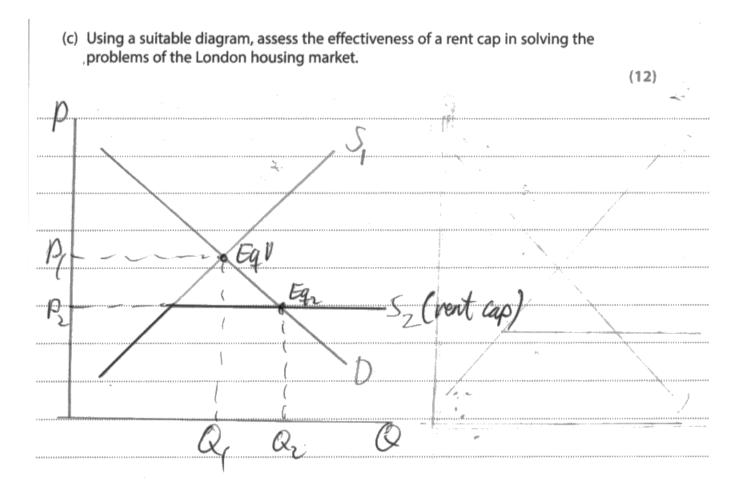
Question 2 (c)

The diagram on this question caused some candidates great difficulties. A surprising number of responses showed little understanding of how a rent cap would work, with inaccurate diagrams, often a cap above equilibrium or a shift of either the S or D curves. This then caused problems as candidates tried to explain what the effects would be.

However, many responses showed an idea of what effect rent caps would have on demand, although a much smaller number were able to correctly analyse the negative effects this would have on supply. Some candidates did not make clear the distinction between the rental and house sale markets, often mixing the two up, which made analysis in responses harder to follow.

Stronger candidates were able to explain that the rent cap would cause less incentive for property investors to make rental properties available due to reduced profitability. Few candidates were able to explain that there may be other ways that the government might alleviate the housing crisis.

A good L3 response with 9 marks.





Accurate knowledge and understanding supported by an accurate diagram. There is some awareness of competing arguments although this lacks balance. A conclusion is present although this just repeats previous points made.



A conclusion is a good way to end the longer questions but don't just repeat previously made points. Try and sum up the opposing ideas and add something new by way of evaluation. (c) Using a suitable diagram, assess the effectiveness of a rent cap in solving the problems of the London housing market.

(12)

A rent cop is a maximum rent on houses. This is below the equilibrium The problem with the bondon housing market Rice is that rent is too expensive and not a frankeble This will solve Qe aucntity will leadly be m excess alumend rent an intlated the number of people out of London to Mowever the problem with this port in illegal stert tehing charging more rent illeadly than allowed rent ceps is It creates execess so devenue for because more people are willing lower nent but less home own 21 H &P +1 ulling to supply st profitable. Therefore it distorts rent cop neffective be more people Which does not is solve the

The rent cap will protect rent payers from unfair yearly rises. However this will policy discourage investment into the housing market which can be potentially damaging for the economy. For example aggregate demand will fell leading to slow down is economically to slow down

In conclusion, rent caps are not a succeptful method to of intervention as it diseourages investment, easing execurges growth of blech werket and distorts price signel.



The diagram is partially complete and the chains of reasoning are not developed fully enough.

Question 2 (d)

This was the least well answered question on the paper for most candidates. Clearly for some, timing had been an issue, as no valid attempt at the question had been made. For those candidates that were able to make an attempt, many seemed to miss the focus of the question, and provided very descriptive and generic answers. Often candidate responses were focused at a national level, which did not allow them to analyse the differences within regions.

Many candidates failed to understand that the question was about solving the problems of structural unemployment and the occupational and geographical immobility of labour. Responses to this question rarely used the data in a sophisticated manner and so struggled to access the higher levels. A significant number of candidates quoted the figures but did little with them.

Stronger candidates used the data to help discuss the successes and failures of policies, and were able to balance this by arguing that the disappearance of key industries would require significant time and investment to rectify variations.

This response reached L3 and 13 marks.

(d) With reference to Figures 4 and 5, evaluate the success of UK government policies in reducing regional variations in unemployment.

(20)

The UK government has implemented polonies to reduce variations is usendayment in the Uk though funcial politics. Now UK usens bayment is fourly low standing at 2-7 / but this figure varies from region to region.

Figure 4 and 5 suggest that the UK government

has not been successful in reducing regional variations in Unemplayment. For example, they suggest that unemplayment is much more common in the Worth of Englord rather than the South This is endent as the Worth East only west only had employment rates of 766/1600 72/1 respectively with the in August 2015 while the South East had employment rates of 79%

in August 2015. In turn this shows that there are alst South fast more Jobs in the South fast and that the government has not been very euccessful in Solving this regional variation in memployment that may load to regional inequality enound the However, the UK government has seen some success in the reducing variations in unemployment. This is evident as the South & North Box West has seen On increase in employment rates from 2019 to 2015 With 42% only 71% using to 72%, In turn government poloues has led to less employment in the North West Causing a posotine multiplier effect which could reduce regional inequality in the the UK However, the Worth East on the otter had has experenced in a reduction in employment from 2014 2015 (68% > 60%) success of the Uk government is so reducing regional varations is menployment. Furthermore, whilst the North has struggled to have increased employment levels, much of the South of England have experenced huge increases is employment levels due to government polocies. For example, the the South West's employment rates have increased from 76% is 2014 to 78% is 2015 shows despite there

many ventures is Cornerall to increase Tourson in Lun creating more regional variations is unemployment levels and increasing the regional inequality as a result Showing the follow of the Uk's governments

polocies to reduce regional varietions

is unemplament everywhere

However, the Uk government's polories have been successful is reducing regional variations in employment to an extent. For example, Wales employment rate has irreased from 68% to 71/(Total for Question 2 = 50 marks)

allowing it to catch up TOTAL FOR SECTION B = 50 MARKS to better offer regions with Setter Unemployment rates. This is possibly due to the Uk government policy for providing Subsidies for inclustries like steel production without which, more people would be inemployed there, resulting in less regional inequality in terms of libes and the UK average showing the success of some government polocies in reducing regional variations is unemployment in some regions.

To conclude, overall I do not think that the Uk

regional varations is Romployment levels in the the as despite some regions being less varied, many baries is have increased despite the varations.



A good L3 response that tries to use the evidence to support the chains of reasoning. The analysis is not always fully developed and there is some awareness of competing arguments. A conclusion is presented but is not fully convincing. (d) With reference to Figures 4 and 5, evaluate the success of UK government policies in reducing regional variations in unemployment.

Such as Scolland which highlight that not only has usemployment increased overall, but that the government has also failed to reduce regional usemployment.



A brief response with some elements of knowledge and understanding and some use of evidence but chains of reasoning are incomplete and isolated. It may be that timing was an issue here.



Always leave enough time for the final question and make full use of all the data presented.

Paper Summary

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

- The case study should be thoroughly prepared and real-life examples researched to reinforce discussion.
- QS skills account for 20% of available marks, more details in the specification.
- Practice and preparation of key diagrams is crucial.
- It is well worth looking carefully at the level descriptors and taking time to understand what they mean.
- There is a lot of data in this paper, take the time to read through it all carefully before starting your answers.
- Watch your timing and do not spend too long on the shorter questions.

Grade Boundaries

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

http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx







Pearson Education Limited. Registered company number 872828 with its registered office at 80 Strand, London WC2R 0RL.