



Mark Scheme (Results)

Summer 2022

Pearson Edexcel GCE A Level in
In Economics B (9EB0)
Paper 1: Markets and How They Work

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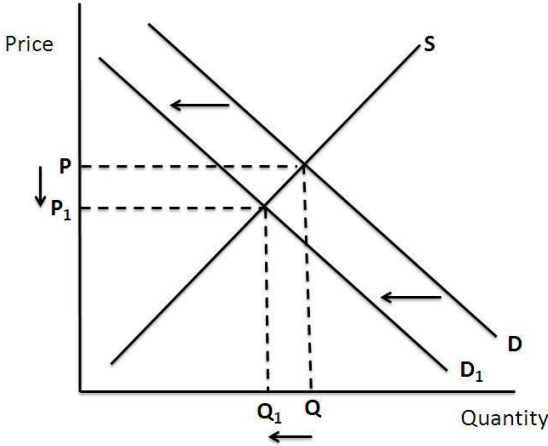
General Marking Guidance

- 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.

Question Number	Using Extract A, calculate to two decimal places, the 5-firm concentration ratio for the UK car manufacturing industry. You are advised to show your working.	Mark
1(a)	Knowledge/Understanding 1, Application 3 Knowledge/Understanding: 1 mark for any suitable method to calculate the 5-firm concentration ratio: • 5-firm: the total market share of the top 5 firms (1) Application: up to 3 marks for calculating the 5-firm concentration ratio: • Selecting correct data/car manufacturers from market share figures from Extract A (1) • $22.8\% + 13.1\% + 9.84\% + 9.43\% + 8.88\%$ (1) • $= 64.05\%$ (1) NB if no working is shown award marks as below: If the answer given is 64.05% award 4 marks If the answer given is 64.05 award 3 marks	(4)

Question Number	Explain one reason why there is less likely to be price competition in the car industry.	Mark
1(b)	Knowledge/Understanding 1, Application 2 Analysis 1 Knowledge/Understanding: up to 1 mark for explaining the reason e.g. - The car industry is an oligopoly (1) Application: up to 2 marks are available for contextualised answers, e.g. <i>Stellantis</i> must consider the prices set by rivals such as <i>Volkswagen Group</i> (1) - Car firms compete in terms of passenger safety/ meeting environmental regulations (1) Analysis: Up to 1 mark available for developing the connection. - Firms cannot act independently of each other when making decisions so this results in price stability in the car industry (1)	(4)

Question Number	Using Extract B, calculate to two decimal places, the profit for the year margin for <i>Stellantis</i> in 2020. You are advised to show your working.	Mark
1(c)	Knowledge/Understanding 1, Application 3, Knowledge/Understanding: 1 mark for the correct formula for profit for the year margin: $\frac{\text{Profit for the year}}{\text{Revenue}} \times 100 \text{ (1)}$ Application: Up to 3 marks for calculations $\frac{\text{€2 022m (1)}}{\text{€60 734m (1)}} \times 100$ = 3.33% (1) NB if no working is shown award marks as below: If the answer given is 3.33% award 4 marks If the answer given is 3.33 award 3 marks	(4)

Question Number	Using a suitable diagram, analyse the likely impact on the market for new petrol and diesel cars if the government increases the subsidy on new electric cars.	Mark
1(d)	Knowledge/Understanding 2, Application 2, Analysis 2  Knowledge/Understanding: up to 2 marks for: constructing supply and demand curves correctly and for labelling the axes with price and quantity (1) correctly showing original equilibrium price and quantity P and Q (1) Application: up to 2 marks for contextualised answers e.g. For correctly showing the shift in the demand curve to the left (1) Electric cars are substitute goods for petrol and diesel cars (1) Analysis: up to 2 marks e.g. for showing new equilibrium and consequences on the quantity and price axes, P_1 and Q_1 (1) As electric cars become cheaper, fewer petrol and diesel powered cars will be demanded/bought (1) NB maximum of 4 marks for diagram only	(6)

Question Number	Discuss the likely impact on UK car exports following a depreciation of the pound against the euro.	Mark
1(e)	Knowledge/Understanding 2, Application 2, Analysis 2, Evaluation 2 • The exchange rate is the price of one currency in terms of another currency • 81% of cars produced in the UK are exported • The EU is the UK's largest trading partner for car exports so will be affected by the exchange rate of the pound against the € • If the price of £1 depreciates against the €, this could result in UK manufactured cars being relatively more price competitive for EU car buyers • Lower prices for cars may result in an increase in demand for UK manufactured cars such as cars produced at the <i>Vauxhall</i> car plant in Ellesmere Port • However, a weaker pound may increase the cost of imported car components from the EU that are used to manufacture cars in the UK • This could result in higher prices for UK manufactured cars if this is passed on in the form of higher prices by UK car manufacturers • The impact will depend upon the duration and magnitude of the depreciation of the pound against the € • The impact will depend on the PED for UK manufactured cars	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are developed. Judgements may be attempted.
Level 3	6–8	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen. Arguments are developed, using logical, coherent chains of reasoning. A balanced awareness of competing arguments.

Demonstrating application (AO2) in responses

Where questions specifically stipulate the use of data or information provided in a stimulus, students:

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Question Number	Assess the likely benefits for <i>Stellantis</i> of selling a range of different car brands.	Mark
1(f)	Knowledge/Understanding 2, Application 2, Analysis 3, Evaluation 3 • A brand is a unique name/symbol that identifies a product and differentiates it from competitors • <i>Stellantis</i> has 18 different car brands in its portfolio ranging from <i>Peugeot, Citroen, Vauxhall, Fiat</i> to <i>Ferrari</i> and <i>Maserati</i> • These diverse brands enable <i>Stellantis</i> to spread risks between different market segments • Each car brand appeals to a different target audience who may have different needs and wants from the purchase of a car • By having a diverse range of car brands <i>Stellantis</i> can increase profits from selling a range of different cars aimed at different income groups, lifestyles, mass markets and niche markets • <i>Stellantis</i> may also benefit from economies of scale if car parts can be used in a range of different car models • However, there could be increased costs from R&D due to multiple cars being produced • Different car brands will require different car components and this could add to the number of firms required in the supply chain • Marketing and advertising costs may be high due to the promotion of a large range of cars • Resources may be spread too thin due to having over 18 different brands in the portfolio particularly as some of the brands are competing against each other for the same target market • Bad publicity incurred by one car brand may affect the sales of all car brands within the portfolio if consumers are aware that <i>Stellantis</i> owns other car brands	(10)

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Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–4	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	5–7	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	8–10	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

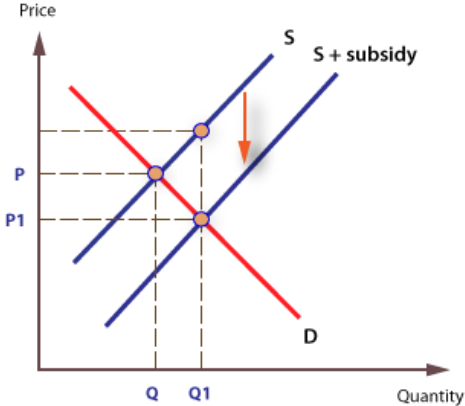
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Question Number	Assess the benefits to the UK economy of subsidising the <i>Vauxhall</i> car plant in Ellesmere Port.	Mark
1(g)	Knowledge/Understanding 2, Application 2, Analysis 4, Evaluation 4 - A subsidy is an amount of money given directly to firms by the government to encourage production and consumption - Possible use of a diagram:  - Subsidising van/car production causes a downward shift of the supply curve leading to a lower equilibrium price (P_1) and an increase in the quantity traded (Q_1) - The £30m subsidy to <i>Vauxhall</i> could help to lower the price of cars/vans to the consumer increasing demand for electric vehicles <i>Vauxhall</i> will get the market price for the car/van plus the subsidy from the UK Government thereby generating additional revenue providing an incentive to keep manufacturing cars in the UK <i>Vauxhall</i> supports 1,000 direct jobs and 6,000 jobs in the local supply chain therefore ensuring the plant remains in operation, jobs in the local area can be secured - This may help to maintain employment levels in the local area and avoid an increase in unemployment - However, subsidies have to be funded by the UK Government from either taxation or borrowing - There is an opportunity cost of providing the reported £30m subsidy to <i>Vauxhall</i> - The UK Government need to consider what other public services this money could have been spent on instead that may give greater benefit to society <i>Vauxhall</i> may not use the subsidy for the intentions that the UK Government would like in terms of ensuring production of cars/vans remains at Ellesmere Port and may keep some or all of the subsidy - The overall benefit depends on whether all of the subsidy is being passed onto consumers and if local jobs can be secured in the long term	(12)

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Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

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Question Number	Assess the likely impact on the UK economy of the Government banning the sale of new petrol and diesel cars from 2030.	Mark
1(h)	Knowledge/Understanding 2, Application 2, Analysis 4, Evaluation 4 • Regulation can be used to overcome market failure of an over consumption and over production of cars that heavily pollute the environment • Transport is one of the main greenhouse gas sources so banning petrol and diesel cars should help the UK Government to achieve carbon net zero by 2050 and improve the health of the population • There could be better air quality for the UK and therefore a reduction in health demands on the NHS • The UK Government is investing vast amounts into the electric vehicle infrastructure which may result in new green jobs being created in the economy to help support the switch to electric cars • Extract E shows that in the long-term electric vehicles are not only cheaper to run but will benefit the environment from lower carbon emissions • However, regulation is costly in terms of an administration costs, enacting and enforcing the regulation • There could be unintended consequences for many consumers and firms • Extract D states there are only 6.3% electric vehicles currently on UK roads so this is likely to result in many consumers and firms having to switch to electric vehicles • Consumers and firms may well not be able to afford to change to electric cars without government help or by having to fund this through borrowing • Extract E states that electric cars are more expensive to buy initially compared to a petrol car without the £2 500 government grant • Therefore more grants might be required to help purchase electric cars • There will still be many petrol and diesel cars on the road after 2030 which will add to pollution • The UK economy will need to adapt the transport infrastructure from petrol stations to electric charging points	(12)

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Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance.
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Question Number	Evaluate the effectiveness of using monetary policy to control inflation in the UK.	Mark
2	Knowledge/Understanding 4, Application 4, Analysis 6, Evaluation 6 • Monetary policy is the use of interest rates and control of the money supply to manage demand in the economy • Monetary policy can be used to reduce inflationary pressures in UK by the BoE increasing interest rates • In 2021 inflation reached 2.1% and is expected to exceed 4% which is above the 2% inflation target • This could result in the BoE increasing interest rates that are currently 0.1% • An increase in interest rates tends to reduce spending and investment in the economy thus slowing down economic activity and reducing inflationary pressure • There might be a greater reward for saving which may discourage consumers from spending helping to reduce demand in the economy • Since consumption, such as clothing, motor fuel, recreational goods and meals and drinks consumed outside of the home is part of aggregate demand this could lead to a fall in the level of aggregate demand within the economy • A shift to the left of the AD curve will cause price levels within the economy to fall thus achieving the aim of controlling the level of inflation • A rise in interest rates may increase the value of the currency which could result in cheaper imports and therefore reduced inflation • However, there can be time lags for the increase in interest rates to filter through the UK economy particularly as interest rates are so low in the UK • Increasing interest rates will raise the cost of production for firms which may have an even greater negative impact on prices • The effectiveness will depend upon the type of inflation the UK is experiencing • If inflation is caused by cost-push factors such as rise in oil prices then monetary policy will have little or no impact on the rate of inflation • Demand is not totally dependent on interest rates and there are other factors that have an impact on inflation • Monetary policy can therefore conflict with economic growth and employment • There are other ways in which the BoE could try to control inflation including supply-side policies • These could help to reduce inflationary pressures by helping the UK economy to produce more goods and services at all price levels	(20)

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Level 2	5-9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10-15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and competing arguments are present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments
Level 4	16-20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

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Question Number	Evaluate the case for a reduction in the regulations that protect UK employees.	Mark
3	Knowledge/Understanding 4, Application 4, Analysis 6, Evaluation 6 • Regulation is a form of intervention in a market by a government or a regulatory body • The UK currently has strong employee protection such as minimum wage legislation and providing pension contributions • If the UK reduces the amount of regulations to protect employees some firms may exploit their workers in order to maximise profits • A firm may seek to cut costs by cutting safety standards, putting lives at risk for example employees working more than 48 hours per week • This is particularly important for jobs like lorry drivers. A maximum working week reduces the risk of fatigue – which could be dangerous with people falling asleep at the wheel • By having a universal standard of safety it prevents a ‘race to the bottom’ and many lives have been saved through health and safety legislation at work • If workers feel protected and have good working conditions then they will be motivated to stay in work and in the long-term this can increase productivity and economic performance • However, employee regulation may create an unnecessary burden of costs for firms • <i>Uber</i> having to provide and maintain a safe working environment, paying the national living wage and providing pension contributions can all add to the cost of production and so push up prices for consumers • This can make firms less competitive compared to countries such as China who may have fewer employee regulations • Fewer regulations can make the UK an attractive location for employers therefore contribute to job creation in the UK • Compliance with regulations can cause delays and entail increased costs such a legal costs • Profits of firms will be impacted which might lead to less investment into capacity and R&D with UK firms being slow to the market and therefore becoming inefficient • If minimum wages are too high then it can cause unemployment because firms cannot afford to pay the higher wages • There has to be a flexible, pragmatic approach, and where the market is working imperfectly and firms continue to act unethically then perhaps regulation is required to benefit all stakeholders	(20)

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