

Examiners' Report
June 2012

GCE Economics & Business 6EB04 01

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications come from Pearson, the world's leading learning company. 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 for our BTEC qualifications.

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

If you have any subject specific questions about this specification that require the help of a subject specialist, you can speak directly to the subject team at Pearson.

Their contact details can be found on this link: www.edexcel.com/teachingservices.

You can also use our online Ask the Expert service at www.edexcel.com/ask. You will need an Edexcel username and password to access this service. See the ResultsPlus section below on how to get these details if you don't have them already.



Get more from your exam results

...and now your mock results too!

ResultsPlus is Edexcel's free online service giving instant and detailed analysis of your students' exam and mock performance, helping you to help them more effectively.

- See your students' scores for every exam question
- Spot topics, skills and types of question where they need to improve their learning
- Understand how your students' performance compares with Edexcel national averages
- Track progress against target grades and focus revision more effectively with NEW Mock Analysis

For more information on ResultsPlus, or to log in, visit www.edexcel.com/resultsplus. To set up your ResultsPlus account, call us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

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 raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk.

June 2012

Publications Code UA032051

All the material in this publication is copyright
© Pearson Education Ltd 2012

Introduction

The transport topic proved very accessible for all candidates, raising the mark distribution above that seen in June last year. Again many candidates brought useful and reliable evidence in from outside the pre-release and it was clear the topic had been thoroughly researched. Where used in conjunction with the evidence provided, appropriate reward was given.

Question 1

A simple definition was all that was called for here, although nearly a third of candidates did not attempt an answer. Around half of the entry gained both marks.

1 What is meant by the term 'supply side policy'?

It is the way in which the government controls supply. An example of a supply side policy would be the government implementing a training scheme to train ~~more~~ people so they get basic skills. This in ~~turn~~ turn increases the supply of employees.



ResultsPlus
Examiner Comments

This is a clear answer, but the candidate does not include the word "aggregate". This would have limited the candidate to 1 mark, but for the sound example increased it to 2.



ResultsPlus
Examiner Tip

Always give an example, just in case.

Question 2

Again, just a simple definition was all that was called for here. 70% of the candidates gained both marks with the remainder evenly split between zero and one mark.

2 What is meant by the term 'fiscal policy'?

A fiscal policy involves the changes in taxation, government expenditure. An example of a fiscal policy could be the UK government reducing the amount of income tax on individuals, which could then increase these individuals' disposable income, allowing them to spend much more and contribute towards aggregate demand.



ResultsPlus
Examiner Comments

The definition in itself is clear enough for 2 marks, but the example guarantees full understanding.



ResultsPlus
Examiner Tip

Always make sure of the mark on this type of question.

Question 3

On this type of question candidates are required to apply their knowledge in context. Almost half the candidates did not do this fully. For example, they did not identify what was being emitted and therefore lost an easy mark.

3 Explain why emissions from commercial vehicles are considered to be a negative externality (see Additional Evidence J).

Negative externalities are spillover effects from the use of a good or service that places a cost on society.

Emissions from commercial vehicles could be seen as a negative externality because they cause pollution which damages the environment due to global warming.

Commercial vehicles will produce a lot of CO₂ emissions due to the nature of the job - transporting goods all over the country which will greatly increase the amount of pollution.

Furthermore, emissions can also worsen ^{cause} conditions such as asthma which are a cost to the NHS.

(Total for Question 3 = 4 marks)



ResultsPlus
Examiner Comments

A very good answer. The candidate defines the technical terms, demonstrates knowledge of emissions and explains exactly what the effects are and who is left to meet the costs.

3 Explain why emissions from commercial vehicles are considered to be a negative externality (see Additional Evidence J).

A negative externality is when the consumption of a good or service has a negative impact on a third party, which is not the producer or the consumer. In this case, commercial vehicles release many emissions which are harmful to the environment and contribute to problems such as global warming. Therefore, the ~~ex~~ social cost of commercial vehicles; the level of pollution and the health risks that arise from that pollution, are greater than the social benefits of commercial vehicles; the transportation of goods to the market and the availability of products. Therefore it is a negative externality.



ResultsPlus
Examiner Comments

The candidate gives a clear enough definition, but apart from global warming, the rest is less specific.



ResultsPlus
Examiner Tip

Try to be as specific as you can. This need not mean more words.

3 Explain why emissions from commercial vehicles are considered to be a negative externality (see Additional Evidence J).

Commercial vehicles increase congestion, make noise and air pollution. These are negative externalities as they are variables that the polluter does not pay for and have a negative effect on society. As these are high polluting vehicles they cause more negative externalities than cars.



ResultsPlus

Examiner Comments

Congestion and noise pollution are not emissions and air pollution does not add much. There is no reason given why commercial vehicles might pollute more or an explanation of what is emitted. There is no explanation of what the negative effect on society is in this case. Candidate answers without giving specifics, but clearly understands enough to say much more.



ResultsPlus

Examiner Tip

Read the question carefully. Explain means just that. Assume the examiner knows nothing and you are explaining step by step to a non economist.

Question 4

Although candidates could often give a clear definition, such as private benefit plus positive externality, many gave private benefit examples, losing one mark.

4 Explain **one** social benefit that might result from road transport.

A social benefit is the overall benefit to society of the production and consumption of a product. It can be calculated:

private benefits + external benefits = social benefits.

An example of a social benefit which results from road transport is increased employment opportunities.

Road transport allows people to be geographically mobile, so the chances of getting a job increase because people can look further for a job. Companies tend to employ people who travel by car more favourably than people who rely on public transport because they can rely on them to get to work on time, which increases the output of the company, hence larger corporation tax payments which will increase government spending, which benefits third parties and society.

(Total for Question 4 = 4 marks)



ResultsPlus
Examiner Comments

This candidate gave a clear definition with a good example and a clear explanation of a third party benefit.



ResultsPlus
Examiner Tip

Look for the "because" points to gain analysis marks.

4 Explain **one** social benefit that might result from road transport.

The increase of tax on road transport such as people paying for privatised roads and using tolls could lead to the government increasing revenue they have gained. This could be seen as an opportunity cost and used to improve environmental factors such as improve infrastructure or roads and buildings.



ResultsPlus
Examiner Comments

This candidate includes costs, causes and consequences.



ResultsPlus
Examiner Tip

Costs, causes and consequences are key to analysis marks.

4 Explain **one** social benefit that might result from road transport.

A social benefit is the private benefit + external benefit, but is increasingly known as just the external benefit.

A social benefit could be more jobs available. This benefits the person with the job because they have more discretionary income, but it also increases spending which benefits the wider society.



ResultsPlus
Examiner Comments

The definition is worth 1 mark and the attempt at an external benefit is worth another. However this is not developed. For example, the candidate could have explained how this could increase tax revenue to fund government expenditure.



ResultsPlus
Examiner Tip

Look for causes, costs and consequences to gain analysis marks.

4 Explain **one** social benefit that might result from road transport.

One social benefit of road transport is that people can access their destinations easily and frequently, such as meetings with friends.



ResultsPlus
Examiner Comments

The example given in this response is developed insufficiently to infer an external benefit.



ResultsPlus
Examiner Tip

Give a definition, then systematically establish how your example fits it.

Question 5

The bus pass question proved almost universally accessible. Over half the candidates could analyse two good reasons for subsidising bus travel for the over 60s to gain 8 marks, with a further third analysing one reason for 7 marks.

- 5 Using **Evidence C, E and F**, analyse why the UK Government subsidises bus travel for passengers over the age of 60.

A subsidy is when the government invests money into a service or business to help it financially. By subsidising bus travel they have allowed over 60s to use them free of charge.

Many people over the age of 60 no longer own a car. The evidence shows that people who do not own cars make much less journeys and find it harder to access services like hospitals or supermarkets.

By subsidising bus travel and allowing the elderly to use a bus cheaply or for free, it encourages them to stay active by making more journeys, as well as improving their quality of life by helping them access hospitals etc.

The reason bus travel was chosen to subsidise is because it might encourage over 60s who do own cars to sell them and use bus travel, in turn lowering congestion on Britain's roads and encouraging alternatives.



ResultsPlus
Examiner Comments

This candidate answers the question directly by referencing the evidence.

5 Using Evidence C, E and F, analyse why the UK Government subsidises bus travel for passengers over the age of 60.

Free bus travel for pensioners could lead to market failure. The subsidy for bus travel could mean that passengers overuse the bus service, the free travel may mean they use the bus instead of walking or cycling which is not beneficial to society. As people over the age of 60 are unlikely to own cars or drive often the subsidy may not reduce the amount of congestion and improved environment (as suggested in evidence C). This could reduce economic welfare by decreasing net benefits gained by society.

Evidence F suggests it is difficult for people without cars to travel to essential local services, subsidising bus travel for the elderly (likely to not own car) may mean these people are able to make these journeys, ^{for free} ~~with a car~~ as they are likely to have little disposable income (pension) this could benefit them greatly as they will be able to make essential journeys for free. This could possibly increase economic welfare as they are able to spend more of their disposable income in local supermarkets, potentially leading to increased consumption in the local area, which would be beneficial for the pensioners, the local town and the Government.



ResultsPlus
Examiner Comments

This response follows a different approach but is equally valid and begins to make evaluative points. However this isn't necessary with an analyse command.

Question 6

Many candidates found it difficult to gain evaluation marks on this question, with around a third gaining 6 marks and only a very few candidates exceeding 8 marks. We were looking for reasons why inflation might be at a slower rate. Better answers recognised inflation here was cost push rather than demand pull and that this would have a knock on effect on the price of delivered goods. Too many read the question as "write everything you know about inflation" or deduced that because taxation is generally counter inflationary, inflation would fall in this case.

6 Assess the likely effect on UK inflation of increases in fuel taxation.

Inflation is the general rise in prices.

An increase in fuel taxation is undoubtedly going to effect UK inflation rates. This is because in this country we have so many cars. Although the number of cars is decreasing through many schemes most UK residences ^{& businesses} travel by car. Because ~~are~~ so many businesses use road travel either by distributing their product or by their employees driving to work, by increasing fuel tax, a businesses costs will rise. Because their costs have risen they are likely to put their prices up, to protect their profits this will ~~mean~~ ^{result} in inflation.

However the extent of the inflation will depend on the business & the product. The business may refuse to pay their employees more, on account of the fuel tax, and force employees to internalise the cost, making that cost to the business ^{stable}. If the product is very price elastic & competition is high then the business may try to internalise as much cost as possible to remain competitive resulting in a very small rise in prices. ~~resulting~~ Meaning the increase in fuel tax will have little effect on ~~inflation~~ inflation however this is very unlikely due to how much a family's /businesses income is spent on fuel.

6 Assess the likely effect on UK inflation of increases in fuel taxation.

Inflation is the general rise in prices.

An increase in fuel taxation is undoubtedly going to effect UK inflation rates. This is because in this country we have so many cars. Although the number of cars is decreasing through many schemes most UK residences ^{& businesses} travel by car. Because ~~are~~ so many businesses use road travel either by distributing their product or by their employees driving to work, by increasing fuel tax, a businesses costs will rise. Because their costs have risen they are likely to put their prices up, to protect their profits this will ~~mean~~ ^{result} in inflation.

However the extent of the inflation will depend on the business & the product. The business may refuse to pay their employees more, on account of the fuel tax, and force employees to internalise the cost, making that cost to the business ^{stable}. If the product is very price elastic & competition is high then the business may try to internalise as much cost as possible to remain competitive resulting in a very small rise in prices. ~~resulting~~ Meaning the increase in fuel tax will have little effect on ~~inflation~~ inflation however this is very unlikely due to how much a family's /businesses income is spent on fuel.



ResultsPlus
Examiner Comments

This candidate knows what inflation is, recognises its causes in context and how suppliers might absorb increased costs.



ResultsPlus
Examiner Tip

Assess means look for counter arguments.

weak pound imports expensive exports cheap. → optimum between 1.5% & 2%
6 Assess the likely effect on UK inflation of increases in fuel taxation. Agg. demand falls.

fuel tax increases

↳ petrol prices increase

↳ due to being income elastic, real income decreases

↳ Aggregate demand falls as the price of exports are cheap and imports are more expensive and because consumer spending will fall as real incomes fall.

↳ pounds is weak, inflation increases unless govt. lower it to encourage consumer spending to get aggregate demand and the strength of the pound up.



ResultsPlus
Examiner Comments

This response does not establish a valid link, so does not score a mark.



ResultsPlus
Examiner Tip

Always answer the question set, particularly in longer answers and keep checking at regular intervals that you haven't strayed from the question. Always write in continuous prose.

Question 7 (a)

It was pleasing to see that over 60% of candidates were able to make a range of evaluative points to gain 15-20 marks on this question. Candidates generally had a very good understanding of the importance of the airline industry to the UK economy and international trade and balanced short term potential gains against longer term and potentially more damaging losses. However it was disappointing that a small minority either did not read the question carefully or did not understand what aviation meant, since Evidence A in the pre-release material made it clear that this is jet fuel.

SECTION B

Decision-making report

Using ALL the evidence and your own knowledge, answer both parts of the question (total 50 marks).

Time allowed (55 minutes).

7 *(a) Assess the case for the UK taxing aviation fuel.

(20)

There are many arguments for and against the taxation of ~~aviation~~ aviation fuel. Currently, according to evidence A, most jet fuel is not taxed with fuel duty or VAT.

Taxing aviation fuel would be extremely difficult, due to the differing rates of fuel duty and VAT all around the world. For example, fuel duty in the UK is generally much higher than other countries such as the USA (the average UK price for diesel in April 2010 was 121.60p per litre whereas in the USA it was 52.89p per litre). This means that if the UK were to tax ^{jet} fuel at the same rate that they are taxing all of the other types of fuel, aviation costs in the UK would be substantially higher than in other parts of the world. British aviation companies such as British Airways or Virgin Atlantic would be at a severe disadvantage compared to foreign companies, such as United Airlines in America, because the British companies would have to pay a much higher price for fuel when they are situated in their own country. This

would mean that British businesses would have to put their flight prices up considerably in order to cover the costs and this would make them substantially less competitive than other airlines situated in other countries. The British businesses would have less demand for their services because the prices are simply too high and people will choose to use other, cheaper airlines instead, which could eventually drive British companies out of the market. Also, if the governments were to say that they would set a consistent price for fuel duty all around the world, coming to an international agreement between every single country worldwide would be extremely difficult and could lead to disputes between countries.

On the other hand, by taxing aviation fuel, the government would benefit from the £9.92 billion which the 'hidden subsidy' is worth. The government could find this money extremely useful to ~~help~~ contribute to paying off national debt, or to increase spending in the economy in order to help the country in recovery from the recession. Through building new schools, hospitals or better infrastructure, the government would help to increase economic activity in the UK and hopefully cause sustained economic growth, making the UK economy a world leader.

In conclusion, I believe that taxing aviation fuel

would be a very difficult tax and might actually harm UK domestic businesses in the future, therefore the cost of the tax would ~~be~~ eventually be greater than the revenue earned from it. Therefore, I don't think aviation fuel should be taxed.



ResultsPlus
Examiner Comments

This candidate starts making evaluative points at the start of the second paragraph, giving the downside of taxing aviation fuel and then moves on to give arguments in favour half way down the second page.

The arguments could be developed, but there is balance and the candidate rounds off with a judgement, thus gaining most of the available marks.



ResultsPlus
Examiner Tip

Always make a supported judgement where you can on higher mark evaluative questions.

SECTION B

Decision-making report

Using ALL the evidence and your own knowledge, answer both parts of the question (total 50 marks).

Time allowed (55 minutes).

7 *(a) Assess the case for the UK taxing aviation fuel.

(20)

Aviation fuel does not involve any duty or any VAT. This would make it seem very attractive as there would be more jet fuel used and this would cause more pollution. As this doesn't bring any revenue to the government, it causes social marginal cost where pollution is the cost to society. According to the Evidence A, if this aviation fuel was taxed, it would bring extra income to the government of £9.92 bn and equivalent to 2p in the £ income tax. What is more, there would be less demand for flights and this would lower the cost to society. This extra income could be used in investing in new technologies and substitutes. Substitutes are the alternative of a particular good. New technologies and substitutes could then lead to methods of travelling by causing minimum pollution. For example, using sun power to drive cars would be a benefit to society.



ResultsPlus Examiner Comments

This candidate begins well, but only gives one side of the argument, which could have been due to running out of time.



ResultsPlus Examiner Tip

One minute per mark is a good maxim.

SECTION B

Decision-making report

Using ALL the evidence and your own knowledge, answer both parts of the question (total 50 marks).

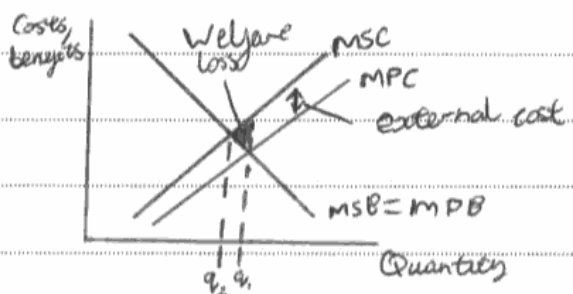
Time allowed (55 minutes).

7 *(a) Assess the case for the UK taxing aviation fuel.

(20)

+	-
- Increase tax rev	- Depends on the increase
- Red use externalities	- Effect on business cost
	- Reduces demand for products
	- MPB.

One reason why the UK should tax aviation fuel is that it will reduce ^{and} negative externalities being produced ~~for the fuel~~. By increasing tax on aviation fuel then it will cost more for ~~someone~~ the consumer to buy the fuel meaning that ~~the~~ demand for it will be reduced causing there to be a fall in car usage. This fall in car usage would lead to a fall in ~~some~~ negative externalities ^{like pollution being} being produced as there would be a fall in consumption. A fall in ^{like asthma} pollution would lead to less health problems which would reduce the NHS' costs.



The social optimum level is at q_2 where the marginal social cost ~~is~~ equals the marginal social benefits. At q_1 , free market forces have over produced the ~~of the~~ amount of fuel. If a tax is imposed on ~~the~~ fuel then consumption ~~the~~ of the fuel ~~will move to~~ is likely to ~~move to~~ ~~a~~ fall meaning ~~there is~~ over production at q_1 will move to q_2 which is the social optimum level leading to a fall in negative externalities like pollution.

Another case for tax fuel is that aviation fuel. is that it is ~~if~~ that it will increase tax revenue. Fuel is ~~+~~ The demand for fuel is ~~price~~ price elasticity is low for fuel meaning that demand ~~is unlikely to change if~~ for fuel is unlikely to change if its price is increased. This means that the consumer ~~is~~ is likely to keep on paying ~~a~~ for the ~~fuel~~ fuel and tax revenue will increase meaning that there will be more ~~money~~ money for ~~government~~ government spending.

However, ~~businesses~~ businesses would argue against a rise in aviation fuel because it will increase their cost. For example, by increasing ~~tax~~ tax ~~on~~ on aviation fuel then businesses that use that fuel will see their costs rise.

This ~~it~~ will mean that their ~~costs~~ are likely to ~~be~~ ~~propit~~ margins are likely to fall meaning that they will have to increase their prices which would make them less competitive.

Another ~~case that point is that~~ if the rise in tax is small then it is ~~less~~ less likely to impact the consumption of aviation fuel. Fuel ~~is~~ ~~price~~ has a low price elasticity of demand meaning a small change in price is not likely to affect demand. This means that the ~~quantity~~ quantity of fuel being sold will stay at ~~Q~~, ~~as~~ ~~consumption~~ ~~will not~~ ~~is~~ not likely to change ~~to~~ ~~mean~~ meaning that ~~the~~ ~~amount~~ the amount of pollution in the air will not be reduced which means that people will ~~consequently~~ develop health problems ^{like Asthma,} and the NHS's ~~costs~~ are unlikely to change.



ResultsPlus

Examiner Comments

This candidate clearly has a very good theoretical knowledge, but didn't understand what aviation meant. Only 3 marks were awarded as the response was not in context.



ResultsPlus

Examiner Tip

It is important to read and understand the pre-release evidence.

Question 7 (b)

This question was accessible by all candidates. It was a very open question and most candidates were able to discuss the pros and cons of subsidies, taxation and infrastructure projects, often citing examples such as the scrappage scheme, congestion charge, BSOG or toll roads and local bypasses. Some new drivers were able to bring in relevant regulatory points from outside the evidence. A few candidates wrote irrelevantly about non transport policies and then could not relate them to the context.

Although some two thirds of the candidates were able to evaluate policies as they were mentioned, relatively few were then able to offer a convincing conclusion and enter the upper sub levels of the marking scheme.

7 *(b) Assess the likely effectiveness of UK government transport policies in correcting market failure.

(30)

Market failure arises when efficient allocation of resources isn't met, like when Social Marginal Cost doesn't equal ~~Private Marg~~ Social Marginal benefit.

The government is aware of this and began to implement policies to address this such as the scrappage scheme of 2008. The concept gave those whom scrapped cars of 10 years or older a £2'000 subsidy towards a new car (EVG, L.4). As such inefficient engines, safety feature lacking cars were replaced with safer, environmental cars.

More recently the government has given grants to a Canterbury firm in the aim of producing completely electric buses so to create less pollution via fossil fuels.

These steps increase efficiency of UK transport and look to a future where reliance on fossil fuels isn't necessary. As such the government can be seen to internalise negative externalities and look to be effective.

However

Despite this government subsidies can be low and punishing of mistakes. The Canterbury buses are a limited firm who lack sufficient infrastructure and technology to maximise their products efficiency or to test the long term effects.

Electrical power is only as clean as its generators also, as such government policies need to address the wider energy market. EDF Energy recently relinquished contracts to build more nuclear power stations which has led to plans for more coal fueled stations. This completely undermines their moves towards sustainable energy and less pollutive traffic.

Similarly firms who try to help with the transition are penalised such as upturn oil from evidence H who are to be taxed twice even though evidence I shows their cooking oil to produce around one sixth of petrol and diesel emissions.

Therefore, whilst the government is moving in the right direction they lack significant force to implement changes required.

under investment throughout transport and energy leaves most reliant on fossil fuels, which are fast running out. Hence more is required to create an efficient allocation of resources in which $SMC = SMB$



ResultsPlus

Examiner Comments

This candidate included two policies; one from the evidence and one from outside. Pros and cons for both and a brief conclusion are given.



ResultsPlus

Examiner Tip

On higher mark evaluative questions, always include a conclusion, even if brief. It can raise the mark.

7 *(b) Assess the likely effectiveness of UK government transport policies in correcting market failure.

(30)

Market failure occurs as a result of a free market failing to meet the allocation of resources. It is caused by positive externalities, environmental pollution. Market failure results in allocative efficiency which is the price consumers pay for a good or service which is the same as it costs to produce the product in resources. Market failure occurs if products are under-produced or not at all, if they are over produced or if they need to be provided by the state. The government can correct market failure by providing products in the public sector only, regulation or prohibition.

The UK government will try to correct market failure in the road transport industry by trying to reduce the gap of inequality this involves people who own cars paying for things such as road tolls. This involves people paying to use roads on which they drive with their car. It also involves paying Congestion Charge which is a fee in London & Edinburgh at around £10 to pay to use roads at busy times during the day in London such as 9-5pm. This tries to encourage people not to use their cars during this time because otherwise they will be charged. The money that people pay for the

congestion charge goes towards ~~public~~ public transport to try and improve the time and efficiency and standards of it. It also helps to reduce costs of it to encourage more people to travel by public transport as a train ticket would be cheaper than driving your car into London.

They also try to ~~correct~~ correct market failure by charging people to take their driving test to have a driver's licence as some people can't afford this so it helps ^{more} keep people off the road. People are also charged car tax to have their car on the road and insurance. People's car tax is more expensive according to the amount of CO₂ your car emits.

The government tried to correct market failure via the car scrappage scheme which helped remove 400000 cars off the road which were older causing more carbon emissions to be emitted which was ~~damaging~~ ~~to~~ damaging the environment. So they offered £2000 pounds to remove an old car off the road & exchange it for a new car which

would emit less carbon emissions which is better and more greener for the environment. New cars are also safer however due to more new cars being on the road insurance increased for new cars. The policy stopped in ~~2010~~ 2010 as it cost the government money. But this scheme helped reduce market failure by decreasing some of the negative externalities of old cars.

The govern. also try to reduce market failure by offering free bus passes to the over 60s. This helps reduce inequality between the rich who can afford can ~~for~~ and the poor who cannot ^{afford to buy cars.} by offering lower ~~prices~~ passes to make up for the fact they cannot afford cars to help reduce the gap of inequality.

Those without a car find it hard to access ~~the~~ local services such as the post office and hospital compared to those with cars.

The scrappage helped create employment in the car industry because people were buying

new cars which meant manufacturing of cars had to employ more people and car show rooms had to open. People also got jobs from working in garages doing MOTs. ~~The~~ The scheme helped create jobs meaning people has disposable income had created ~~aggregate~~ aggregate demand and aggregate supply.

However the scheme was scrapped in 2010 as it cost the government money to help subsidising people £2000 for their old cars that were worth hundred and so ~~more money~~ was it cost the government money but also created

(Total for Question 7 = 50 marks)

jobs which benefited the gov as they gained car tax money and income tax from people who ended up getting a job from the scheme they started.

TOTAL FOR SECTION B = 50 MARKS

TOTAL FOR PAPER = 80 MARKS



ResultsPlus

Examiner Comments

This response shows a clear understanding of market failure. A good mix of policies are given, but there is no conclusion.

7 *(b) Assess the likely effectiveness of UK government transport policies in correcting market failure.

(30)

• If the UK improved the transport policies it could potentially improve market failure as there would be more ease to access local shops / businesses for local residents.

Also the UK Government transport policies could improve the exports and imports from the UK, resulting in more trading and money coming into the UK, which could be spent on improving infrastructure and transport costs, further contributing in improving market failure.

However, the increase in fuel prices may result in the UK population having a lower disposable income, therefore less money being spent on luxury goods, resulting in an increase in luxury products market failure as people will be substituting goods.

A number of businesses are dependant on transport to either deliver their goods / services or import them, therefore the price in fuel increasing could contribute to market failure.

Interest rates are also a huge contribution to market failure, and the continuing rise in fuel will also change the money spent

on goods and services in the UK.

'The Committee will want to keep monetary conditions extremely easy to encourage a rapid recovery' this would change the level of market rates



ResultsPlus

Examiner Comments

This candidate made no mention of specific transport policies, although references to infrastructure on market failure were given the benefit of doubt.



ResultsPlus

Examiner Tip

Know the pre-release evidence and Google relevant news topics to add to knowledge.

Paper Summary

Most candidates again completed the paper in the time allotted, although there was evidence that some candidates had found time allocation a problem. In response to more candidates making use of diagrams, more space was made available for candidate responses on this paper. However, a minority thought that they needed to write more and those not keeping an eye on the clock, may have found time tight as a result. The majority were more willing to get straight to the point and directly answer the questions.

It was clear that excellent use had been made of the pre-release materials. Candidates were able to make sound evaluative points, though a minority unnecessarily extended this practice to questions where the command word didn't indicate this requirement.

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>

Further copies of this publication are available from
Edexcel Publications, Adamsway, Mansfield, Notts, NG18 4FN

Telephone 01623 467467

Fax 01623 450481

Email publication.orders@edexcel.com

Order Code UA032051 June 2012

For more information on Edexcel qualifications, please visit

www.edexcel.com/quals

Pearson Education Limited. Registered company number 872828
with its registered office at Edinburgh Gate, Harlow, Essex CM20 2JE

Ofqual
.....



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

