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Candidate surname <i>StemUp Model Solution</i>		Other names	
Pearson Edexcel		Centre Number	Candidate Number
Level 3 GCE			
Time 2 hours	Paper reference	9EB0/03	
Economics B Advanced PAPER 3: The economic environment and business			
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.
- Good luck with your examination.

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Answer ALL questions.

SECTION A

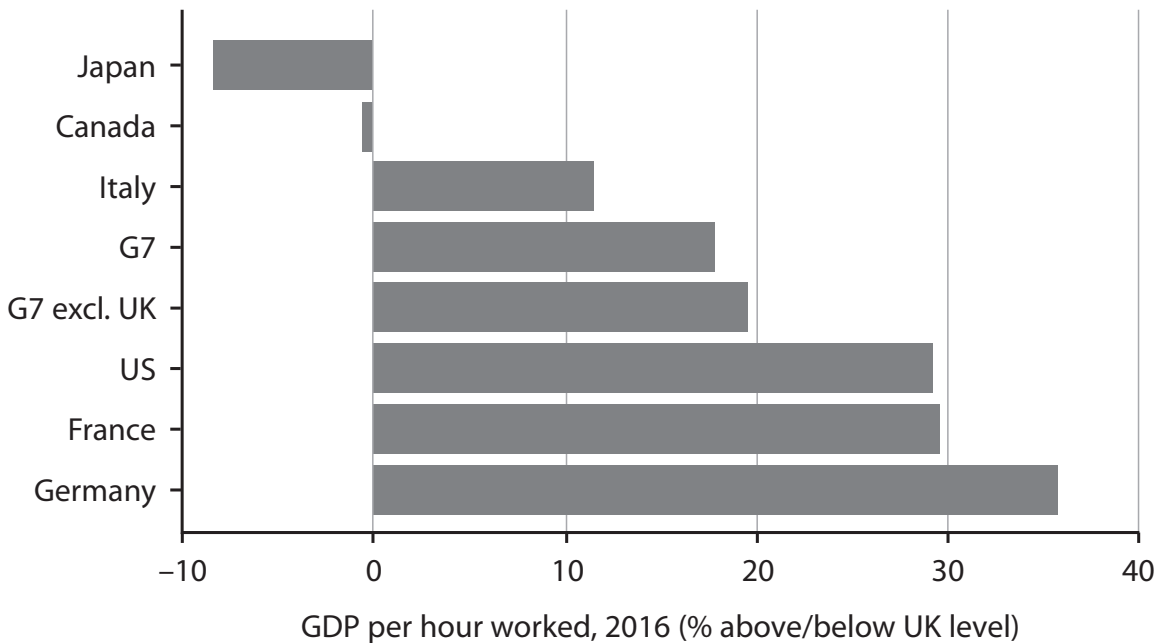
Read the following extracts (A and B) before answering Question 1.

Write your answers in the spaces provided.

Extract A

UK's productivity crisis

The UK has experienced a decline in productivity growth since the financial crisis of 2008. The slowdown has been more acute than in any other western country.



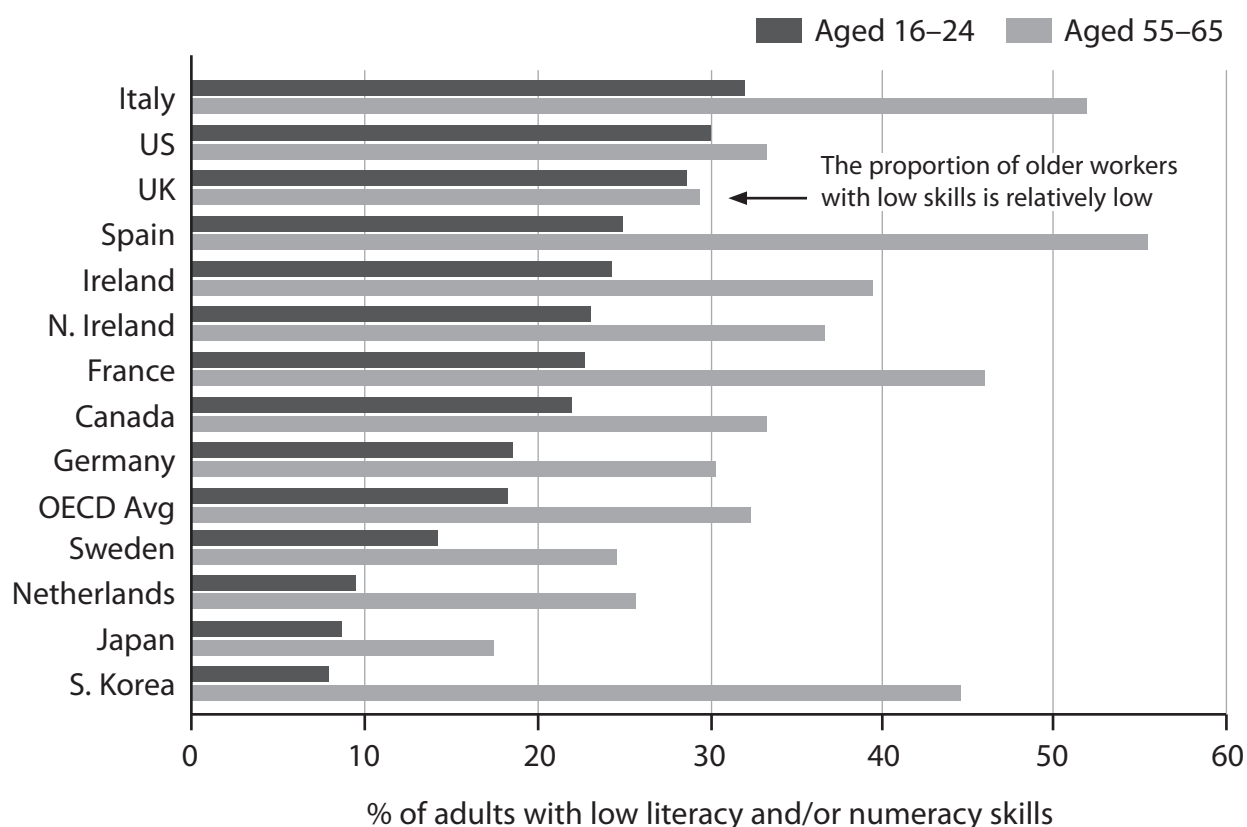
Labour productivity is normally measured as the value of goods and services produced for each hour worked. The average UK worker produced 16% less on average than counterparts in other members of the Group of Seven (G7) leading economies in 2016, according to data from the Office for National Statistics. The average French worker produces more by the end of Thursday than their UK counterpart can in a full week.

In 1960 the UK had the best productivity in Europe, better than France, West Germany and Italy. UK productivity grew continuously during the next 50 years, but often at a slower pace than comparable countries. Between 1980 and 2008, the UK did become a more efficient economy, notably after reforms introduced by Prime Minister Margaret Thatcher and other changes resulting from UK membership of the EU.

In 2016 the Organisation for Economic Co-operation and Development (OECD) found that UK had one of the largest proportions of low-skilled young workers among advanced economies. It also found that young UK workers were no more skilled than older employees, suggesting a high likelihood that weak productivity will be difficult to remedy in the coming years.



UK has a high proportion of low-skilled young workers



source adapted from: <https://www.ft.com/content/6ada0002-9a57-11e8-9702-5946bae86e6d>

Extract B

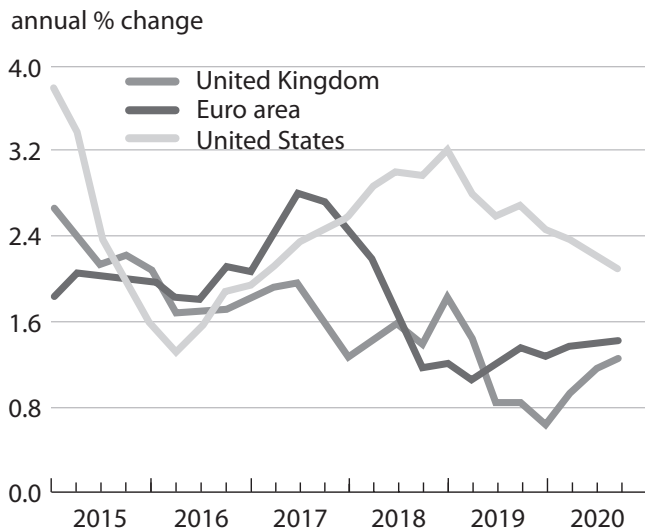
UK economic forecast 2019

- Economic growth to remain weak and is expected to grow by just 1% in both 2019 and 2020
- Growth in consumption is expected to slow in line with slower growth in employment
- The economy should benefit from a modest recovery in global growth in 2020
- The 2% target for inflation is expected to be achieved by the end of 2020
- The current account deficit has been worsening, nearing 4½% of GDP, reflecting worsening trade, particularly in the car sector
- The current account deficit should improve but remain large
- With high economic uncertainty and fragile consumer confidence, housing activity and prices are likely to remain subdued in the short term
- The unemployment rate is anticipated to remain broadly stable
- The public debt-to-GDP ratio is projected to decline marginally from its peak

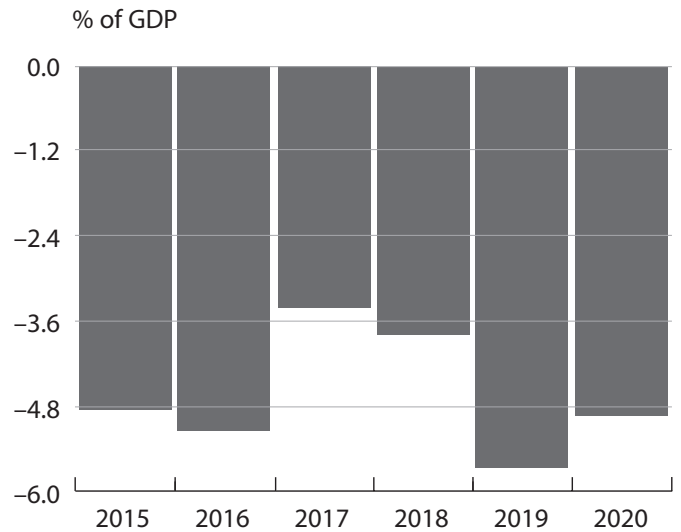


United Kingdom 1

Economic growth will remain weak

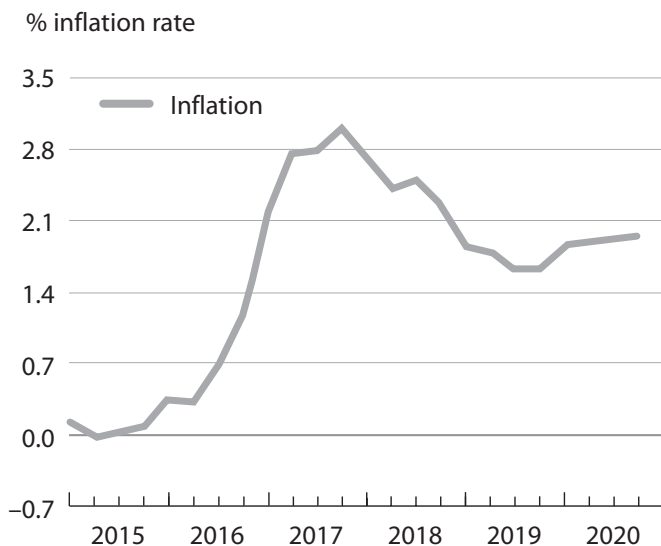


The current account deficit is large

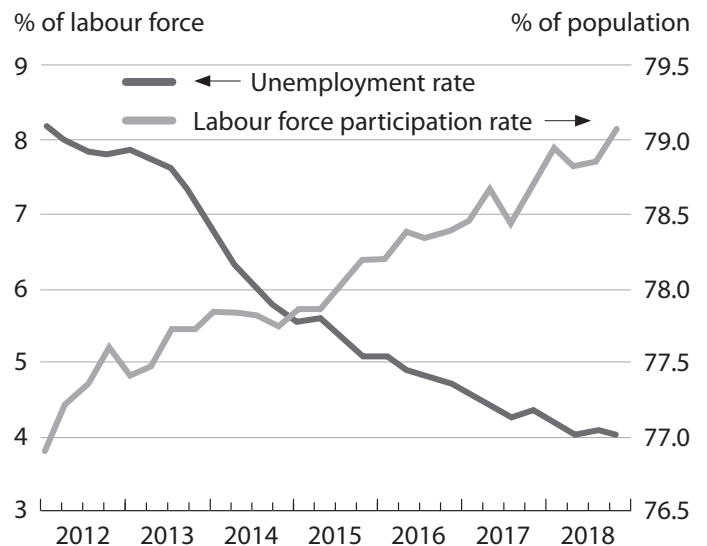


United Kingdom 2

Inflation is set to converge to the target



The labour market is tight



source adapted from: <http://www.oecd.org/economy/united-kingdom-economic-snapshot/>



1 (a) Discuss the link between productivity and competitiveness in the UK economy.

(8)

Productivity is output per unit of input, and labour productivity is usually measured as the value of output per hour worked. Competitiveness is the ability of UK firms to sell their goods and services successfully in domestic and global markets against foreign rivals. The UK must compete in a global economy.

Higher productivity means fewer resources are used to make more output, so unit costs of production fall. As costs fall, UK firms can cut prices without reducing profit margins, which increases price competitiveness for firms that compete on price, so exports rise and imports fall.

Alternatively, price can be maintained, leading to larger profits that can be invested in new capital and R&D for long-term growth. For example, the Nissan car plant in Sunderland is one of the most productive in Europe and has expanded significantly, boosting the UK economy.

Extract A suggests that weak productivity is damaging UK competitiveness. The average UK worker produced 16% less per hour than counterparts in the rest of the G7 in 2016, and output per hour was about 36% higher in Germany and about 30% higher in France. So UK unit labour costs are relatively high, which may help explain the large current account deficit of about 5.6% of GDP in 2019 (Extract B).

However, productivity is not the only factor that determines competitiveness. The quality of the product or service may be more important than price, and the brand image of UK goods may be a deciding factor, for example UK fashion brands such as Stella McCartney are globally important. Innovation and discoveries can create successful new UK industries, such as uses for graphene, and the fall in sterling since 2016 made UK exports cheaper despite weak productivity. Overall, productivity is a key long-run driver of competitiveness, but its importance depends on whether UK firms compete mainly on price or on quality and brand.



- (b) Using a suitable diagram, assess the importance of an increase in productivity to UK economic growth.

(10)

Economic growth is an increase in the real output of goods and services in an economy over time, measured by real GDP. Productivity is the output produced per unit of input. Extract A shows that UK workers produce, on average, 16% less per hour than their G7 counterparts, so for the UK economy to grow and catch up with other economies it must be able to produce more goods and services, which means an expansion in total output or AS.

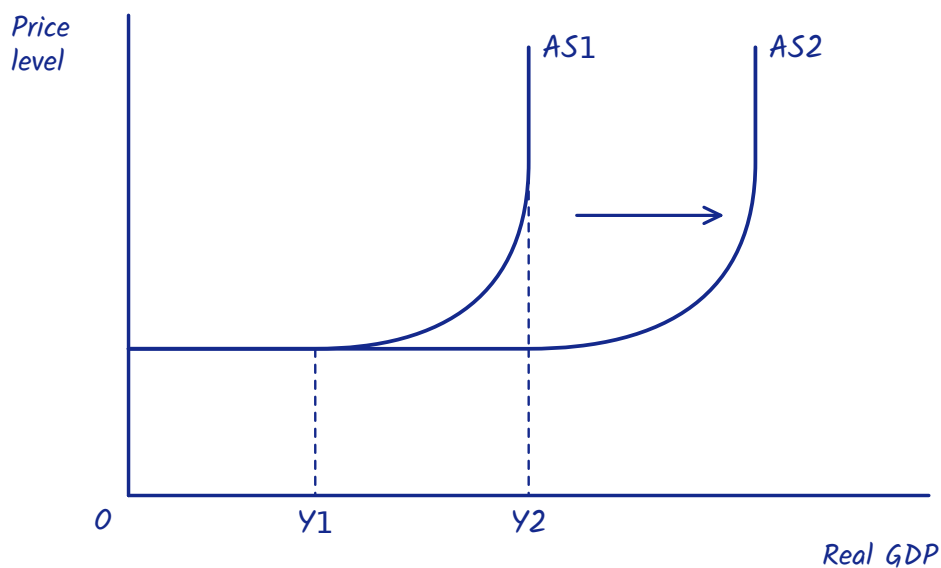
As long as there are spare resources in the UK economy, output can be increased simply by using them up, as shown on the flat part of AS1 in my diagram below, up to Y1. However, Extract B shows the labour market is tight, with unemployment around 4% and participation over 79%. Once all resources are fully employed, at Y2 on the original AS1 curve, output cannot be increased without causing inflationary pressures to build up, as AS1 becomes vertical.

The only way to increase output beyond Y2 in the long run is to shift the AS curve to the right. This can be done by increasing productivity, supplying more goods and services with the same inputs. Increased productivity moves the AS curve to the right, from AS1 to AS2, so the economy can now produce at Y2 and beyond without increasing the price level. Higher productivity also raises real wages and profits, which boosts consumption and investment, so growth is sustainable and non-inflationary. This makes productivity very important, as with growth forecast at just 1% in 2019 and 2020, there is little scope to grow using spare capacity.

However, increases in productivity are not the only way of increasing output. The discovery of more resources, such as oil and gas reserves in the North Sea, will boost AS. Migration and increases in the working population increase the supply of labour and production, even if output per hour does not change. Reform or removal of imperfections in markets, such as trade unions, professional bodies or excessive regulation, can also improve supply. In the short run, growth depends mainly on AD and global conditions.



Overall, productivity is the most important source of long-run growth in living standards, since more workers raise total GDP but not GDP per head, but its importance is greatest when, as now, the UK is close to full capacity.



- (c) Assess the importance of technology in increasing the productivity of the UK economy. (12)

Productivity measures the amount of output for a given amount of input, for example labour productivity measures the amount of output per worker or per hour worked. Advances in technology usually lead to more efficient production and greater productivity, because new capital allows each worker to produce more.

Automation and computers have enabled workers to produce more output in less time. In some cases technology has replaced much labour, such as robots on a car production line, so output per worker rises sharply. On a modern farm, food production and productivity have increased due to mechanisation, improvements in veterinary medicines, breeding and genetic modification.

Complex supply chains and distribution networks are needed for the production and consumption of goods and services, and these rely on ever more sophisticated computer systems, which cut waste and delivery times. Modern trends in technology such as AI or 3D printing will undoubtedly contribute to increasing productivity in the UK economy. The government could encourage firms to increase R&D to improve technology, through subsidies, grants and tax breaks such as R&D tax credits.

However, technology is not the only factor that is important. The quality of human capital is crucial, and without suitable education and training the UK economy is unlikely to be able to innovate new technology, or to take full advantage of it. Extract A shows that the UK has a relatively high proportion of low-skilled young labour: about 28% of UK 16 to 24 year olds have low literacy and/or numeracy skills, compared with an OECD average of just 18% and under 10% in Japan and South Korea. Young UK workers are no more skilled than older employees, so such a large proportion of low-skilled workers will slow future productivity, even if new technology is installed. Policies to improve the skills of the existing labour force should be introduced, such as apprenticeships and more vocational training.

Management is also crucial: the poor productivity of the UK has often been blamed on outdated and inefficient management practices, and technology only raises output if firms are organised



to use it well. Weak investment since 2008, due to uncertainty, has also meant many UK firms have not adopted the latest technology.

In conclusion, technology is a necessary condition for higher productivity, but its importance depends on complementary factors. Without a skilled workforce and good management, investment in technology will deliver only limited gains, so the UK needs to combine technology with education and training.



(d) Evaluate the use of demand-side policies to increase growth in the UK economy.

(20)

Demand-side policies are designed to affect the level of aggregate demand (AD) within the economy, where $AD = C + I + G + (X - M)$. To stimulate economic growth, an expansionary fiscal or monetary policy is needed. Extract B shows that UK growth is weak and is expected to be just 1% in both 2019 and 2020, below the euro area and the US, so there appears to be a case for a stimulus.

Using fiscal policy, the government could cut taxation, such as income tax or VAT, so consumers would have more disposable income. This is likely to lead to a rise in consumption, which is the largest component of AD. Firms would respond by increasing output, and so economic growth increases. Government expenditure could also be increased, for example on infrastructure, which would create more jobs, more income and more demand. Through the multiplier effect, the final increase in real GDP will be greater than the initial injection, as one person's spending becomes another's income. With consumer confidence fragile (Extract B), a fiscal boost could restore confidence.

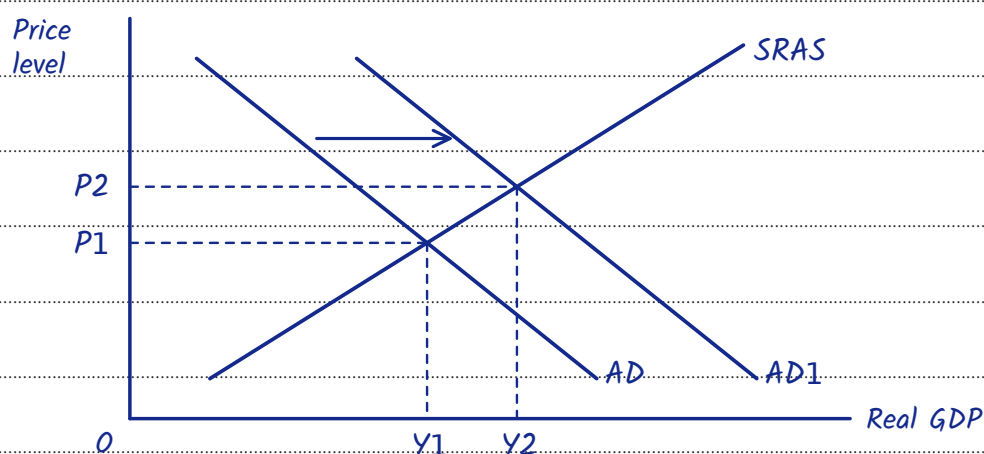
Monetary policy could also be used via the Bank of England. A reduction in interest rates would stimulate consumer borrowing and investment, as the cost of borrowing falls and the reward for saving falls, thus increasing AD and growth. Quantitative easing, where the central bank buys assets such as government bonds from the commercial banks to increase their liquidity, could also be increased, encouraging lending. As my diagram shows, an expansionary policy shifts AD to the right from AD to AD1, raising real GDP from Y1 to Y2.

However, the diagram also shows that the price level rises from P1 to P2. Inflation rose to about 3% in 2017, and although it is forecast to converge on the 2% target by the end of 2020, any stimulation of AD might push inflation above target and prevent the target being reached. The labour market is described as tight, which means suitable labour is hard to find: unemployment has fallen from about 8% in 2012 to around 4%, with just over 79% of the population in the labour force. As firms try to expand output, labour becomes scarce and wages



may need to rise, which pushes up costs and leads to inflation rather than growth, as the economy is close to full capacity.

Reducing interest rates may not be effective, as although they rose slightly to 0.75% in 2018, they are still at a historically very low level, so there is little room to cut further and borrowers may not respond when confidence is weak. QE also has its critics, who worry about too much liquidity in the economy, inflating asset prices and widening inequality. Fiscal policy is limited because the public debt-to-GDP ratio is only projected to decline marginally from its peak, so extra borrowing would add to the debt burden, and both policies suffer from time lags. Furthermore, an increase in AD is likely to suck in more imports, as UK consumers have a high



propensity to import, and worsen the current account deficit, which reached about 5.6% of GDP in 2019, the fifth highest on record. Extract B already describes the deficit as large, with worsening trade, particularly in the car sector. This leakage also reduces the size of the multiplier, so growth would be smaller than expected.

It may be that using demand-side policies alone is too risky given the present financial state of the UK economy. It may be better to increase the supply side of the economy as well, for example through training and investment to raise productivity, which is 16% below the G7 average, to minimise inflationary pressures. To a large extent, future growth in the UK economy is also dependent on global trading conditions, such as the modest global recovery expected in 2020, which is beyond the control of the government.



In conclusion, demand-side policies can raise growth in the short run, but with a tight labour market, a large current account deficit, low interest rates and high public debt, their effectiveness is limited and they risk inflation. The best approach is a modest demand stimulus combined with supply-side policies, as only rising productivity can deliver sustained non-inflationary growth.

(Total for Question 1 = 50 marks)

TOTAL FOR SECTION A = 50 MARKS

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SECTION B

Read the following extracts (C – G) before answering Question 2.

Write your answers in the spaces provided.

Extract C

UK fuel market by brand 2019

Brand	% Market share	Number of fuel outlets	Average petrol price pence/litre Sept 19
<i>Tesco</i>	16.0	510	124.2
<i>BP</i>	14.5	1,211	130.1
<i>Shell</i>	13.7	1,053	130.7
<i>Esso</i>	12.3	1,197	128.8
<i>Sainsbury's</i>	10.2	314	124.4
<i>Morrisons</i>	9.7	335	124.2
<i>Asda</i>	7.7	323	122.9
<i>Texaco</i>	5.1	727	128.3
<i>Certas Energy</i>	2.5	733	129.2
<i>Jet</i>	2.1	321	126.8
<i>Applegreen</i>	1.0	105	130.8
<i>Co-op</i>	1.0	93	129.2
Others	4.2	1,478	n/a
Total	100	8,400	

source adapted from: https://forecourtrader.co.uk/files/Fuel_Market_Review/Fuel_Market_Review_2019.pdf

Extract D

The Competition and Markets Authority (CMA) blocks *Sabre's* proposed takeover of *Farelogix*

Sabre and *Farelogix* compete to supply software solutions that help airlines to sell flights via travel agents including those that operate online. This enables airlines to create add-ons to tickets sold through travel agents such as seats with extra leg room, WiFi and meals. Additionally, the two companies offer services to help airlines connect with passengers via travel agents.

5

The CMA found that *Sabre's* purchase of *Farelogix* could result in less competition and innovation in both their services, leading to fewer new features that may be released more slowly. Fees for certain products might also increase. As a result, airlines, travel agents and UK passengers would be worse off.

10

source adapted from: <https://www.businessleader.co.uk/cma-blocks-sabres-proposed-takeover-of-farelogix/83122/>



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Extract E

Thousands of UK shops left empty as high street crisis deepens

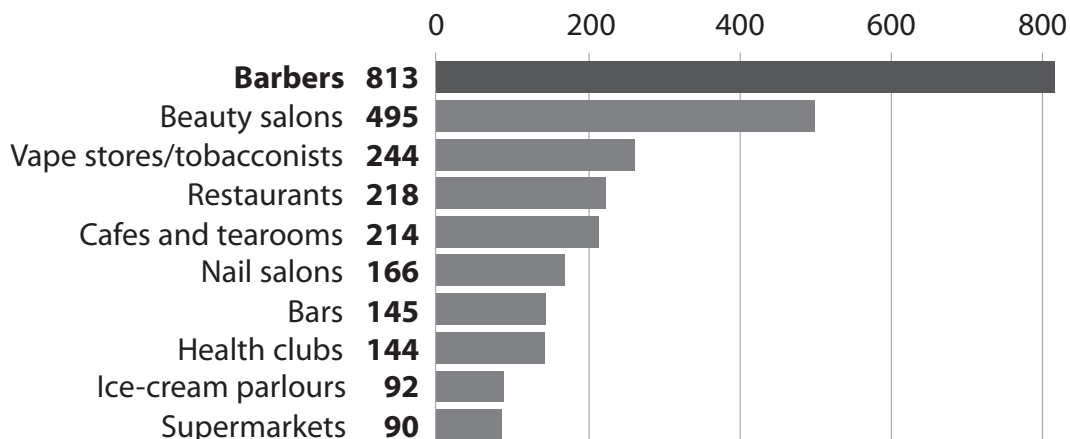
The number of shops lying empty in UK high streets increased by more than 7,500 in 2018. A rapid rise in the number of barbers, beauty salons, vaping stores, cafes and restaurants or bars was more than offset by the closure of hundreds of banks, pubs, estate agents and fashion shops.

Multiple chains were hardest hit, as *Poundworld*, *Maplin*, *Toys R Us* and *Multiyork* went into administration. *New Look*, *Carpetright* and *Mothercare*, meanwhile, were forced to seek legal agreements with their landlords to shut stores and slash their rent bills.

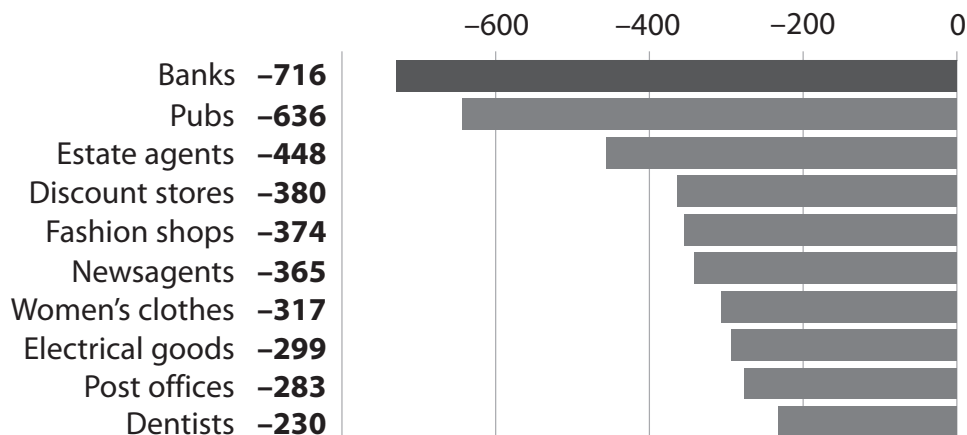
High-profile restaurant groups including *Gourmet Burger Kitchen* and rival burger chain *Byron* as well as *Jamie's Italian*, *Carluccio's* and the *Prezzo Group* have also been forced to close large numbers of restaurants as a result of rising costs, slowing spending and a rapid change in consumer habits.

The retail market has been hit by a combination of rising costs, Brexit uncertainty and increased rents and business rates. It has also been hit by the continued increase in online shopping, which now accounts for 20% of all retail sales.

Barber shops were the fastest growing retail category in 2018, with 813 units opening



High street banks became the fastest declining type of retail outlet in 2019, with 716 closing



source adapted from: <https://www.theguardian.com/business/2019/may/02/thousands-of-uk-shops-left-empty-as-high-street-crisis-deepens>



Extract F**UK to introduce world first online safety laws**

The Government today unveiled tough new measures to ensure the UK is the safest place in the world to be online.

- An independent regulator will be appointed to enforce stringent new standards
- Social media firms must abide by mandatory “duty of care” to protect users and could face heavy fines if they fail to deliver
- These measures are the first of their kind in the world in the fight to make the internet a safer place

In the first online safety laws of their kind, social media companies and tech firms will be legally required to protect their users or face tough penalties if they do not comply.

source adapted from: <https://www.gov.uk/government/news/uk-to-introduce-world-first-online-safety-laws>

Extract G**Selected figures from a ‘Short Guide to Regulation’ by the National Audit Office (NAO)**

- **90** – the number of regulators operating in the UK
- **49%** – the percentage of businesses claiming that the level of regulation in the UK is an obstacle to business success
- **£4bn** – annual expenditure of regulators operating in the UK
- **£100bn** – estimated annual cost to business each year of complying with regulation
- **£154bn** – annual household expenditure on the regulated water, energy, telecoms, television and financial services sector
- **10:1** – £10 is the estimated direct financial benefit to consumers for every £1 spent on the work of the Competition and Markets Authority (CMA)

source adapted from: <https://www.nao.org.uk/wp-content/uploads/2017/09/A-Short-Guide-to-Regulation.pdf>



- 2 (a) Using a suitable calculation, discuss the extent to which the UK fuel market can be described as an oligopoly.

(8)

An oligopoly is a market dominated by a few large firms, with high barriers to entry, interdependence between firms and often non-price competition. A concentration ratio measures the combined market share of the largest firms.

Four-firm concentration ratio = $16.0\% + 14.5\% + 13.7\% + 12.3\% = 56.5\%$ (Tesco, BP, Shell and Esso).

This shows that over half of the UK fuel market is controlled by just four firms, and the market is dominated by the big fuel companies, BP, Shell and Esso, as well as the big supermarkets, Tesco, Sainsbury's, Morrisons and Asda, which together hold 43.6%. Entering the fuel market would be difficult given the infrastructure needed, such as sites, storage tanks and supply contracts, which is a high barrier to entry. Non-price competition, such as branding, loyalty cards and forecourt shops, is likely to be present and price competition avoided. Prices among the oil majors are very similar, from 128.8p to 130.7p per litre, which suggests interdependence. On this evidence the UK fuel market is an oligopoly.

However, it is not as strong an oligopoly as some, for example the UK grocery market has a four-firm concentration ratio of about 71%. There are also many smaller firms, with others holding 4.2% through 1,478 outlets. Price competition seems to be key, probably because fuel is almost a homogeneous product: supermarket prices are very similar, at 122.9p to 124.4p, but lower than other fuel retailers, which also have similar prices to each other. Tesco has the largest share with only 510 outlets, showing that low prices win customers. Therefore, the UK fuel market is a loose oligopoly that does not show all the signs of an oligopoly, as price competition is strong.



(b) Assess the role of the Competition and Markets Authority (CMA) in promoting competition in the UK economy.

(10)

The Competition and Markets Authority (CMA) was formed in 2014 and its brief is to promote competition for the benefit of the consumer. It aims to prevent restrictive practices, such as price fixing and cartels, and to control mergers and takeovers. Restrictive practices disadvantage consumers through higher prices and reduced choice, and reduce allocative and technical efficiency.

Mergers and takeovers reduce competition in the market and increase monopoly power, so the CMA investigates those that could substantially lessen competition. Extract D gives an example, with the CMA preventing the takeover of Farelogix by Sabre, because it would lead to less competition and innovation, fewer new features released more slowly and higher fees, so airlines, travel agents and UK passengers would be worse off. Similarly, the CMA prevented a merger between Sainsbury's and Asda, which it said was against the public interest, as it would have created the largest supermarket and fuel retailer, likely raising prices. The CMA also fines firms for anti-competitive behaviour: Fender guitars was fined for restricting online discounting of its guitars, which kept prices artificially high.

The CMA's role appears significant, since Extract G shows it estimates the direct financial benefit to consumers from its work is more than £10 for every £1 of its running costs. The threat of investigation and heavy fines also deters firms from colluding in the first place.

However, the CMA is not the only body that helps to promote competition in the UK. The EU competition commission has had a similar role on EU matters that also affects the UK. Extract G states there are 90 regulators in the UK, many of which regulate services that UK consumers use, such as Ofcom, Ofgem, the FCA and the HSE, and these also act in the interests of the UK consumer. In addition, blocking mergers can prevent firms gaining economies of scale, which could have lowered prices, and the CMA has limited resources, so it can only investigate a small number of markets.



Overall, the CMA plays a key role, especially in controlling mergers, but its effectiveness depends on its resources and works alongside sector regulators and market forces.

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- (c) Assess the extent to which the model of perfect competition helps to explain how the UK fuel and retail markets work.

(12)

Perfect competition is a theoretical model that shows just how efficient a market can be and represents the ultimate in technical and allocative efficiency, with price equal to marginal cost and firms producing at minimum average cost in the long run. Certain assumptions are made, such as many buyers and sellers, a homogeneous product, perfect knowledge, freedom of entry and exit and perfect factor mobility. In reality it cannot be obtained, but it serves as a useful model for looking at how markets and the market mechanism work.

Clearly, the fuel and retail markets are different, yet each shows some characteristics of perfect competition. Individual petrol firms are competing with each other for market share.

Petrol is basically homogeneous, and consumers will look for the cheapest price if possible, which explains why Tesco, with prices of 124.2p, has the largest share of 16.0% despite having only 510 outlets. Prices across the market lie in a narrow band, from 122.9p to 130.8p, as firms are close to being price takers.

In the retail market, shops are entering the market as new fashions and trends change consumer demand: Extract E shows 813 barbers, 495 beauty salons and 244 vape stores opened in 2018. Shops also exit in response to falling demand, such as 716 banks, 636 pubs and 448 estate agents. This matches the model, where profits attract entry and losses cause exit, and resources that are no longer needed are re-allocated, either from one retail outlet to another or from physical retail to online, which now accounts for 20% of retail sales.

However, both markets have considerable imperfections. There are huge barriers to entry in the fuel market, as the top four firms hold 56.5%, and while it may be relatively easy to open a small vaping shop or nail bar, it is much harder to create a new chain of shops or restaurants. Even with a homogeneous product such as petrol, price differences of almost 8p a litre exist, and branding and advertising prevent consumers from always making rational decisions.

Consumers do not have perfect knowledge, although price comparison websites do help, and



convenience of location matters. Large chains such as Mothercare could also negotiate rent cuts, showing market power.

In conclusion, perfect competition by itself cannot tell us a great deal about the fuel and retail markets, but it does enable us to see the degree of imperfection that exists and to explain entry and exit in small-scale retail, so the government can intervene to increase competition and efficiency.

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(d) Evaluate arguments for the greater regulation of markets in the UK economy.

(20)

Regulation is the use of rules and laws by government and its agencies to control the behaviour of firms in a market. If markets are not regulated, it is very likely that firms would act against consumer interests, in the form of higher prices, reduced choice, poorer quality and possibly dangerous or unsafe goods and services. To prevent this, the UK government intervenes in various ways to regulate otherwise free markets: Extract G shows there are 90 regulators in the UK, spending £4bn per annum.

There are two main kinds of regulator. Economic regulators, such as Ofcom, Ofgem and the CAA, are responsible for promoting competitive forces in industries that would otherwise be natural monopolies due to high network or infrastructure costs. Other regulators are responsible for competition in general, particularly the CMA, and others, such as the FCA, HSE and FSA, regulate financial services, safety at work and food standards. Households spend £154bn a year on regulated water, energy, telecoms, television and financial services, so regulation affects a large part of the economy.

The main argument for greater regulation is that it is needed to prevent market failure and disadvantages to consumers and firms. Regulation can limit the abuse of monopoly power, so prices are closer to marginal cost and allocative efficiency improves. For example, small grocery suppliers have some protection against the monopsony power of the big supermarkets, and the HSE exists to prevent injury, death and ill health to those at work. Regulation also corrects information failure and negative externalities. The benefits can be large: £10 is the estimated direct benefit to consumers for every £1 spent on the CMA.

As markets change, the need for more regulation occurs. The government's plan to introduce world first online safety laws in Extract F is an example, where social media firms must abide by a mandatory duty of care to protect users or face heavy fines, enforced by an independent regulator. Without this, social media firms have little incentive to protect users, as harmful content generates traffic and advertising revenue. Globalisation and the rise of global MNCs,



such as tech firms, increase the need for cross-border regulation and more far-reaching measures. There are still many areas where consumers feel more regulation is needed, despite existing regulators, such as excessive train fares and energy prices.

However, regulation is expensive. Extract G shows the estimated cost to business of complying with regulation is around £100bn annually, 25 times the £4bn regulators spend. More regulation means firms need to spend more to implement and monitor their regulatory requirements. This adds to costs and reduces profitability, prices may increase, and exporting firms may lose competitiveness, which matters given the UK's large current account deficit. 49% of businesses already see the level of regulation as an obstacle to business success, and higher costs act as a barrier to entry, which may actually reduce competition, as large firms can absorb compliance costs more easily than small firms. Some see more regulation as interference and symptomatic of the nanny state.

Regulation can also be ineffective and even misguided, so government failure can add to market failure, making it worse. Regulators may lack information, or suffer regulatory capture, where they act in the interests of the firms they regulate. For example, the blocked merger between Sainsbury's and Asda may have led to economies of scale for the new larger firm, making it better able to compete with Tesco, thus benefiting consumers. Online regulation is also hard to enforce on global firms based outside the UK, and could restrict free speech and innovation.

In conclusion, there are strong arguments for greater regulation in markets where market failure is severe and new, such as online platforms and natural monopolies, as the benefits, shown by the 10:1 return on the CMA, can far exceed the costs. However, getting the balance right between too much and not enough regulation is difficult. If regulation is increased, it needs to be justified by a clear market failure and efficiently implemented and monitored, otherwise the extra compliance costs may negatively affect competitiveness and economic growth. Targeted, better regulation is preferable to simply more regulation.



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(Total for Question 2 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

TOTAL FOR PAPER = 100 MARKS



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Economics B

Advanced

PAPER 3: The economic environment and business

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Investigating the Economic Environment and Business

Context

This year the context is the **UK economy**.

Research

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

- the use of indicators to measure the performance of the UK economy
- the past, present and predicted performance of the UK economy
- the use of legislation, regulation and economic policy to affect the UK economy
- the impact of the UK economy on firms, individuals and other economic agents
- changing patterns and trends within the UK economy on both a macro and micro level

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