

Mark Scheme (Final)

Summer 2014

GCE Economics & Business (6EB04/01)

Unit 4B: The Wider Economics Environment and Business

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General Marking Guidance

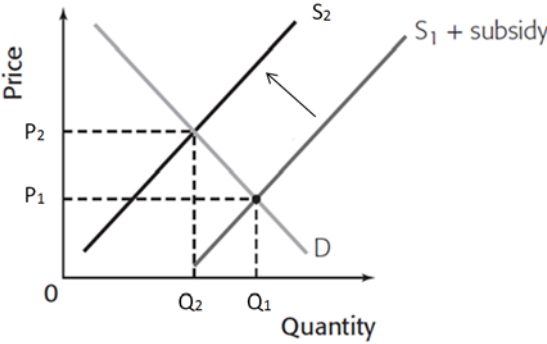
- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked **UNLESS** the candidate has replaced it with an alternative response.

Unit 4b: The Wider Economic Environment and Business

Marking Scheme

Question Number	Question	Marks
1.	What is meant by the term merit good ? (see Additional evidence J line 6)?	
	Answer	Marks
	<p>Knowledge/understanding up to 2 marks: A valid definition of merit good e.g. That which, if left to the free market, would be under consumed/under produced (1) and therefore requires the government to intervene to increase consumption or production (1)</p> <p>OR Any good or service the government believes is good for individuals and for society as whole (1) under-produced or consumed if left to free market (1)</p> <p>OR Good or service associated with positive externalities (1) and thus government attempts to increase production or consumption (1)</p> <p>Note: 1 mark for partial or vague definition (but a valid example such as reference to healthy school meals lifts to 2 marks).</p>	1-2

Question Number	Question	Mark
2.	What is meant by the term social costs (see Additional evidence J line 18)?	
	Answer	Mark
	<p>Knowledge up to 2 marks: A valid definition of social costs e.g. Private costs (1) plus external costs/costs to third parties (1)</p> <p>Often associated with negative externalities (1) Costs not included in the price mechanism (1) Costs for those not directly involved in production or consumption (1)</p> <p>Note: 1 mark for partial or vague definition (but a valid example such as costs to the NHS and/or taxpayers lifts to 2 marks).</p>	1-2

Question Number	Question	
3.	Explain one reason why Gove's removal of a subsidy may lead to a decline in the number of healthy lunches. (see evidence J line 12).	
	Answer	Marks
	<p>Knowledge 1, Application 1, Analysis 2</p> <p>Knowledge valid definition of subsidy, e.g. a payment/grant made by government to suppliers/producers, covering some or all of the costs of production OR a payment from taxation to reduce supplier/producer costs (1)</p> <p>Application reduce the cost of catering equipment/decoration or the cost of healthy food such as fresh vegetables/unhealthy alternatives or packed lunches (1)</p> <p>Analysis: up to 2 marks Explaining that without this payment schools are less likely to improve their provision/prices may be higher (1) which can lead to a decline in output/the number of pupils using the school canteen (1)</p> <p>Accurate supply and demand diagram (price, quantity, supply and demand curves labelled correctly) – 1 knowledge mark</p> <p>Diagram showing shift of supply curve inwards (removing subsidy) – higher P and lower Q – award 1 application mark</p> 	<p>1</p> <p>1</p> <p>1-2</p> <p>Total (4 marks)</p>

Question Number	Question	
4.	Explain one wider economic consequence of UK obesity.	
	Answer	Mark
	<p>Knowledge 1, Application 1, Analysis 2</p> <p>Knowledge and understanding: 1 mark Wider economic consequences, e.g. higher taxation/lower GDP or growth/higher unemployment/increase in sick pay or welfare benefits (1)</p> <p>Application: 1 mark Some reference to the case study/data e.g. Increased hospital admissions/heart disease/diabetes/lower life expectancy/increase in sick pay/days off sick/23% with BMI over 30 (1)</p> <p>Analysis: up to 2 marks e.g. higher number of patients (1) meaning increased cost to NHS (1) Increased absence from work (1) meaning reduced or lower productivity (1) Increases costs to business (1) which may lower profits (1)</p>	<p>1</p> <p>1</p> <p>1-2</p> <p>Total (4 marks)</p>

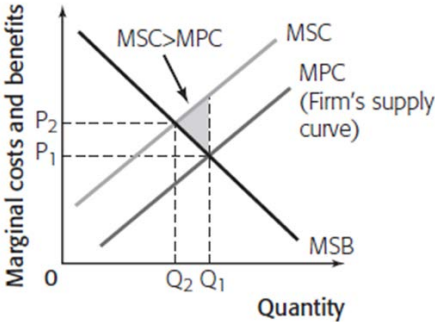
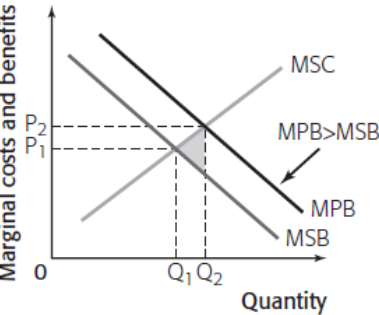
Question Number	Question	
5.	Analyse two reasons why the UK Government budget might lead to increased inequality.	
	Answer	Mark <i>per reason</i>
	<p>Knowledge 2, Application 2, Analysis 4</p> <p>Knowledge and understanding: 1 mark per plausible reason</p> <p>changes in income (1)</p> <p>changes in spending (1)</p> <p>VAT a regressive tax (1)</p> <p>Income tax a progressive tax (1)</p> <p>Tax allowances/index linked (1)</p> <p>Application: 1 mark for applying each reason</p> <p>e.g.</p> <p>Reduction in top rate of tax to 45% (1) application of VAT on previously untaxed products such as pasties (1)</p> <p>Numerical Example: £100 spent on food incurs £20 tax – this is paid regardless of income (1)</p> <p>£100 of income 20% standard rate income tax pays £20 and 45% higher rate income tax pays £45(1)</p> <p>Freezing of pensioner tax threshold/personal tax thresholds (1)</p> <p>Removal of school meal subsidy (1)</p> <p>Analysis: up to 2 marks for each cause/cost/consequence</p> <p>e.g.</p> <p>Top earners will see a rise in net income (1) unlike other income tax payers whose tax rate remains unchanged, therefore increasing inequality (1)</p> <p>The new VAT rate will make takeaway foods relatively more expensive for low income consumers (1) as they are paying proportionately more tax which will increase inequality (1)</p> <p>Income tax cut may lead to less government revenue (1) which may be recovered by increase in VAT paid by those on low incomes proportionately more which will increase inequality (1)</p> <p>Cutting higher rate of tax will provide tax savings which might not be spent (injection from circular flow) in the economy (1) and may be saved (withdrawal/leakage from circular flow) thus increasing inequality (1)</p> <p>NB Each reason must link to increased inequality for analysis mark</p> <p>If only one reason then limit to 4 marks</p>	<p>1</p> <p>1</p> <p>1-2</p> <p>Total</p> <p>4 marks</p> <p>x 2</p> <p>=8 marks</p>

Question Number	Question		
6.	Assess the case for providing, for all schoolchildren, free school meals from general taxation.		
Level	Mark	Descriptor	Possible Content
Level 1	1-2	Candidate shows some knowledge and understanding.	Some awareness of general taxation. e.g. income tax, corporation tax, VAT. Free at the point of delivery regardless of income Universal benefit for children
Level 2	3-4	Some relevant awareness in context.	e.g. Some parents find affordability a problem. e.g. half of those currently entitled to free dinners don't take them
Level 3	5-6	Valid development in context Reasons/causes/costs and/or consequences are outlined. Either pros or cons could be addressed. Answer will be one-sided Cap at 5 marks if analysis NOT in context	Either arguments for free school meals OR arguments against free school meals e.g. It is likely that many currently entitled to free meals who currently don't take them up would do so. e.g. It would end the school meals poverty trap because of the removal of perceived stigma e.g. improves educational attainment thus society as a whole benefits (social benefits>private benefits) e.g. merit good associated with positive externalities
Level 4	7-10	Evaluation: Expect to see evaluative points based on analysis of the economics/business situation. Both pros and cons required. Max 7-8 marks - only one side in context 9-10 marks - both sides in context Answer is coherent, has some balance, is related to the context and makes good use of concepts, theories and/or methods.	Arguments for free school meals AND arguments against free school meals e.g. Costs of providing free school meals are already a problem. e.g. Tax increases to meet the extra costs would be unpopular. e.g. Cuts elsewhere in government expenditure could have significant opportunity costs. e.g. short-run costs of free school meals outweighed by long-term benefits of school meals e.g. at same time government removed child benefit from higher

			rate tax payers – contradiction in policy e.g. may not be effective if regulations about fat, salt and sugar content removed (only voluntary with academies and free schools)
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Question Number	Question		
7.(a) QWC i-iii	Assess the economic case for limiting free NHS treatment of obese patients. (20)		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge of NHS / obesity.</p> <p><i>Written communication may be poor with frequent errors in spelling, punctuation and grammar and a weak style and structure of writing. There may be problems with the legibility of the text.</i></p>	<p>e.g. NHS free at point of delivery.</p> <p>e.g. The NHS is funded by Government</p> <p>e.g. Obesity is being chronically overweight.</p> <p>e.g. NHS a merit good associated with positive externalities</p>
Level 2	4-8	<p>Some application to obesity/NHS.</p> <p><i>The candidate may use some Economics and Business terminology but the style of writing could be better/there may be some errors in spelling, punctuation and grammar.</i></p>	<p>Using Evidence A and B:</p> <p>e.g. Obesity problem on the rise,</p> <p>e.g. Obesity increases costs of NHS,</p> <p>e.g. 30 fold increase in surgical interventions for obesity in last decade.</p> <p>e.g. One in seven operations for obesity are subsequent adjustments</p> <p>e.g. 11 fold increase in NHS admissions for obesity in last decade</p>
Level 3	9-14	<p>Analysis must be present. Valid development in context of the likely economic effects of charging for NHS obesity treatment and/or the mechanisms involved. Reasons/causes/costs and/or consequences. Either pros or cons could be addressed.</p> <p>Answer will be one-sided.</p> <p><u>Low level 3: 9 – 10 marks</u> Analysis weak: only one reason/cause/cost or consequence is outlined.</p> <p>Cap at 9 if no context</p> <p><u>Medium level 3: 11 – 12 marks</u> Analysis is more developed: two of reasons/causes/costs and/or consequences are outlined.</p> <p><u>High Level 3: 13 – 14 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are at least partially developed.</p> <p>Answer will be one-sided.</p>	<p>Either arguments for limiting treatment OR arguments against limiting treatment</p> <p>e.g. Possible causes of obesity include poor diet/ lack of exercise. Should the NHS pay for inappropriate lifestyle choices?</p> <p>e.g. Hospital beds are expensive and possibly already underprovided. Extensive obesity treatment may keep more “deserving” cases with other conditions from being treated.</p> <p>e.g. There may be cheaper interventions, such as dietary advice/ education in schools/subsidised sporting facilities</p> <p>e.g. There is already a large budget deficit due to recession. One consequence of, for example increased surgery will be to increase pressure on NHS budgets.</p>

		<i>The candidate uses Economics and Business terminology quite well/style of writing is appropriate for the question/reasonable to good spelling, punctuation and grammar.</i>	
Level 4	15-20	<p>Evaluation must be present. Expect to see evaluative points based on analysis of the economics/ business situation. Both pros and cons required.</p> <p><u>Low Level 4: 15 – 16 marks</u> Some evaluative points are made, based on analysis of the economy and / or case study information without arriving at a conclusion/ judgement. Maybe only one side of the argument in context.</p> <p><u>Medium Level 4: 17-18 marks</u> A judgement is attempted with some balance showing the economic consequences. Expect an attempted conclusion.</p> <p><u>High Level 4: 19 – 20 marks</u> Works to convincing evaluative conclusion. At this level, some economic theory is expected e.g. social costs/ benefits, macro-economic consequences etc.</p> <p><i>Candidate uses Economics and Business terminology fluently with good spelling, punctuation and grammar.</i></p>	<p>Arguments for limiting treatment AND arguments against limiting treatment</p> <p>e.g. Longer term, there are likely to be significant health benefits from obesity treatment – maybe less cost to NHS in the future. e.g. Treatment may enable some to return to work. This will benefit the economy as productivity increases e.g. Most patients are taxpayers and consequently view the NHS as an entitlement. e.g. Some obese patients may just have a low metabolic rate or other health condition which predisposes them to obesity. This would unfairly penalise them. e.g. short term costs may be outweighed by long term benefits</p>

Question Number	Question		
7.(b) QWC i-iii	Evaluate the extent to which UK Government should regulate the food industry. (30)		
Level	Mark	Descriptor	Possible Content
Level 1	1-3	<p>Candidate shows knowledge and understanding of regulation.</p> <p><i>To achieve a mark of 1 – 3 the candidate will have struggled to use Economics and Business terminology legibly with frequent errors in SPG and / or weak style and structure of writing.</i></p>	<p>e.g. regulation is creating and enforcing rules and laws</p> <p>e.g. regulation could include self-regulation or voluntary regulation by firms and organisations</p> <p>e.g. regulation would include specific or ad valorem tax on foods high in fat, salt and sugar</p> <p>e.g. enforcement is through court action</p> <p>e.g. penalties may be imposed if regulations are breached.</p> <p>e.g. regulation may need to be EU wide</p> <p>e.g. planning regulation can also be used</p>
Level 2	4-8	<p>Candidate applies information in evidence to raise points in context.</p> <p>Candidate may produce diagram showing negative externalities associated with either production or consumption. An accurate diagram can be credited</p> <p>Production:</p>  <p>Consumption:</p> 	<p>e.g. McDonalds, Greggs, takeaways, pasties, fried chicken, carbonated high energy drinks.</p> <p>e.g. Food hygiene, production, processing, packaging, labelling, importing and distribution rules are examples of regulation/ potential regulation.</p> <p>e.g. The Food Standards Agency (FSA) and the Department for Environment, Food and Rural Affairs (Defra) are responsible for regulation of the food industry.</p> <p>e.g. Local authorities throughout the UK are the enforcement authorities for food businesses like cafes, restaurants and food shops.</p> <p>e.g. planning laws can be used to restrict number of and location of fast food outlets</p>

		<p><i>Candidate uses some Economics and Business terms but the style of writing could be better. There will be some errors in SPG. Legibility of the text could have been better in places.</i></p>	
Level 3	9-16	<p>Analysis must be present. Valid development in context.</p> <p>Reasons/causes/costs and/or consequences.</p> <p>Either pros or cons could be addressed</p> <p>Answer will be one-sided.</p> <p><u>Low level 3: 9 – 10 marks</u> Candidate will attempt very basic analysis of regulation of the food industry and its impacts. One or two reasons/causes/costs and /or consequences are outlined.</p> <p>Cap at 9 for no context.</p> <p><u>Medium level 3: 11 – 13 marks</u> Candidate looks at a range of reasons/causes/costs and/or consequences of regulation. Answer will be in context.</p> <p><u>High Level 3: 14 – 16 marks</u> Analysis is wide-ranging; three or more well explained reasons/causes/costs and/or consequences are outlined.</p> <p>Answer will be clearly in context.</p> <p>Answer will be one-sided.</p> <p><i>The candidate uses Economics and Business terminology quite well/style of writing is appropriate for the question/reasonable to good spelling, punctuation and grammar.</i></p>	<p>Either arguments for regulation OR arguments against regulation</p> <p>e.g. Without regulation, unsafe farming practices could pose health risks – CJD, horse meat etc. – because of lack of penalties.</p> <p>e.g. Without regulation, unsafe processing could pose health risks – e-coli etc. – because of lack of enforcement.</p> <p>e.g. Without regulation, unhealthy food might well return to schools as budgets are tight and unhealthy food may be cheaper.</p> <p>e.g. Enhanced regulation on labelling could help consumers make healthier choices which would have a positive long term effect on NHS spending. Without regulation, some retailers (e.g. Iceland) may opt out of voluntary deals.</p> <p>e.g. Excessive consumption of food (demerit good) can lead to obesity and therefore increased cost to the NHS</p> <p>e.g. self-regulation may be more effective as producers are experts and costs of self-regulation may be lower</p> <p>e.g. Diagram showing impact on P and Q of a “fat tax” explaining that higher price may result in fall in quantity supplied and demanded</p>

<p>Level 4</p>	<p>17-30</p>	<p>Evaluation must be present. Expect to see evaluative points based on analysis of the economics/ business situation. Both pros and cons required</p> <p><u>Threshold Level 4: 17-18 marks</u> One limited attempt to evaluate arguments made.</p> <p><u>Low Level 4: 19-21</u> More than one limited attempt to evaluate arguments made.</p> <p><u>Mid Level 4: 22-24</u> Detailed evaluation of arguments made, which will be based on a range of sources and/or specification areas</p> <p><u>High Level 4: 25-30</u> Balanced conclusions and/or recommendations based on sound analysis of the economic situation and case study information.</p> <p>Candidate will make a clear conclusion as to the extent to which the UK Government should regulate the food industry.</p> <p><i>Candidate uses Economics and Business terminology precisely and effectively with good to excellent spelling, punctuation and grammar.</i></p>	<p>Arguments for regulation AND arguments against regulation</p> <p>e.g. Regulatory compliance exerts a disproportionately large administrative burden on small businesses (Cornish Pasty Manufacturers) which could disincentivise potential entrepreneurs.</p> <p>e.g. Government regulation can make businesses in the UK less competitive against foreign competition because of added costs.</p> <p>e.g. New regulations create uncertainty, which deters small business owners from investing and recruiting, reducing competition</p> <p>e.g. regulations may cause business costs to increase/a loss in sales revenue, which may lead to firms leaving the market and cause loss of jobs which is likely to be more costly to the economy than increased costs of obesity</p> <p>e.g. Regulations can have unintended consequences. For example, the introduction of healthier school dinners initially saw a large decrease in demand.</p> <p>e.g. Due to the specialised nature of the food industry, the regulator may have imperfect knowledge and regulatory capture can occur.</p> <p>e.g. There are alternatives to regulation which may be more cost effective/efficient such as self regulation, proactive education which means that less regulation is needed</p> <p>e.g. unemployment in fast food industry leading to increased inequality and thus poor diet</p> <p>e.g. Impact of “fat tax” will depend upon PED for addictive food high in fat, salt and sugar – if PED inelastic, then change in Q proportionately less than change in P</p> <p>e.g. YED – fast food may be an inferior</p>
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Assessment Objectives

Question No.	Knowledge	Application	Analysis	Evaluation	Spec
1	2				4.3.1bb
2	2				4.3.1ba
3	1	1	2		Synoptic
4	1	1	2		4.3.4bb
5	2	2	4		4.3.4bc
6	2	2	2	4	4.3.1bd
7 (a)	3	5	6	6	4.3.3bb
7 (b)	3	5	8	14	4.3.1bd
Total	16	16	24	24	