Write your name here

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Pearson Edexcel Level 3 GCE

Centre Number | Candidate Number

Economics B

Advanced

Paper 3: The economic environment and business

Monday 19 June 2017 – Afternoon
Time: 2 hours

Paper Reference
9EB0/03

You must have:
Insert (enclosed)

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.
- Answer **all** questions.
- 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.
- Try to answer every question.
- Check your answers if you have time at the end.

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Answer ALL questions.

SECTION A

Read the following extracts (A to C) and Figures 1, 2 and 3 before answering Question 1.

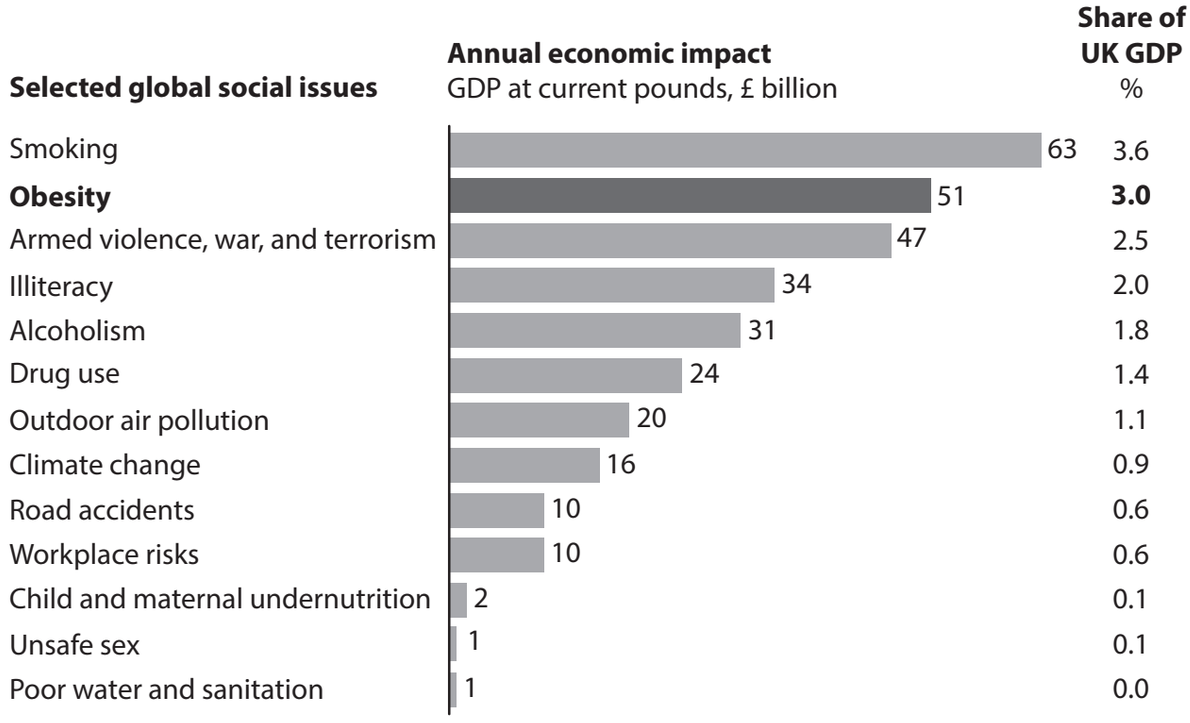
Write your answers in the spaces provided.

Extract A

***McKinsey*: Obesity costs UK society £51bn per year**

Overweight or obese people are a major global problem. According to a recently released report from *McKinsey & Company*, obesity costs the world economy $2tn every year. However, it is not just a global issue. According to *McKinsey & Company* the burden on the UK economy amounts to £51bn a year or 3% of GDP, making it the second largest health liability of the UK economy after smoking. If adequate measures are not taken, the cost to the UK will continue to increase. 5

(Source: adapted from © Consultancy.uk)



(Source: 'McKinsey Quarter')

Figure 1

Annual economic impact of selected social issues, UK, 2012

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Extract B

The medical costs

In the UK, the government currently spends about £6bn a year on the direct medical costs of conditions related to being overweight or obese. That is 5% of the entire budget of the National Health Service (NHS). These costs are expected to rise. By 2030, the estimate is for obesity to cost the NHS between £10bn and £12bn.

The social costs

The *McKinsey* report finds that there is an inverse correlation in the UK between obesity and different measures of socioeconomic status, including household income, the occupational status of the parent, educational achievement, and a measure of area deprivation. The prevalence of obesity is almost double among women with unskilled occupations (35.2%) than among professional women (18.2%). The most prevalent correlation for men is from education, with the more highly educated being generally less overweight. Children in the bottom decile of most deprived areas are twice as likely to be obese as children in the decile of least deprived areas.

(Source: adapted from © Consultancy.uk)

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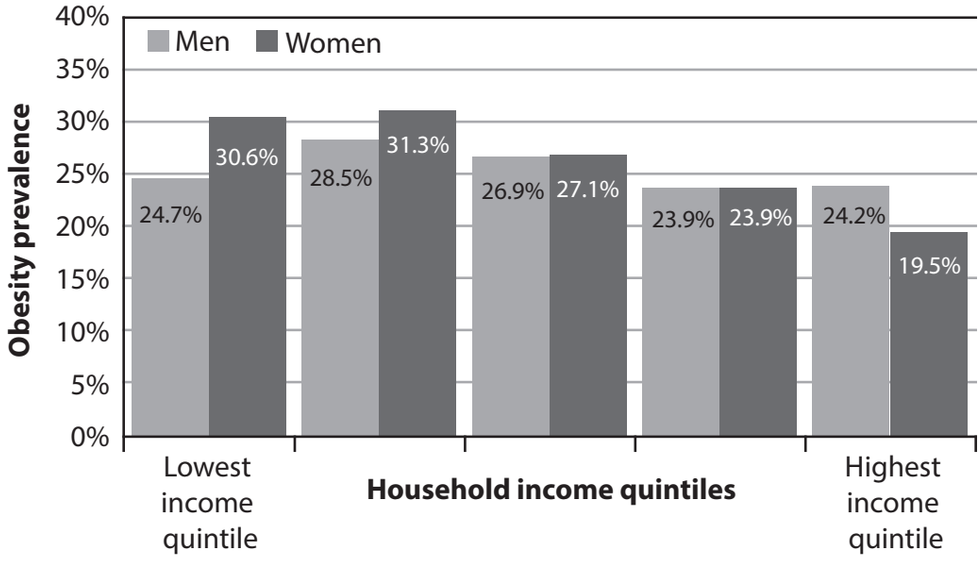
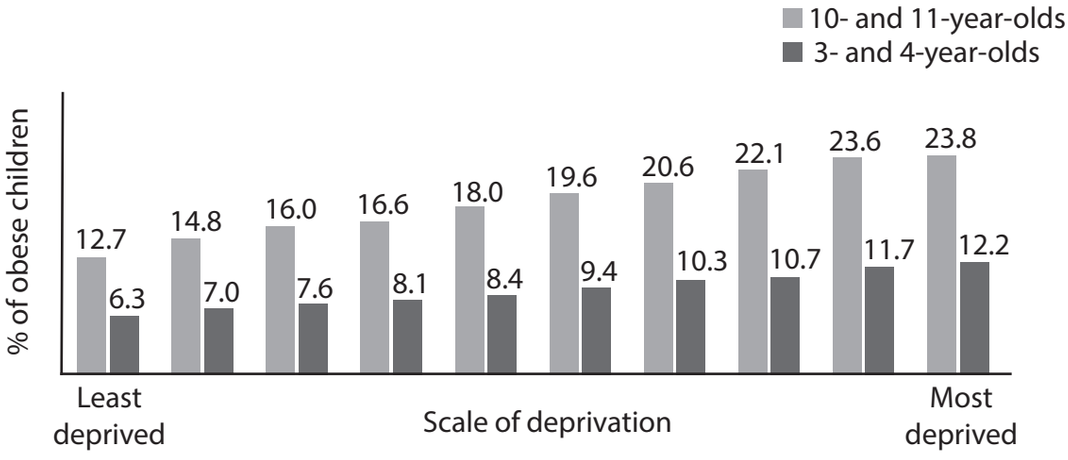


(Source: adapted from © Crown Copyright)

Figure 2

Adult obesity prevalence by income, Health Survey for England 2007-2011



(Source: 'McKinsey Quarter')

Figure 3

Children of all ages are twice as likely to be obese in the most deprived areas as in the least deprived areas

Proportion of children, England, 2010-11

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Extract C

Sugar tax could help solve Britain's obesity crisis, expert tells MPs

A sugar tax could decrease purchases of the types of sugary food and drinks blamed for Britain's obesity crisis, according to research presented to MPs by Dr Alison Tedstone, chief nutritionist at Public Health England (PHE).

Members of the Commons health select committee were told by Dr Tedstone that a "fiscal approach" could help cut the consumption of sugary drinks. 5

"The higher the tax increase the greater the effect," she told the committee, which was given a taster of some of the findings from a review by PHE into evidence about how to reduce the population's sugar intake.

(Source: adapted from Sugar tax could help solve Britain's obesity crisis, expert tells MPs, Ben Quinn © Guardian News & Media Limited 2015)

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1 (a) Discuss the extent to which the UK obesity problem can be seen as market failure in the food industry.

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(b) Using Extract B and Figures 2 and 3, assess whether poverty reduction policies are the most effective way of dealing with the obesity crisis in the UK.

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(c) Using suitable **diagrams**, assess the likely success of a sugar tax in reducing obesity in the UK.

(12)

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(d) Evaluate the argument that market failure can be solved by government intervention.

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TOTAL FOR SECTION A = 50 MARKS

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SECTION B

Read the following extracts (D to F) and Figures 4 and 5 before answering Question 2.

Write your answers in the spaces provided.

Extract D

***Whitbread* warns of hit from UK minimum wage hike**

Whitbread, which owns *Premier Inn* hotels and the *Costa Coffee* chain, is one of Britain's biggest employers. It said it faced a big rise in costs and would probably take on fewer extra staff due to a rise in the minimum wage, adding to industry warnings the move could dampen economic growth.

Renamed by the government in 2016 as the national living wage, the hourly minimum wage will rise from April 2016 to £7.20 for those aged over 25, from £6.50.

Other companies have also voiced concerns. Cleaning services firm *Interserve*, said the increases could cost it up to £15m. Pub group *JD Wetherspoon* also warned higher wages could put many pubs out of business.

(Source: adapted from Whitbread warns of hit from UK minimum wage hike, Neil Maidment and Sarah Young © 2016 Reuters)

Extract E

***Lidl* to pay 9,000 staff the full living wage**

The Living Wage Foundation is a campaign that sets a voluntary hourly rate of pay linked to the basic cost of living in the UK. The Foundation's full living wage is distinct from and higher than the 'national living wage' announced by George Osborne in 2016.

Lidl has said it will pay 9,000 of its UK workers at least the full living wage from October 2015 as the first major high street name to embrace the higher pay campaign. It has promised it will not raise prices to cover the bill for higher pay. The 14% average pay rise, costing £9m, will take minimum pay at *Lidl* past the level recommended by the Living Wage Foundation.

The German-owned supermarket chain said the move represented an average pay rise of £1,200 per year for thousands of staff, with all UK employees receiving at least £8.20 an hour in England, Scotland and Wales and at least £9.35 in London. Since launching in the UK in 1994, Lidl has grown into a 620-strong chain and made more than £4bn in sales over the last financial year.

(Source: adapted from Lidl to pay 9,000 staff the full living wage, Sean Farrell © 2016 Guardian News and Media Limited)

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Extract F

Calls for rent cap in London grow after policy is introduced in Berlin

Housing campaigners have called for the introduction in London of a rent cap policy to control soaring rents. A rent cap is effectively a price limit and would prevent rents from rising by more than an agreed limit, keeping them below the free market level and making housing more affordable.

Jacky Peacock OBE, from the charity Advice4Renters, said: "We support a rent cap similar to the one recently introduced in Berlin. High rents are driving more and more people in low paid jobs out of London and we are seeing more 'hidden homeless' than ever before."

The Camden Federation of Private Tenants, said it commonly sees tenants facing rent rises of between 10-30%. Nicky Gavron, Labour's planning spokesperson on the London Assembly, said: "In London millions of renters are left with no protection from unfair yearly rent rises and ever increasing fees."

However, Government housing minister Brandon Lewis opposed such a rent cap and said: "The measures we've taken give tenants the information and confidence they need to rent, and enable developers to build specifically for private rent. We are doing all of this without the need for excessive state regulation that would destroy investment in new housing, push up prices and make it far harder for people to find a flat or house to rent."

(Source: adapted from Calls for rent cap in London grow after policy is introduced in Berlin, Sebastian Mann © Evening Standard Ltd)

(Source: adapted from © Office for National Statistics / Crown Copyright)

Figure 4

Employment rates by region and comparison year on year, seasonally adjusted, June to August 2014 and June to August 2015

	Male		Female		All persons		All persons Monthly change		
	No	Rate	No	Rate	No	Rate	No	% chg	Rate chg
Great Britain	468,987	2.4	274,435	1.4	743,421	1.9	1,894	0.3	0.0
North West	72,208	3.2	39,939	1.8	112,143	2.5	2,924	2.7	0.1
Cumbria	3,076	2.0	1,643	1.1	4,720	1.6	28	0.6	0.0
Allerdale	731	2.5	416	1.4	1,146	2.0	1	0.1	0.0
Barrow-in-Furness	803	3.8	385	1.8	1,182	2.8	5	0.4	0.0
Carlisle	585	1.7	349	1.0	936	1.4	25	2.7	0.0
Copeland	621	2.8	299	1.4	917	2.1	5	0.5	0.0
Eden	123	0.8	76	0.5	197	0.6	–3	–1.5	0.0
South Lakeland	214	0.7	125	0.4	339	0.6	–12	–3.4	0.0

(Source: adapted from © Cumbria County Council)

Figure 5

Claimant count for Great Britain, The North West, Cumbria and the six districts within Cumbria – August 2015

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2 (a) Discuss the likely impact of an increase in the minimum wage on a firm such as *Whitbread*.

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(b) Assess *Lidl*'s decision to become the first UK supermarket to pay 'at least the full living wage' (Extract E, line 4).

(10)

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(c) Using a suitable diagram, assess the effectiveness of a rent cap in solving the problems of the London housing market.

(12)

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(d) With reference to Figures 4 and 5, evaluate the success of UK government policies in reducing regional variations in unemployment.

(20)

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TOTAL FOR SECTION B = 50 MARKS
TOTAL FOR PAPER = 100 MARKS

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Economics B

Advanced

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Investigating the Economic Environment and Business

Context

This year the context is **government intervention** and **market failure** in the UK.

Research

To prepare for this year's context, you should research:

- the different ways that the government intervenes in the economic and business environment
- its reasons for doing so
- to what extent government intervention is successful and reasons for government failure
- market failure and its impact on stakeholders (economic agents)
- if market failure can be solved by government intervention.

You **cannot** take any of your research or investigation data carried out as part of pre-release into the examination.