



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

Economics

Assessment Unit AS 1
(Data Response)

assessing

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

[ASE11]

FRIDAY 16 JANUARY, MORNING



TIME

45 minutes.

INSTRUCTIONS TO CANDIDATES

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

INFORMATION FOR CANDIDATES

The total mark for this paper is 40.
Quality of written communication will be assessed in questions **1, 2, 3, 4** and **5**.
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.

The following article was written in March 2008.

Study it carefully and answer the questions which follow.

“DEMERIT GOODS”

The popular internet encyclopedia, Wikipedia, states, “A demerit good is a good or service whose consumption is considered unhealthy, degrading or otherwise socially undesirable due to its effects on other persons and/or society at large. It is over-consumed if left to market forces. Examples of demerit goods include tobacco, alcoholic beverages, recreational drugs, gambling, ‘junk food’ and prostitution.” *(Paragraph 1)*

Those products which damage our health have long been classified as demerit. Traditionally this applied only to tobacco and alcohol which were obviously detrimental not just to the health of the user but also to others through passive smoke and the dangerous and violent behaviour often associated with binge drinking. Now, Health Secretary Alan Johnston has identified an even greater threat to the nation’s health. This week he described obesity and the eating habits which cause it as a crisis on the same scale as global warming. *(Paragraph 2)*

There can be little doubt that obesity is a major cause of a number of serious illnesses such as heart disease and diabetes. A recent government report, produced by the Foresight Project, forecasts that by 2050, 60% of adult men, 50% of adult women and 25% of all children under 16 will be obese. The costs to the National Health Service (NHS) of obesity are projected to double to £10 billion per year by 2050. The wider costs to society and business from issues such as loss of productivity and welfare payments are estimated to reach £49.9 billion per year (at today’s prices). If left unchecked obesity could reverse the year on year increases in life expectancy we have enjoyed since the mid 19th century. *(Paragraph 3)*

So what lies behind this rise in obesity? The report coined the phrase ‘passive obesity’ and attributed its rise to social rather than individual factors. In particular it blamed the abundance of junk food, motorised transport and lazy lifestyles. The poorest and most disadvantaged members of society are most vulnerable to these pressures. *(Paragraph 4)*

Identifying the problem is one thing but knowing what to do about it is quite another. The experience with reducing tobacco consumption gives a mixed picture. Government initiatives have contributed to a fall in smoking rates from 55% of the adult population in 1970 to around 25% today. However these figures mask the fact that the rate of decline appears to be levelling out and has fallen only marginally since 1992. As with obesity, smoking rates are significantly higher for the poorer members of society. *(Paragraph 5)*

The report argues that small-scale initiatives aimed at individuals will have little or no effect. It suggests more radical initiatives such as redesigning our cities so that walking rather than driving becomes the norm. One NHS trust manager went further and suggested that those with lifestyle-related illnesses should cease to receive free treatment from the NHS. *(Paragraph 6)*

Persuading people to make the changes required to reduce obesity will not be easy. Domino’s Pizzas reported a 17.6 per cent rise in sales for the six weeks to December 30th 2007 and Zavvi, the company which bought Virgin Megastores saw sales of computer games soar by 63 per cent over Christmas. *(Paragraph 7)*

One MP even disputed the government's right to influence what we eat and how we exercise. He said, "the ever increasing list of so called demerit goods is really just a means for the government to increase its control of the economy and to raise more tax revenue". (Parsons)

*Adapted from: Tackling Obesities - Future Choices, by the Foresight Project for the Department of Innovation, Universities and Skills. Published by the Department of Health
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- 1 Explain why 'junk food' is considered to be a demerit good. [6]

- 2 With the assistance of an appropriate diagram, explain why demerit goods are over-consumed in free markets. [8]

- 3 Explain some of the factors which might cause smoking and obesity rates to be higher in poorer families. [6]

- 4 Critically examine some of the policies which governments might adopt in order to reduce obesity rates. [10]

- 5 In paragraph 8 an MP argues that the government is using the demerit goods argument as a means of increasing its control of the economy and raising more tax revenue. Evaluate this view. [10]

THIS IS THE END OF THE QUESTION PAPER

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