Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Thursday 18 May 2023

Morning (Time: 2 hours)

Paper reference **9EC0/01**

Economics A

Advanced

PAPER 1: Markets and Business Behaviour

You do not need any other materials.

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- There are three sections in this question paper. Answer **all** questions from Section A and Section B. Answer **one** question from Section C.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- The marks for **each** question are shown in brackets
  – *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ▶

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Pearson

SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some questions must be answered with a cross in a box ☒. If you change your mind about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

You are advised to spend 30 minutes on this section.

Use the data to support your answers where relevant.
You may annotate and include diagrams in your answers.

1 In a major reform of its command economy, the Cuban government will allow small private businesses to operate in most fields. Free market economists have long called for the role of small business to be expanded to help jump-start the economy and to create jobs.

(Source adapted from: https://www.telegraph.co.uk/news/2021/02/07/cuba-allows-massive-expansion-private-businesses/)

(a) With reference to the information provided, explain **one** advantage of a free market economy.

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(b) Which **one** of the following economic thinkers supported the idea of a command economy?

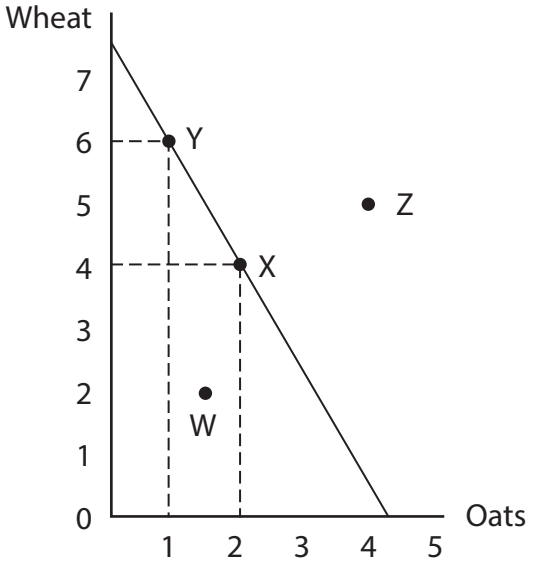
(1)

- ☒ **A** Adam Smith
- ☒ **B** Friedrich Hayek
- ☒ **C** John Maynard Keynes
- ☒ **D** Karl Marx

(Total for Question 1 = 5 marks)

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2 The production possibility frontier shows last year's harvest for a UK farmer at point X.



(a) Calculate the opportunity cost of the decision by the farmer to harvest 6 units of wheat this year at point Y (movement from point X to point Y).

(2)

(b) Explain the impact on efficiency of producing at point W in the following year.

(2)

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(c) Which **one** of the following would be most likely to help the farmer reach point Z?

An increase in

(1)

☒ **A** investment in milk production machinery

☒ **B** investment in modern farming technology

☒ **C** the demand for wheat

☒ **D** the price of oats

(Total for Question 2 = 5 marks)

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3 A luxury brownie baker is faced with falling demand as incomes fall.

(a) The likely income elasticity of demand for a luxury good is:

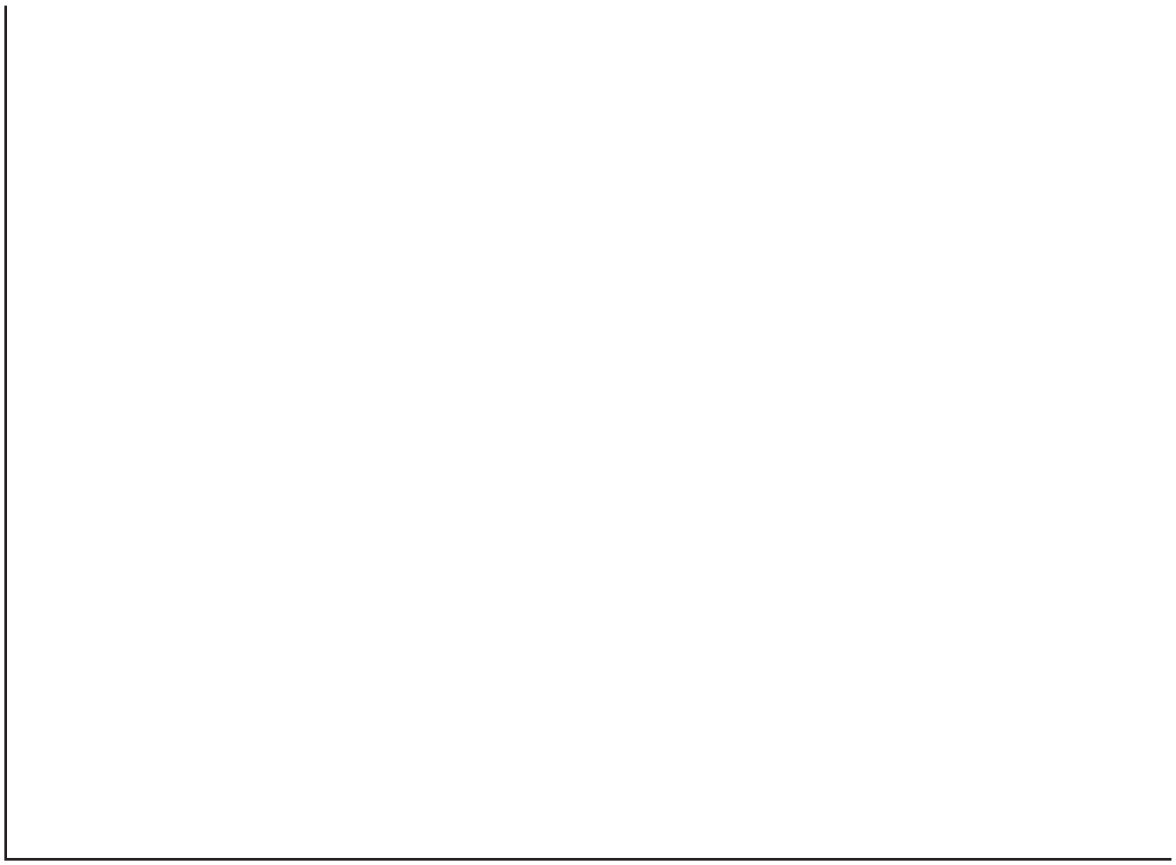
(1)

- ☒ **A** –3.40
- ☒ **B** –0.74
- ☒ **C** +0.74
- ☒ **D** +3.40

(b) Small local bakeries have many of the characteristics of monopolistic competition.

Draw the short run profit maximising equilibrium of a **loss-making** luxury brownie baker.

(4)



(Total for Question 3 = 5 marks)

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QUESTION 4 BEGINS ON THE NEXT PAGE.

4 An annual season ticket for a train journey between London and Reading is planned to increase from £5 044 to £5 664 in 2023.

(Source adapted from: https://commonslibrary.parliament.uk/how-much-could-rail-fares-increase-by-in-2023-and-why)

(a) With reference to the information provided, calculate the percentage change in the price of an annual season ticket.

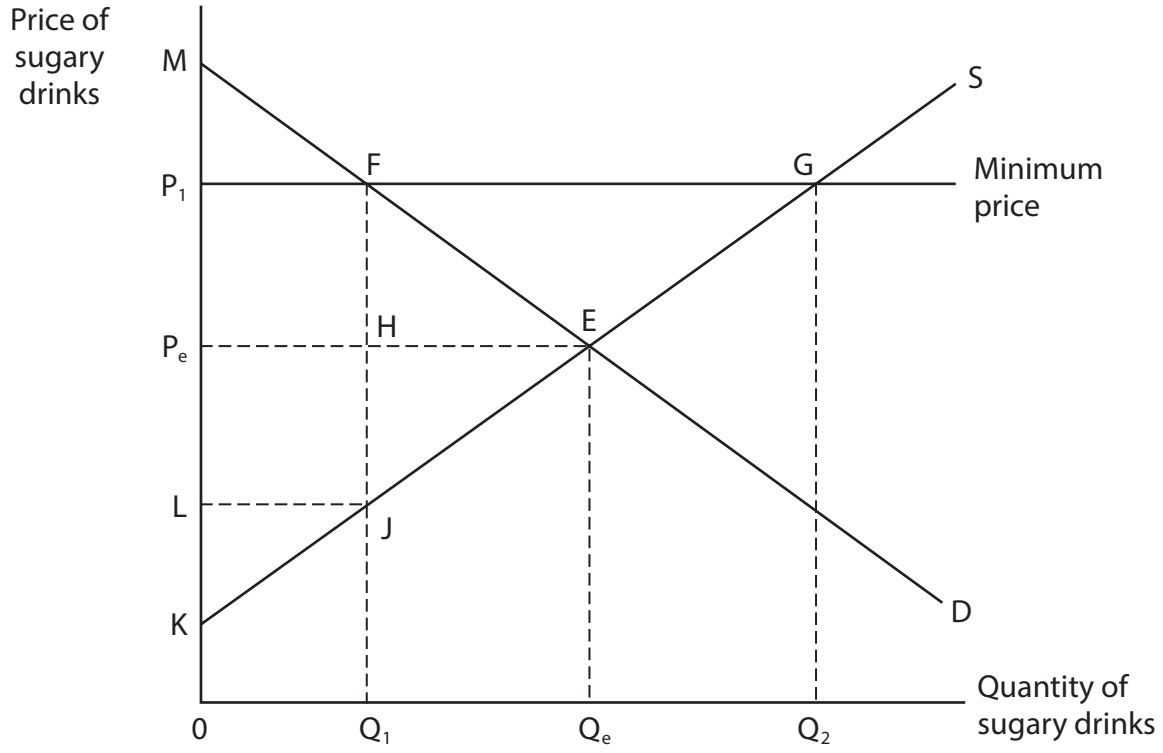
(2)

(b) Explain the likely impact of the increase in price of a season ticket on consumer surplus.

(2)

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The diagram below shows the demand and supply for sugary drinks.



(c) Which **one** of the following areas represents the *change* in producer surplus when a minimum price is imposed?

(1)

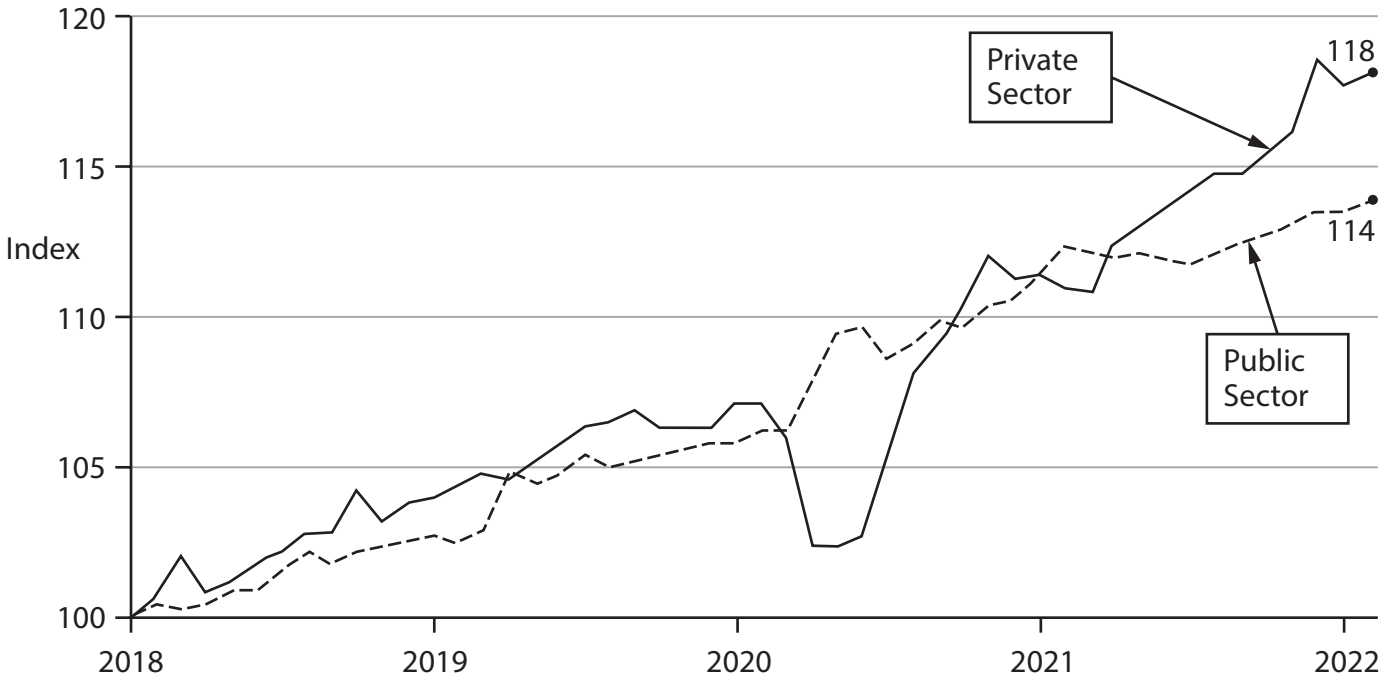
- ☒ **A** FEP_eP_1
- ☒ **B** FMP_1
- ☒ **C** GEP_eP_1
- ☒ **D** GKP_1

(Total for Question 4 = 5 marks)

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5 Index of pay in the public and private sector.

Nominal average weekly earnings (base year January 2018 = 100)



(Source adapted from: https://www.ft.com/content/48dafbb9-371d-4683-9afb-26652add888c)

(a) Which **one** of the following is the ratio of public sector pay relative to private sector pay in 2022?

(1)

- ☒ **A** 1 : 0.97
- ☒ **B** 1 : 1.04
- ☒ **C** 1 : 4.0
- ☒ **D** 1 : 14.0

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(b) Over 90% of nurses work in the public sector. Nurses in the public sector have experienced wage rises lower than those in the private sector over the past 10 years.

(Source adapted from: https://www.nuffieldtrust.org.uk/resource/chart-of-the-week-real-terms-nhs-staff-pay-from-2010-to-2020)

Using the information provided and the concept of monopsony, explain why nurses in the public sector have had lower wage rises than those in the private sector.

(4)

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

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SECTION B

Read Figures 1 and 2 and the following extracts (A to C) before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

Question 6

The UK online streaming services market

Figure 1: Market share of UK online streaming services

	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Amazon Prime Video	37.9%	41.1%	45.0%	27.1%	25.9%
Disney+	16.0%	17.7%	19.3%	14.1%	21.5%
Netflix	15.0%	10.5%	5.0%	9.4%	4.5%
NOW	11.3%	11.2%	5.6%	11.0%	11.1%
AppleTV+	4.0%	5.5%	7.3%	9.2%	9.9%
BritBox	4.0%	3.0%	5.7%	6.0%	5.9%
Others	11.8	11.0%	12.1%	23.2%	21.2%

(Source adapted from: Kantar, Worldpanel Division Geotech 2022)

Figure 2: UK online streaming services – monthly fees

Streaming service provider	**September 2022**
Netflix premium (4 users/ultra HD*)	£15.99
Netflix standard (2 users/HD)	£10.99
Netflix basic (single user/non HD**)	£6.99
Amazon Prime Video	£8.99
Amazon Prime Video – Student price	£4.49
Disney+	£7.99
AppleTV+	£4.99

*This is the highest quality picture currently available

** This is the basic quality picture

(Source adapted from: https://www.radiotimes.com/tv/what-to-watch-tv/best-streaming-service-uk/)

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Extract A

How Netflix makes use of behavioural science

In the last few years, companies have been trying to find ways to attract the attention of customers. Various streaming platforms such as Netflix, Amazon, and YouTube use 'nudges' to influence consumer behaviour. The 'next-up' feature on Netflix or 'auto-play' on YouTube has been subject to research that relates it to binge-watching. Binge-watching is the practice of viewing for a prolonged period, multiple episodes of a TV show or several films in rapid succession.

Similarly, the policy of offering a one-month free subscription under the label of 'free trial' requires credit card information to turn the forgetful subscriber into a potential paying one. Following this strategy, Netflix has expanded to 190 countries in just seven years and according to the Wall Street Journal, the company generated total revenue of over $5.2 billion in 2019, which was an increase from 2018 of around $4 billion.

However, 2022 data shows that consumers, increasingly worried about the rising cost of living, are turning their back on Netflix. With a reported cancellation of over 200 000 subscriptions in the first quarter and another two million forecast to leave by the end of the year. Subscribers are rethinking their commitment to the streaming services that grew their numbers sharply during the home-based months of the global health crisis. Netflix subscribers have also quoted a decline in value for money and satisfaction with the quality of the shows as key motives for cancellation.

Disney now see higher satisfaction rankings than Netflix across the quality of shows, amount of original content, number of new-release films, variety of classic films and amount of kids' content. Forecast cancellation rates for Disney+ fell to an all-time low of 3.2%.

(Source adapted from: https://www.novanudge.com/post/sludge-on-demand-how-netflix-makes-use-of-behavioural-science
https://www.theguardian.com/media/2022/apr/20/netflix-shares-fall-losing-subscribers)

Extract B

The economics of price discrimination

Throughout 2022, Netflix, a 100-billion-dollar company, increased prices in the US, Canada, the UK and Ireland (most of which saw similar price increases in 2021, too). In sharp contrast, Netflix recently announced it was reducing its prices in India (standard/2-user 499 rupees a month, equivalent to £5.42) in a bid to compete with Disney+ and Prime.

UK students currently enrolled in a college or university who have a valid student email address can join Prime Student through the Amazon website. This gives them nearly 50% off a standard Prime membership and many other exclusive benefits.

(Source adapted from: https://help.netflix.com/en/node/24926/in)

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Extract C

Educational Website and TV Programmes

BBC Bitesize is a learning platform created by the BBC in 1998. The online study resource allows parents to teach their children from home, using ready-made lesson plans and study guides with questions for all ages. The revision sessions are free to watch and they are available for children aged five up to their late teens. The guides are written by teachers and subject experts, so they are reliable and follow the National Curriculum. Last year Bitesize attracted around two million weekly unique browsers with a peak week of 3.3 million in the GCSE exam period.

Oak National Academy is a freely available learning resource website created for pupils aged four to sixteen. Launched in 2020, as a response to the global health crisis, the website includes lesson slides, video lessons, worksheets, and quizzes conforming to the national curriculum in England. Ministers have set aside £43 million to fund the Oak National Academy over the next three years.

(Source adapted from: https://www.bbc.co.uk/bitesize/articles/zmjdhbk https://www.structural-learning.com/post/oak-academy-a-teachers-guide#:~:text=Oak%20National%20Academy%20is%20a,the%20national%20curriculum%20of%20England)

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6 (a) With reference to Figure 1, explain the market structure that best describes the market for UK online streaming services.

(5)

(b) With reference to the information provided, assess whether Netflix subscribers behave rationally.

(10)

(c) With reference to the information provided, examine the likely numerical value of the cross elasticity of demand between UK online streaming services.

(8)

(d) With reference to Extract C, discuss the likely private and external benefits of viewing educational websites and TV programmes.

(12)

(e) Using examples from Figure 2 or Extract B, discuss the likely impact of price discrimination on a firm's profits. Use a relevant diagram to support your answer.

(15)

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(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

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SECTION C

Answer ONE question from this section.

Write your answer in the space provided.

You are advised to spend 30 minutes on this section.

EITHER

7 The average UK household energy bill (gas and electric combined) rose 80% from £1 971 in 2021 to £3 549 in 2022.

(Source adapted from: https://www.telegraph.co.uk/money/consumer-affairs/energy-price-cap-rise-october-2022-what-happen-household-bills/)

Evaluate possible methods of government intervention to control household energy bills in the UK.

(Total for Question 7 = 25 marks)

OR

8 Using 2021 estimates of carbon emissions, it is estimated that a petrol car journey from London to Glasgow emits approximately 3.3 times more carbon dioxide per passenger than the equivalent journey by train.

(Source adapted from: https://www.gov.uk/government/statistics/transport-and-environment-statistics-autumn-2021/transport-and-environment-statistics-autumn-2021)

Evaluate possible methods of government intervention to reduce carbon emissions caused by road transport in the UK.

(Total for Question 8 = 25 marks)

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: **Question 7** ☐ **Question 8** ☐

Write your answer here:

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TOTAL FOR SECTION C = 25 MARKS
TOTAL FOR PAPER = 100 MARKS

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