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EDEXCEL INTERNATIONAL A LEVEL ECONOMICS: QUESTIONS BY TOPIC

Government intervention (3.3.5)

International A Level Economics · Unit 3: Business behaviour

27 questions · 358 marks · Mark schemes included
Past papers January 2020 - June 2025 · 2 specification sub-topics

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HOW TO USE THIS BOOKLET

Questions are grouped by specification sub-topic and run from the lowest to the highest mark tariff, then oldest paper first.

Click any row below to jump straight to that sub-topic or question.

On every question page, click ANSWER in the top-right corner to jump to its mark scheme; < QUESTION brings you back.

Whenever a question refers to an extract, figure or table, those exact pages are printed immediately before it ("extracts & data").

A gold bar in the left margin marks exactly where the question sits on the original page.

Diagrams, graphs, tables and data are printed exactly as they appear in the original papers.

QUESTION	SOURCE	MARKS	PAGE
3.3.5.1 GOVERNMENT INTERVENTION IN PRODUCT MARKETS		16 Qs · 209 marks	2
1. Q1	IAL Unit 3 January 2020	1	3
2. Q5	IAL Unit 3 January 2021	1	4
3. Q5	IAL Unit 3 June 2022	1	5
4. Q7(b)	IAL Unit 3 October 2020	4	6
5. Q7(d)	IAL Unit 3 January 2021	6	10
6. Q7(c)	IAL Unit 3 October 2020	8	15
7. Q7(e)	IAL Unit 3 January 2023	14	20
8. Q7(e)	IAL Unit 3 January 2024	14	26
9. Q8	IAL Unit 3 June 2021	20	32
10. Q9	IAL Unit 3 January 2022	20	33
11. Q9	IAL Unit 3 June 2022	20	34
12. Q9	IAL Unit 3 June 2023	20	35
13. Q8	IAL Unit 3 October 2023	20	36
14. Q8	IAL Unit 3 June 2024	20	37
15. Q9	IAL Unit 3 January 2025	20	38
16. Q8	IAL Unit 3 June 2025	20	39
3.3.5.2 GOVERNMENT INTERVENTION IN LABOUR MARKETS		11 Qs · 149 marks	40
17. Q3	IAL Unit 3 October 2021	1	41
18. Q5	IAL Unit 3 January 2022	1	42
19. Q3	IAL Unit 3 January 2023	1	43
20. Q7(d)	IAL Unit 3 January 2024	6	44
21. Q10	IAL Unit 3 January 2020	20	49
22. Q10	IAL Unit 3 January 2021	20	50
23. Q10	IAL Unit 3 October 2021	20	51
24. Q10	IAL Unit 3 October 2022	20	52
25. Q8	IAL Unit 3 June 2023	20	53
26. Q9	IAL Unit 3 October 2023	20	54
27. Q9	IAL Unit 3 October 2024	20	55



QUESTIONS

27 questions · 358 marks · 2 sub-topics

SUB-TOPIC 3.3.5.1

GOVERNMENT INTERVENTION IN PRODUCT MARKETS

Sub-topic 3.3.5.1 · 16 questions · 209 marks · lowest tariff first



SECTION A

Answer ALL questions in this section.

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 ☒.

- 1 In 2014 the Irish Government allowed private sector bus operators to bid for public transport contracts for the first time.

This is an example of

- ☐ A government failure
- ☐ B trade liberalisation
- ☐ C competitive tendering
- ☐ D regulation

(Total for Question 1 = 1 mark)

- 2 The table shows the market share by value of retail sales of grocery stores in the UK.

Store	March 2016 (%)	March 2017 (%)
Tesco	28.1	27.6
Sainsbury's	16.4	16.1
Asda	16.2	15.7
Morrisons	10.5	10.4
Co-op	6.1	6.1
Aldi	6.0	6.8
Others	16.7	17.3

(Source: <https://www.statista.com/statistics/280208/grocery-market-share-in-the-united-kingdom-uk/>)

From the data it can be deduced that

- ☐ A the 3-firm concentration ratio was 50.7% in March 2016
- ☐ B the 5-firm concentration ratio was 87.3% in March 2016
- ☐ C the 3-firm concentration ratio was 49.4% in March 2017
- ☐ D the 5-firm concentration ratio was 76.6% in March 2017

(Total for Question 2 = 1 mark)



- 4 In 2017 the Centre for Economic Analysis estimated that the elasticity of supply of labour for car manufacturing in Poland was 1.3.

Which **one** of the following would have caused the elasticity of the supply of labour to become more elastic?

- ☐ A A fall in net migration
- ☐ B A rise in the level of welfare benefits
- ☐ C A fall in income tax rates
- ☐ D A rise in trade union membership

(Total for Question 4 = 1 mark)

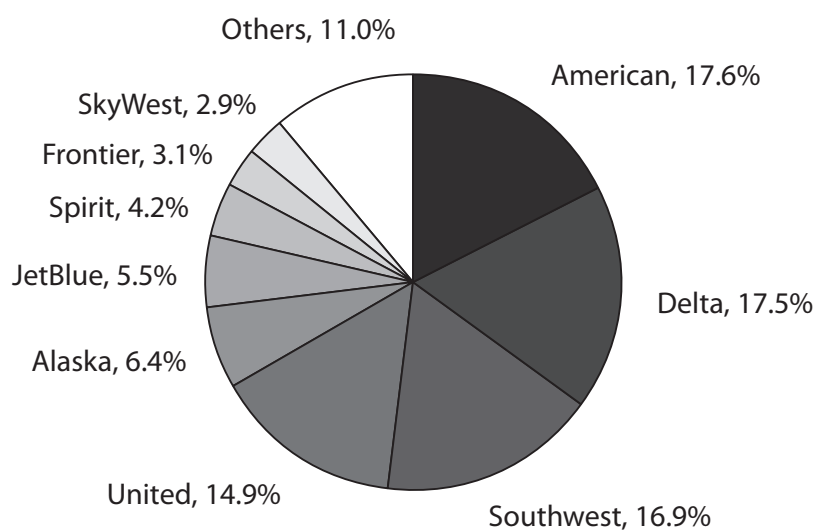
- 5 In March 2020 the Angolan Government announced that it was privatising three state-owned textile factories.

Which **one** of the following is the most likely effect of this privatisation?

- ☐ A A decrease in X-inefficiency
- ☐ B A decrease in productive efficiency
- ☐ C A decrease in consumer choice
- ☐ D A decrease in share ownership

(Total for Question 5 = 1 mark)

- 4 The chart shows the market share, by revenue, for airlines operating domestic flights in the USA, February 2019–January 2020.



Which **one** of the following is the five-firm concentration ratio for airlines operating domestic flights in the USA?

- ☐ A 66.9%
- ☐ B 73.3%
- ☐ C 77.9%
- ☐ D 78.8%

(Total for Question 4 = 1 mark)

- 5 In January 2021 the UK Government set up a new national construction products regulator to ensure that homes are built from safe materials.

Which **one** of the following would limit the impact of government intervention in the housing market?

- ☐ A Perfect mobility of resources
- ☐ B A flexible labour market
- ☐ C Perfect knowledge of the housing market
- ☐ D Regulatory capture

(Total for Question 5 = 1 mark)

SECTION B

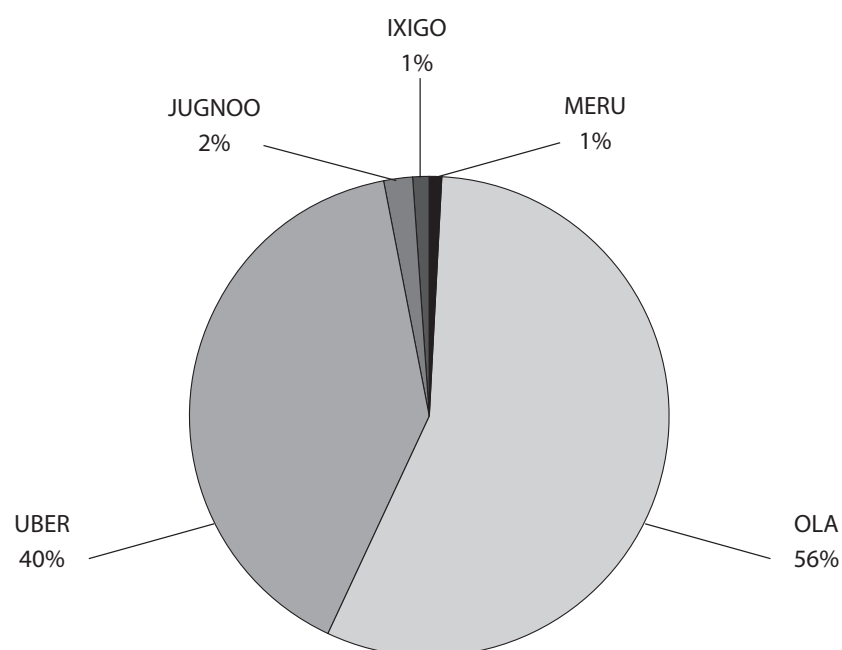
Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering Question 7. Write your answers in the space provided on the following pages.

- 7** (a) With reference to Figure 1, calculate the percentage change in Uber India's revenue from 2016 to 2018. You are advised to show your working. (2)
- (b) With reference to Extract B, explain what is meant by 'privatisation'. (4)
- (c) With reference to Extract B, examine **two** likely effects of deregulation and privatisation. (8)
- (d) With reference to Figure 2 and Extract A, analyse the likely effect of predatory pricing on the profits of a ride-hailing taxi firm. (6)
- (e) With reference to Extract C and your own knowledge, discuss the likely effects on consumers of the price discrimination strategy. (14)
- Illustrate your answer with an appropriate diagram(s).



Sources for use with Section B.**The business behaviour of large firms****Figure 1 Uber India's revenue for year ending in March in rupees billion (Rs)**

2016	3.7
2017	4.1
2018	5.3

Figure 2 Market share of ride-hailing taxi firms in India, December 2017

Extract A Predatory pricing in India?

The Chief Executive of Ola, India's biggest ride-hailing taxi firm, has heavily criticised the pricing policies of Uber. He claims that Uber has been adopting a predatory pricing strategy. A spokesperson for Uber denied this, stating that her company competes fairly to attract customers.

5

The two major ride-hailing taxi firms have been engaged in continuous price competition since Uber entered the Indian market in 2013. Since then both firms have repeatedly cut fares in big cities to levels either equal to or below the cost of each ride. For example, in March 2016 Ola offered rides in small cars for just Rs6 (\$0.09) per kilometre, in addition to a flat rate charge. This price cut was made as a response to a price reduction by Uber.

10

Extract B End of state-owned coal monopoly in India

In 2017 the Indian Government announced its decision to deregulate and privatise parts of India's coal mining industry. This would end the long-standing monopoly of state-owned Coal India Ltd. Certain mines will be auctioned and contracts then awarded to private sector mining firms. As well as enabling domestic firms to enter the industry, the decision could also lead to global mining companies such as Rio Tinto, BHP Billiton and Vale entering the industry.

5

It is claimed these changes will lead to increased investment and create more direct and indirect employment in coal mining areas. However, representatives of mining trade unions fear that it may lead to job losses.

10

Extract C Price discrimination in Zambia

Zambia Sugar is responsible for over 90% of total sugar production in Zambia. In 2017 the Government's Competition and Consumer Protection Commission (CCPC) found that Zambia Sugar had engaged in price discrimination against several household sugar and industrial sugar* customers. The firm was charging Zambian consumers of household sugar 40% more than the export price for the same product. This price difference was not linked to any changes in Zambia's exchange rate.

5

In addition, some manufacturers were charged lower prices for the same industrial sugar compared to others. These price differences could not be explained by differences in the quantities of sugar purchased.

10

The CCPC fined the firm 76 million Zambian Kwacha (ZK) for unfair pricing. Zambia Sugar was told that it should end its price discrimination strategies and set fair prices for both household sugar and industrial sugar in future.

* where sugar is an ingredient in further production



7 (a) With reference to Figure 1, calculate the percentage change in Uber India's revenue from 2016 to 2018. You are advised to show your working.

(2)

(b) With reference to Extract B, explain what is meant by 'privatisation'.

(4)

SECTION B

Study Figures 1 and 2 and Extracts A, B and C in the Source Booklet before answering Question 7. Write your answers in the space provided on the following pages.

- 7** (a) With reference to Figure 1 and Figure 2, calculate Tata Steel's total costs for steel production in 2019. (2)
- (b) Explain what is meant by the term 'monopsony employer' (Extract C, line 11). (4)
- (c) With reference to Extract B, examine the likely effects of the proposed merger between Tata Steel and Thyssenkrupp on the profits of European car manufacturers. (8)
- Illustrate your answer with an appropriate diagram.
- (d) With reference to Extract C, analyse **two** reasons why the proposed merger between Tata Steel and Thyssenkrupp was blocked by the European Competition Commission. (6)
- (e) With reference to Extract A, Extract B and your own knowledge, discuss the benefits to Tata Steel and Thyssenkrupp of the proposed horizontal integration. (14)
- Illustrate your answer with an appropriate diagram.

Sources for use with Section B.

Tata Steel

Figure 1 Tata Steel's total revenue, 2015–2019, in billion Rupees (Rs)

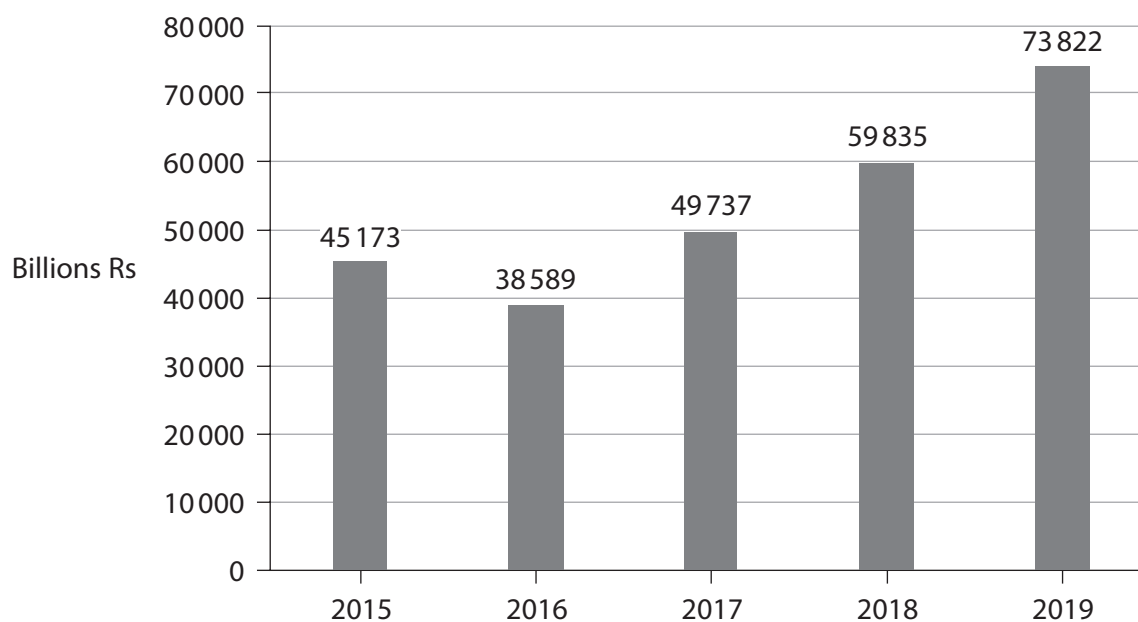
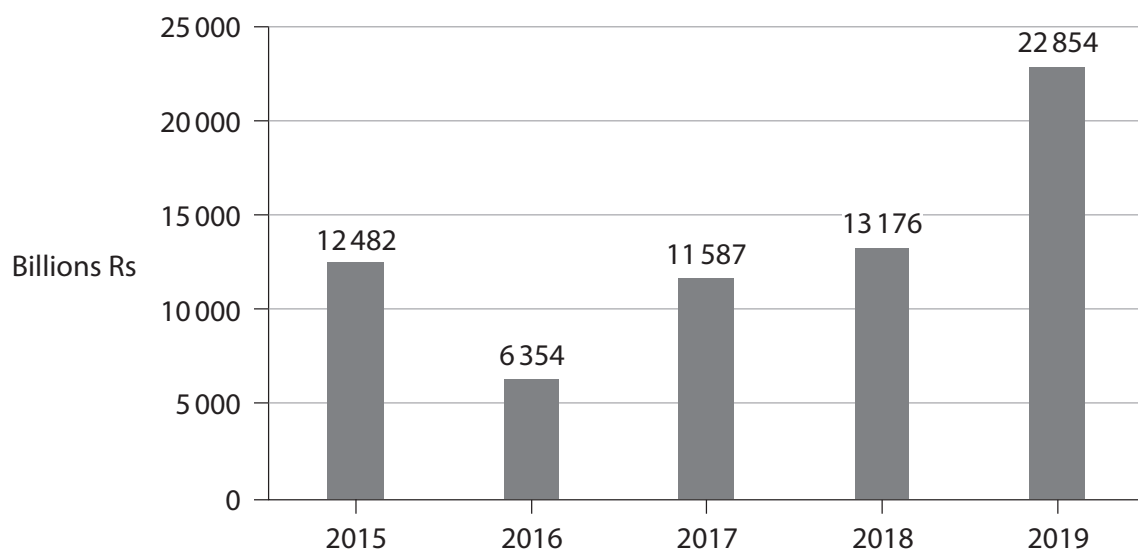


Figure 2 Tata Steel's profit, 2015–2019, in billion Rupees (Rs)



Extract A The Indian steel industry

India is the world's second largest steel producer. The growth in the Indian steel industry has been stimulated by the availability of iron ore and low-cost labour. Firms in this industry are dynamically efficient, using the latest technology in their production process.

5

Tata Steel is the largest steel producer in India with the capacity to produce 13 million tonnes per year. It is also one of the largest steel-producing companies globally and operates in 26 countries with major sites in India, the Netherlands and the UK. It employs 85 500 workers globally.

Extract B Merger proposal

The German steel producer, Thyssenkrupp, is Europe's second largest producer of high-value steel, followed by Tata Steel. In 2017 these companies planned to merge their European manufacturing operations. This integrated business would have 48 000 workers and generate €15 billion in sales.

5

The merged company would be based in the Netherlands and become the second largest European steel manufacturer. Even after this merger, ArcelorMittal SA would still be the largest European steel manufacturer.

The merger was proposed after the European steel industry had a 25% tariff (tax on imports) placed on its sales to the USA, its largest market. Since the tariffs were imposed, steel manufacturers experienced a fall in annual profits of between 8% and 17%.

10

The merged firm expected that improvements in efficiency would result in savings of over €400 million. It is planned to reduce staff by a total of 4 000 in administration and manufacturing. It also hoped that it could benefit from lower long-run average costs.

15

Extract C Merger blocked

In June 2019 the European Competition Commission blocked the proposed merger between Tata Steel and Thyssenkrupp. It concluded that the merger would cause a reduction in competition which would result in a significant increase in the price of steel. During the investigation the Commission received feedback from car manufacturers and firms in the packaging industry. These industries believed the merger would give Tata Steel and Thyssenkrupp more dominance in the market. This would be likely to result in higher costs of production that would make it difficult for firms in these industries to remain profitable.

5

Employees of Tata Steel and Thyssenkrupp were concerned that the merger would create a monopsony employer of steel workers in the UK and the Netherlands. Employees expected job losses and lower real wages. This would have a negative effect on their standard of living as they would have no alternative employer for their skill set.

10

(d) With reference to Extract C, analyse **two** reasons why the proposed merger between Tata Steel and Thyssenkrupp was blocked by the European Competition Commission.

(6)



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SECTION B

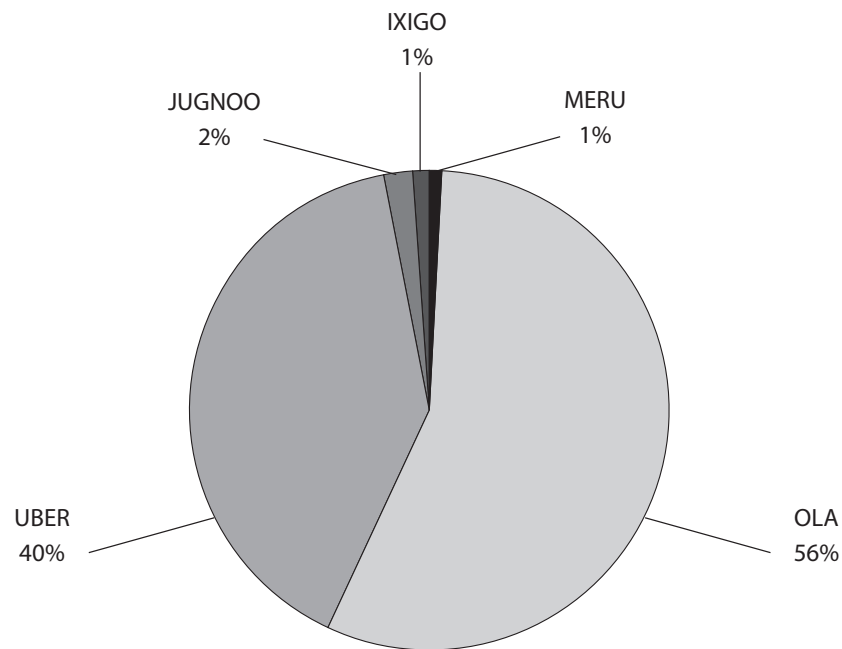
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* where sugar is an ingredient in further production



(8)



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SECTION B

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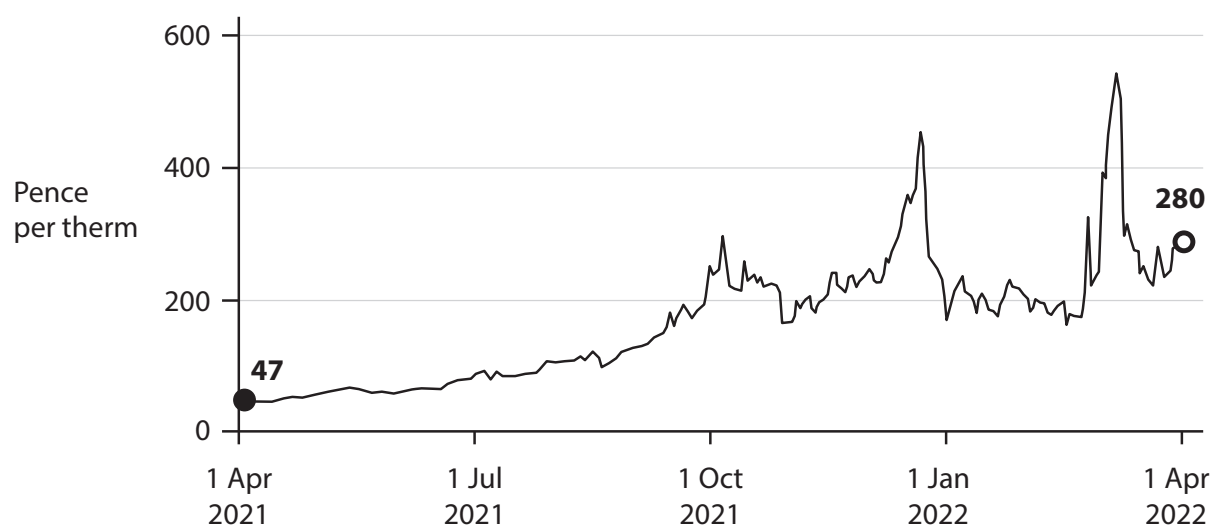
Write your answers in the space provided on the following pages.

- 7** (a) With reference to Figure 1, calculate the percentage change in the wholesale price of gas from 1 April 2021 to 1 April 2022. You are advised to show your working. (2)
- (b) With reference to Figure 2 and the second paragraph of Extract A, explain what is meant by the term 'concentration ratio'. (4)
- (c) With reference to Figure 2 and Extract A, analyse **two** barriers to entry that might prevent a new firm from entering the UK energy market. (6)
- (d) With reference to Figure 1 and Extract A, examine the impact of the increase in the wholesale price of natural gas on the cost of production for UK gas suppliers. (8)
- (e) With reference to Extract A and Extract B, discuss the likely effects of the increase in the energy price cap on both energy suppliers and consumers. Illustrate your answer with an appropriate cost and revenue diagram. (14)

Sources for use with Section B

The UK energy market

Figure 1 The UK wholesale price of natural gas, pence per therm*, 1 April 2021 to 1 April 2022



*A therm is a unit of heat

Figure 2 Market share of companies supplying natural gas, Q4 2020 and Q4 2021 (%)

	Q4 2020	Q4 2021
British Gas	26.9	27.6
E.ON Energy UK	12.5	14.7
Ovo	12.5	11.4
EDF UK	8.2	9.6
Scottish Power	8.0	7.9
Octopus	6.3	11.1
Other medium-sized gas suppliers	18.4	14.5
Small-sized gas suppliers	7.2	3.2

Extract A The UK energy market

In 2021 the global wholesale price of natural gas increased significantly. This caused a large increase in the costs for UK companies supplying gas because they have to purchase gas at world market prices. Purchasing natural gas accounts for approximately 35% of the total costs for large gas suppliers. This increase in the wholesale price made it impossible for 31 smaller suppliers to cover their costs and resulted in them shutting down. 5

With the closure of many small suppliers, there was an increase in the concentration ratio in the market. The six largest suppliers controlled 82.3% of the market for gas by the end of 2021. These larger suppliers increased their market shares by acquiring new consumers from those firms that had left the market. For example, British Gas acquired 729 000 new consumers, EDF UK 580 000 new consumers and E.ON Energy UK 239 000 new consumers. This change in the market enabled these large suppliers to increase their output and achieve greater economies of scale. 10

It is expected that the energy regulator, Ofgem, will seek to increase barriers to entry in this market by strengthening regulations, to prevent similar disruptions happening again. In addition, Ofgem, announced plans to increase the energy price cap (the maximum price that a supplier can charge for energy to a consumer) from £1 277 per year to £1 971 in April 2022. This should help the surviving suppliers to remain in the industry and secure energy supply for consumers. 15
20

Extract B UK Government support for consumers

The cost of living for consumers is set to rise significantly after the increase in the price cap. In response, the UK Government announced help for approximately 28 million households by providing a discount on energy bills worth £200 in 2022. Consumers would be required to pay this back to the Government over 5 years. There would also be a £150 cash payment to some households that will not need to be repaid. 5

(e) With reference to Extract A and Extract B, discuss the likely effects of the increase in the energy price cap on both energy suppliers and consumers.

Illustrate your answer with an appropriate cost and revenue diagram.

(14)



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(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



SECTION B

Study Figure 1 and Extracts A and B in the Source Booklet before answering Question 7. Write your answers in the space provided on the following pages.

- 7** (a) With reference to Figure 1 and Extract A, calculate the number of workers employed by SMEs in Bangladesh. You are advised to show your workings. (2)
- (b) With reference to Figure 1 and Extract A, explain what is meant by the term 'monopolistic competition'. (4)
- (c) With reference to Extract B, examine the impact of rising energy costs on the profits of a garment manufacturer in Bangladesh. Illustrate your answer with an appropriate diagram. (8)
- (d) With reference to extract B, analyse **two** likely effects on the labour market for garment workers of the possible increase in the minimum wage to 22 000 taka. (6)
- (e) With reference to Extract A and your own knowledge, discuss the likely effects of Government policies on the productive efficiency of SMEs. (14)

Sources for use with Section B

Size of businesses and labour markets in Bangladesh

Figure 1 Size of businesses, 2022

Size	Number of businesses	% of total number of businesses	% of working population employed
Small	33 050	77.2	20.2
Medium	6 103	14.3	20.7
Large	3 639	8.5	59.1

Extract A Government support for small-sized and medium-sized enterprises (SMEs)

Bangladesh is a developing country located in South Asia with a population of over 160 million. In 2022 the number of people employed was 60.8 million. Its economy is heavily dependent on agriculture and on the production of garments and textiles. Bangladesh has made considerable progress in improving its rate of economic growth. The country's real GDP grew at an average rate of 6.5% per year between 2011 and 2020.

5

Many SMEs compete in the agriculture, garment and textile industries. Most businesses in these industries operate in monopolistically competitive markets. However, low-skilled labour, a lack of innovation and limited access to finance restrict the differentiation of products between businesses in these markets.

10

To meet these challenges the Government of Bangladesh adopted several policies to support SMEs. These include:

- creating the SME Foundation that provides training and funds for research and development
- providing finance for the creation of industrial parks (locations where SMEs can all locate together)
- investing in the quality of infrastructure within industrial parks
- establishing loan schemes to support SMEs
- providing subsidies to SMEs in agriculture, energy and those that export
- encouraging SMEs to adopt new technologies, including artificial intelligence.

15

20

However, critics of these policies have suggested that the Government needs to focus on reducing excessive administrative costs, deregulation and improving the quality of education.

25



Extract B Minimum wages in the garment industry

In April 2022 the minimum wage for all workers in Bangladesh not covered by industry-specific agreements was only 1 500 taka per month. However, some sectors have higher minimum wages. For example, the minimum wage for the country's 4.4 million garment workers was 8 000 taka per month. The Government has been under pressure from trade unions to increase this rate to 22 000 taka per month. The trade unions argue that recent high rates of inflation, and the fact the minimum wage for garment workers has not increased since 2018, have decreased the real incomes of its members. 5

Garment manufacturers argue that they do not have the funds to pay a higher minimum wage because they are already having to claim subsidies from the Government to cope with rising energy costs. In 2022 garment manufacturers experienced a 50% increase in energy costs. 10

(14)





(Total for Question 7 = 34 marks)

TOTAL FOR SECTION B = 34 MARKS



SECTION C**Answer TWO questions from this section.**

- 8** In 2019 the Indian Government announced plans to privatise up to 25 airports across India. These airports are not the largest in India, but they each have annual passenger numbers between 1 million and 1.5 million.

Evaluate the possible benefits of privatisation for the consumer.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In the UK, for any given rail journey, there are usually more than five different ticket prices depending on the time and day of travel.

Evaluate the view that price discrimination is always beneficial for producers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In New Zealand, in 2018, it was estimated that the average worker employed in the private sector earned 30% less than the average worker in the public sector.

Evaluate the reasons why wage differences exist.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2020 three pharmaceutical firms Lexon, King Pharmaceuticals Ltd and Alissa Healthcare Research Ltd, were found to have illegally shared information in order to keep prices artificially high. Each firm was fined £1.2 million for this collusion by the UK competition authorities.

Evaluate the possible benefits of collusive behaviour between firms.

Use a simple game theory model in your answer.

(Total for Question 8 = 20 marks)

- 9** In 2019 the New Zealand Government created a new organisation to regulate the local monopolies that supply water. This organisation imposed a price cap that resulted in these water companies making insufficient profit for investment in improving water quality.

Evaluate methods that a government could use to control monopoly behaviour.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** JBS is the largest meat processing firm in the world, as measured by value of sales. Its revenue was \$814.5 million in 2020. After a significant increase in sales to China in quarter 4 2020, its total revenue from sales to China rose by 60%.

Evaluate the view that revenue maximisation is always the main objective of a firm.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2021, the UK-based firm PhotonLens, which produces virtual reality smart glasses, merged with the Chinese firm Shadow Creator, which specialises in virtual reality software.

Evaluate the benefits of growth by merger.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** The tax authority in Singapore offers a tax incentive of up to S\$100 000 to new businesses in their first three years of trading. The objective of this scheme is to promote competition.

Evaluate methods that a government could use to promote competition in a market.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** The Indian premium smartphone industry is dominated by three firms: Apple, Samsung and OnePlus. These firms compete mainly using non-price competition.

Evaluate the use of non-price and price competition in oligopolistic markets.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2015 Egypt's Government introduced a maximum wage of \$5 800 per month. This was 35 times greater than the minimum wage of public sector workers. Many Chief Executives were earning far more than this maximum wage at the end of 2014. As a consequence, 200 executives in the banking sector resigned.

Evaluate the impact of imposing a maximum wage.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2022 the French Government planned to pay nearly €10bn to nationalise EDF Energy. This business had a 90% market share. The Government aims to ensure stability of energy supplies and to prevent significant price fluctuations.

Evaluate the impact of a profit maximising monopolist being nationalised.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** According to a 2021 World Bank report, small and medium-sized enterprises accounted for 98.5% of the businesses in Malaysia. The report stated that these businesses were reluctant to invest in the technology that would enable them to expand because many of them wanted to remain small.

Evaluate why the objectives of small and medium-sized enterprises may differ from those of large enterprises.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In Pakistan, internet services are provided by a monopolist, Pakistan Telecommunication Company Ltd (PTCL). The quality of the service offered is poor and the internet speed is slow resulting in a high level of complaints from consumers.

Evaluate policies that a government could use to control and regulate monopolies, such as PTCL.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2022 Belgium had an unemployment rate of 5.5% and a vacancy rate of 4.8%.

Evaluate policies that a government could use to reduce the geographical immobility of labour **and** the occupational immobility of labour.

Refer to industries of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Nestlé is the largest manufacturer of pre-packaged food and beverages in the world, based on revenue. Its size has enabled it to reduce its average cost of production.

Evaluate the impact that the size of a business has on its efficiency.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2023 the US Department of Justice began an investigation into claims that Google had used its market power to limit competition and to increase the amount charged to advertisers.

Evaluate policies that a government could adopt to control monopolies.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2023 the highest-paid lawyers in Switzerland earned, on average, three times more than the lowest-paid lawyers.

Evaluate possible reasons for wage differentials in an occupation of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In July 2023 the Competition and Markets Authority fined Leicester City Football Club £880 000 for colluding with JD Sports. The club was found guilty of price fixing and restricting the selling of Leicester City-branded clothing in the UK.

Evaluate the likely effects of collusion on businesses **and** consumers in an industry of your choice.

Illustrate your answer with reference to game theory.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2023 British Sugar was the only purchaser of sugar beet from 3 000 farmers in the UK.

Evaluate the benefits of a monopsony to firms **and** consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2007 the Government of Indonesia set up the Kredit Usaha programme. The aim of this programme was to support small businesses by offering subsidies and low-cost loans. In 2022 the amount that a business could borrow was increased significantly.

Evaluate measures that a government could introduce to promote competition and contestability.

(Total for Question 9 = 20 marks)

- 10** In 2023 Mars, a confectionery manufacturer, completed the takeover of Hotel Chocolat, a UK luxury chocolate company, for £534 million.

Evaluate the benefits of a takeover for businesses **and** consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** 60% of the world's cocoa is produced by 2.5 million farming families in Ghana and Cote d'Ivoire. Much of this cocoa is sold to multinational companies for processing into chocolate. However, cocoa workers receive only 6% of the price of a bar of chocolate.

Evaluate measures that a government can use to protect employees **and** suppliers in a product market of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** Sabesp is a natural monopoly supplying water in São Paulo, Brazil.

Evaluate the benefits of a natural monopoly supplying a product or service in an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In 2024 Premby Group, a digital security business based in Nigeria, merged with Peleza, a business specialising in making background security checks, based in Kenya.

Evaluate the benefits of the growth of a business by merger in an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



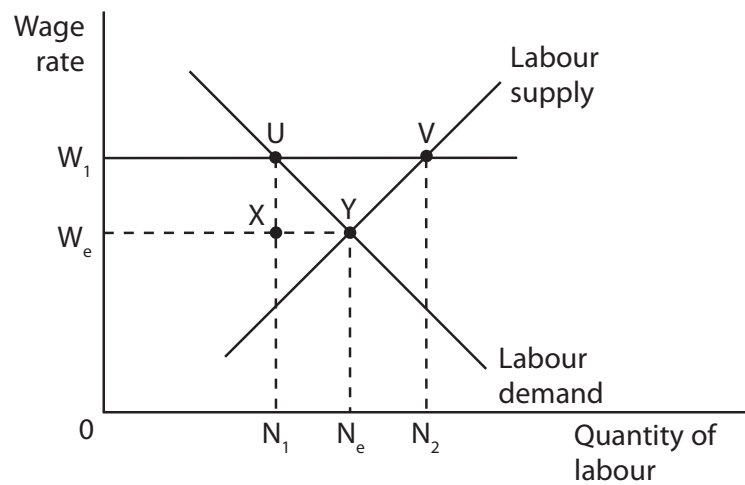
SUB-TOPIC 3.3.5.2

GOVERNMENT INTERVENTION IN LABOUR MARKETS

Sub-topic 3.3.5.2 · 11 questions · 149 marks · lowest tariff first



- 3 The diagram shows the effect of the introduction of a national minimum wage on the labour market for agricultural workers in South Africa.

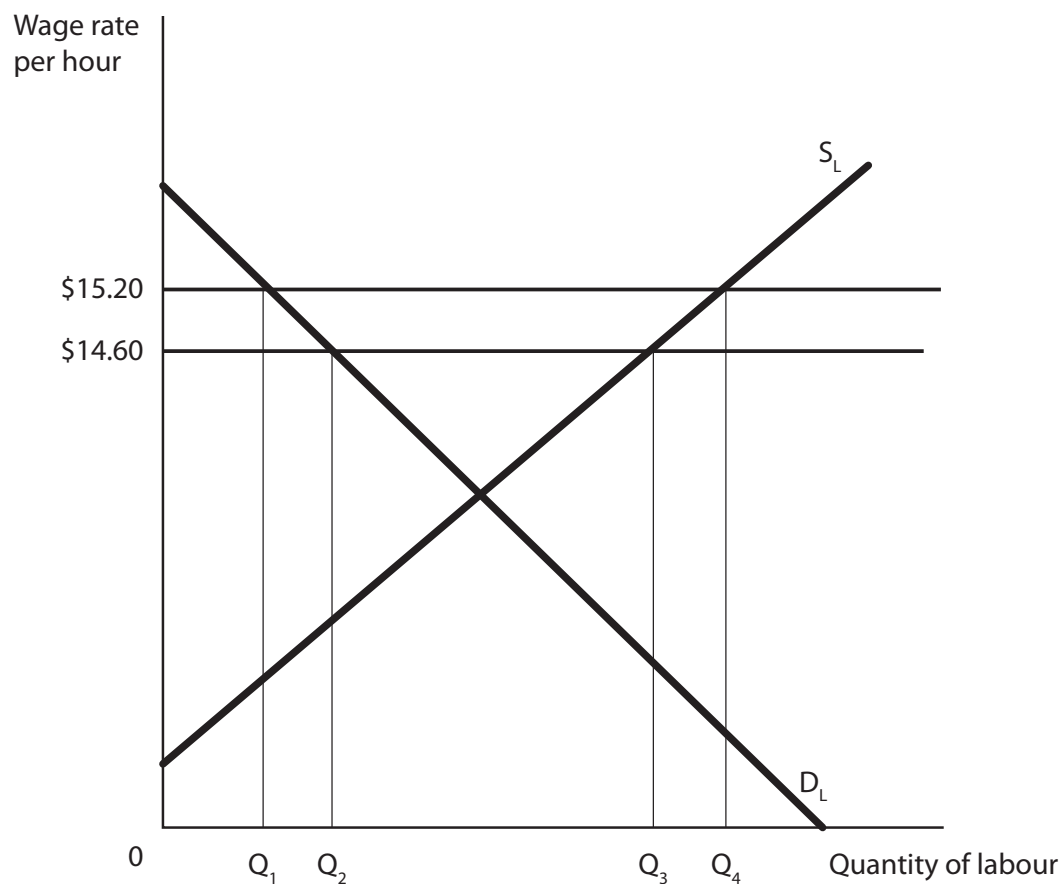


Which **one** of the following is the most likely impact of the introduction of the national minimum wage?

- ☒ A There will be N_1 to N_2 more agricultural workers employed
- ☒ B There will be an extension of demand for agricultural workers from Y to U
- ☒ C There will be a contraction of supply of agricultural workers from Y to V
- ☒ D There will be $N_1 N_2$ unemployed agricultural workers

(Total for Question 3 = 1 mark)

- 5 The diagram shows an increase in the minimum wage in British Columbia, Canada. In 2021 it rose from \$14.60 to \$15.20 per hour.



Which **one** of the following is the most likely impact of this increase in the minimum wage on shop assistants in the retail industry in British Columbia?

- ☒ A Unemployment would rise to $Q_1 - Q_4$
- ☒ B Unemployment would rise to $Q_2 - Q_3$
- ☒ C The demand for labour would extend from Q_1 to Q_2
- ☒ D The supply of labour would contract from Q_4 to Q_3

(Total for Question 5 = 1 mark)

- 2 The output of a textile manufacturer based in Botswana is 30 000 units of clothing per month. The firm's total revenue is \$78 000, its total costs are \$57 800 and its total fixed costs are \$30 800 per month.

Which **one** of the following is the firm's average variable cost at this level of output?

- ☐ A \$0.90
- ☐ B \$1.03
- ☐ C \$1.93
- ☐ D \$2.60

(Total for Question 2 = 1 mark)

- 3 A survey conducted in 2021 found that 76% of US companies with factories in China were in the process of moving operations to other countries in southeast Asia. This would cause thousands of manufacturing workers in China to lose their jobs.

Which **one** of the following government measures is most likely to increase the occupational mobility of labour?

- ☐ A An increase in unemployment benefits
- ☐ B An increase in relocation grants for businesses
- ☐ C An increase in training schemes
- ☐ D An increase in the national minimum wage

(Total for Question 3 = 1 mark)

SECTION B

Study Figure 1 and Extracts A and B in the Source Booklet before answering Question 7. Write your answers in the space provided on the following pages.

- 7** (a) With reference to Figure 1 and Extract A, calculate the number of workers employed by SMEs in Bangladesh. You are advised to show your workings. (2)
- (b) With reference to Figure 1 and Extract A, explain what is meant by the term 'monopolistic competition'. (4)
- (c) With reference to Extract B, examine the impact of rising energy costs on the profits of a garment manufacturer in Bangladesh. Illustrate your answer with an appropriate diagram. (8)
- (d) With reference to extract B, analyse **two** likely effects on the labour market for garment workers of the possible increase in the minimum wage to 22 000 taka. (6)
- (e) With reference to Extract A and your own knowledge, discuss the likely effects of Government policies on the productive efficiency of SMEs. (14)



Sources for use with Section B

Size of businesses and labour markets in Bangladesh

Figure 1 Size of businesses, 2022

Size	Number of businesses	% of total number of businesses	% of working population employed
Small	33 050	77.2	20.2
Medium	6 103	14.3	20.7
Large	3 639	8.5	59.1

Extract A Government support for small-sized and medium-sized enterprises (SMEs)

Bangladesh is a developing country located in South Asia with a population of over 160 million. In 2022 the number of people employed was 60.8 million. Its economy is heavily dependent on agriculture and on the production of garments and textiles. Bangladesh has made considerable progress in improving its rate of economic growth. The country's real GDP grew at an average rate of 6.5% per year between 2011 and 2020.

5

Many SMEs compete in the agriculture, garment and textile industries. Most businesses in these industries operate in monopolistically competitive markets. However, low-skilled labour, a lack of innovation and limited access to finance restrict the differentiation of products between businesses in these markets.

10

To meet these challenges the Government of Bangladesh adopted several policies to support SMEs. These include:

- creating the SME Foundation that provides training and funds for research and development
- providing finance for the creation of industrial parks (locations where SMEs can all locate together)
- investing in the quality of infrastructure within industrial parks
- establishing loan schemes to support SMEs
- providing subsidies to SMEs in agriculture, energy and those that export
- encouraging SMEs to adopt new technologies, including artificial intelligence.

15

20

However, critics of these policies have suggested that the Government needs to focus on reducing excessive administrative costs, deregulation and improving the quality of education.

25



Extract B Minimum wages in the garment industry

In April 2022 the minimum wage for all workers in Bangladesh not covered by industry-specific agreements was only 1 500 taka per month. However, some sectors have higher minimum wages. For example, the minimum wage for the country's 4.4 million garment workers was 8 000 taka per month. The Government has been under pressure from trade unions to increase this rate to 22 000 taka per month. The trade unions argue that recent high rates of inflation, and the fact the minimum wage for garment workers has not increased since 2018, have decreased the real incomes of its members. 5

Garment manufacturers argue that they do not have the funds to pay a higher minimum wage because they are already having to claim subsidies from the Government to cope with rising energy costs. In 2022 garment manufacturers experienced a 50% increase in energy costs. 10

(d) With reference to extract B, analyse **two** likely effects on the labour market for garment workers of the possible increase in the minimum wage to 22 000 taka.

(6)





SECTION C

Answer TWO questions from this section.

- 8** In July 2017 the German retailer Metro Group demerged into two independent companies. Its wholesale and food division became New Metro and a separate consumer electronics business, CECONOMY, was formed.

Evaluate the possible benefits of a demerger for the business **and** its workforce.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** By 2017 Ethiopia was one of very few African countries that had not privatised its telecommunications market and introduced competition. The state-owned company, Ethio Telecom, was the only firm in the market.

Evaluate the likely benefits of a monopoly to its consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In 2018 the Malaysian Government increased the monthly minimum wage for garment and textile workers from MYR 1 000 to MYR 1 500.

Evaluate the benefits of an increase in the minimum wage on businesses **and** workers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In South Africa, in 2019, insurance, mobile phones and retail banking were markets that had high concentration ratios. For example, the 4-firm concentration ratio was 96% for mobile phones and 74% for insurance.

Evaluate the disadvantages of an oligopolistic market for producers and consumers. Refer to an industry of your choice in your answer.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2020 the low-cost airline Flybe shut down. A decrease in demand for European flights led to Flybe's revenue falling below its costs of production.

Evaluate whether a firm should always shut down if its costs of production are greater than its revenue. Refer to an industry of your choice in your answer.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In 2018 the South African Government passed the National Minimum Wage Act.

Evaluate the likely microeconomic effects of the introduction of a national minimum wage on businesses and workers in the tourism industry.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** Visinema, an Indonesian company that produces TV shows and feature films, is expanding into neighbouring countries. The company is also planning to acquire several Indonesian animation studios.

For an industry of your choice, evaluate why many businesses have growth as their main objective.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In July 2020 the mobile phone company, MTN Ghana, had a 70% market share in Ghana. The competition authorities in Ghana stated that this was preventing new firms from entering the market and was having a negative effect on the quality of service.

For an industry of your choice, to what extent is a monopoly market structure *inefficient*?

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In February 2020 the Indian Government announced plans for university degrees to be fully accessed online. This was to make higher education more accessible and to increase the skills of India's young people. Previously only 20% of a degree could be studied online.

Evaluate measures to reduce the occupational and geographical immobility of labour.

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In January 2022 the Australian firm Peak Minerals demerged from Vertex Minerals. The main reason for the demerger was to enable Peak Minerals to focus on copper and gold mining production in Western Australia.

Evaluate the possible benefits of a demerger.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In February 2020 the European Commission fined the Spanish hotel group Meliá €6.678 million for charging consumers from different EU countries different prices for the same rooms.

Evaluate the possible benefits of price discrimination to both the business and consumers.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In January 2022 the Government of Greece announced plans to raise the national minimum wage by 2% to €773 per month. However, many restaurant owners are worried about the impact of this increase in the minimum wage on their businesses.

Evaluate the likely microeconomic effects of an increase in the national minimum wage on an industry of your choice.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In 2015 Egypt's Government introduced a maximum wage of \$5 800 per month. This was 35 times greater than the minimum wage of public sector workers. Many Chief Executives were earning far more than this maximum wage at the end of 2014. As a consequence, 200 executives in the banking sector resigned.

Evaluate the impact of imposing a maximum wage.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2022 the French Government planned to pay nearly €10bn to nationalise EDF Energy. This business had a 90% market share. The Government aims to ensure stability of energy supplies and to prevent significant price fluctuations.

Evaluate the impact of a profit maximising monopolist being nationalised.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** According to a 2021 World Bank report, small and medium-sized enterprises accounted for 98.5% of the businesses in Malaysia. The report stated that these businesses were reluctant to invest in the technology that would enable them to expand because many of them wanted to remain small.

Evaluate why the objectives of small and medium-sized enterprises may differ from those of large enterprises.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In Pakistan, internet services are provided by a monopolist, Pakistan Telecommunication Company Ltd (PTCL). The quality of the service offered is poor and the internet speed is slow resulting in a high level of complaints from consumers.

Evaluate policies that a government could use to control and regulate monopolies, such as PTCL.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2022 Belgium had an unemployment rate of 5.5% and a vacancy rate of 4.8%.

Evaluate policies that a government could use to reduce the geographical immobility of labour **and** the occupational immobility of labour.

Refer to industries of your choice in your answer.

(Total for Question 9 = 20 marks)

- 10** Nestlé is the largest manufacturer of pre-packaged food and beverages in the world, based on revenue. Its size has enabled it to reduce its average cost of production.

Evaluate the impact that the size of a business has on its efficiency.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 10 = 20 marks)



SECTION C**Answer TWO questions from this section.**

- 8** In October 2023, Lidl was the fastest-growing supermarket by revenue in the UK. The business opened 25 new stores in 2023 and plans to open a further 50 by 2025.

Evaluate the benefits of organic growth to a business such as Lidl.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 8 = 20 marks)

- 9** In 2023 the Government of Mexico intervened in the country's labour market by:

- increasing the daily minimum wage by 20% to 207.44 pesos
- setting a maximum of 48 hours per week for a full-time employee.

Evaluate the economic benefits of government intervention in labour markets.

Illustrate your answer with an appropriate diagram(s).

(Total for Question 9 = 20 marks)

- 10** In 2022 the South Korean competition authority fined 15 shipping companies \$63 million. These companies were found guilty of fixing prices by colluding.

Evaluate the benefits of collusion in a market of your choice.

Illustrate your answer with a simple game theory model.

(Total for Question 10 = 20 marks)



MARK SCHEMES

official mark schemes, in the same order as the questions



Section A

Question	Quantitative skills assessed	Answer	Mark
1		C	(1)
2	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes.	D	(1)
3		A	(1)
4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	B	(1)
5	QS9: Interpret, apply and analyse information in written, graphical tabular and numerical forms.	D	(1)
6	QS8: Make calculations of elasticity and interpret the result.	A	(1)

5	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is not correct because the profit motive and an increase in competition resulting from privatisation would increase productive efficiency C is not correct because an increase in competition resulting from privatisation would lead to greater consumer choice D is not correct because privatisation involves the sale of shares to individuals and institutions	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is not correct because if TR is rising at a constant rate then MR will be constant C is not correct because if TR is rising at a constant rate then MR will be constant and positive D is not correct because if TR is rising at a constant rate then MR will be constant and positive	(1)

5		The correct answer is D A is incorrect because this is not related to the impact of government intervention B is incorrect because this would improve the impact C is incorrect because this would improve the impact	(1)
6	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The correct answer is A B is incorrect because the number of employees would be lower C is incorrect because wages would be lower D is incorrect because wages and the number of employees would be lower	(1)

Question Number	Answer	Mark
7 (a)	Quantitative skills assessed: QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. Application Up to 2 marks for calculation: - Rs5.3bn - Rs 3.7bn = Rs1.6bn (1) - Rs1.6bn/Rs3.7bn x 100 = 43.24% or 43.2% or 43% (1) Accept 43%, 43.2%, 43.24%, 43.243%, 43.2432% and other responses up to 43.2432432432% NB: If correct answer (eg 43.24%) is given award full marks regardless of working.	(2)

Question Number	Answer	Mark
7 (b)	Knowledge 2 Application 2 Knowledge 2 marks for defining 'privatisation' - the sale of state-owned organisations (public sector) to the private sector (1) - Privatisation often involves removing barriers to enable private sector firms to enter a market (1) - Privatisation may make a market more competitive (1) - Privatisation may involve removing the monopoly power of a state-owned firm (1) Application - up to 2 marks for application to context of India's coal mining industry - The Indian Government decided to privatise part of India's coal mining industry (1) - In 2017 state-owned Coal India Ltd. was the sole producer but domestic private sector mining firms are now able to enter the industry (1) - Contracts to private sector mining firms would be awarded by auction (1) Any other valid application point - 1 mark for each	(4)

Question Number	Answer	Mark
7 (d)	Knowledge 2, Application 2, Analysis 2 QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and Analysis 1 mark for definition of merger, e.g.: - When two firms willingly join together / definition of competition policy- government policy that aims to make markets more competitive (1) Up to 2 marks for identification of two reasons why the merger was blocked and up to 2 marks for linked explanations e.g.: - Job losses/redundancy as firms cut back on excess staff (1) leading to job losses in the steel industry. (1) - Losses or fall in profit for firms that use steel in their production process (1) as the increase in market power of the merged firms enables these firms to increase the price of steel (1) - The increased price of steel (1) increases the costs of production for many products (1) - An increase in monopsony power gives the firms stronger bargaining power over wages (1) this could lead to lower wages in the steel industry (1) Application Up to 2 marks for reference to Extract C, e.g.: - Reduce competition (1) - Tata steel and Thyssenkrupp more dominance in market (1) - Monopsony employer of steel workers in UK and Netherlands (1) - Negative feedback from car manufacturers/firms in the packaging industry (1)	(6)

Question Number	Answer	Mark
7 (c)	Knowledge 2 Application 2 Analysis 2 Evaluation 2 Knowledge Up to 2 marks for two of the following: • Effect on <u>employment</u> (1) • Effect on <u>profitability of firms</u> (1) • Effect on <u>price of coal</u> (1) • Effect on <u>Government</u> (1) • Effect on <u>workers</u> (1) • Effect on efficiency (1) • Effect on output (1) 1 mark for definition of deregulation - removing government restrictions/regulations in a particular market Application and Analysis Up to 2 marks for relevant application and up to 2 marks for linked expansion of effects • More employment of coal miners (1ap) if the coal industry is more profitable and efficient, higher demand for labour (1an) • Entry of firms such as Rio Tinto (1ap) leading to a more internationally competitive Indian coal mining industry (1an) • Entry of firms such as Rio Tinto (1ap) leading to a more internationally competitive Indian coal mining industry/ leading to a fall in coal prices because of greater competition (1an) • Indian Government raises revenue from sale of mines (1ap) leading to more funds available for government spending/opportunity to reduce taxes (1an) • More jobs in other industries in coal mining areas (1ap) as a result of higher incomes - regional multiplier effect (1an)	

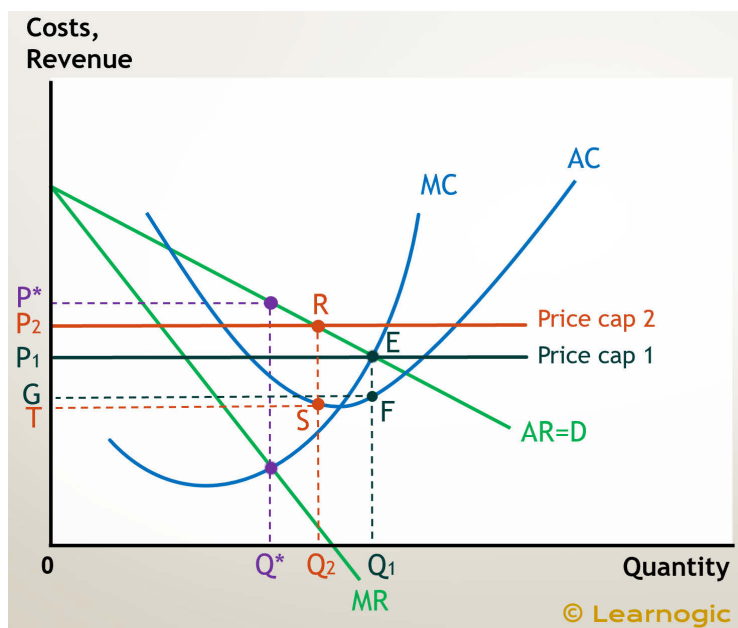


	Evaluation Up to 2 marks for evaluative comments, eg: • Mining trade unions fear that privatisation and deregulation may lead to job losses if Coal India, for example, needs to become more efficient (rationalise) in order to compete (1+1) • Privatisation and deregulation may make very little difference to employees if Coal India continues to dominate the market (1+1) • Changes may have a negative effect on the environment if private sector firms prioritise profit above environmental factors (1+1) • Changes may have a negative impact on health and safety issues if private sector mining firms prioritise profit (1+1) • Price of coal may not fall (1) if Coal India continues to dominate the market/if large international mining companies are able to exert monopoly power (1)	(8)
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Question Number	Answer	Mark
7 (d)	Knowledge 2 Application 2 Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge Up to 2 marks for an understanding of predatory pricing eg: • Predatory pricing is a deliberate strategy of driving competitors out of the market (1) by setting very low prices or selling below AVC (1) • Predatory pricing is a strategy used by monopoly firms or firms with a degree of monopoly power (1)	

	- Purchasing natural gas accounts for a significant proportion of the total costs for large suppliers (1) even more significant for small suppliers as 31 left the market (1) - Suppliers may have offset the rise in the wholesale price by decreasing other costs of production (1) - In the long-run, the impact of the rise in cost may not be as significant (1) as prices fell during March 2022 (1) - Depends on the timing of the impact on costs of production (1)	(8)
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Question	With reference to Extract A and Extract B, discuss the likely effects of the increase in the energy price cap on both energy suppliers and consumers. Illustrate your answer with an appropriate cost and revenue diagram. Indicative content
7(e)	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (8 marks) – indicative content



The price cap for energy has increased by 54%, increasing the price to consumers from price cap 1 to price cap 2

Negative effects on consumers:

- Maximum price for energy rises from £1277 to £1971 per year
- Consumer surplus will reduce as energy bills have risen
- Standards of living will fall as consumers have to switch from consuming other products to cover the additional cost of higher energy prices
- Quantity of energy consumed is likely to decrease
- Consumers may increase spending on energy saving electricity measures such as green technology, solar panels and insulation

Positive Effects on suppliers:

- Higher profits: as prices have increased, revenues will increase allowing firms to cover their costs and make higher profits
- Firms are more likely to survive in the long-run as they are able to increase their prices
- Producer surplus will rise as prices will increase
- Increased competition/ lower barriers to entry

NB Maximum level 2 if only one economic agent is discussed

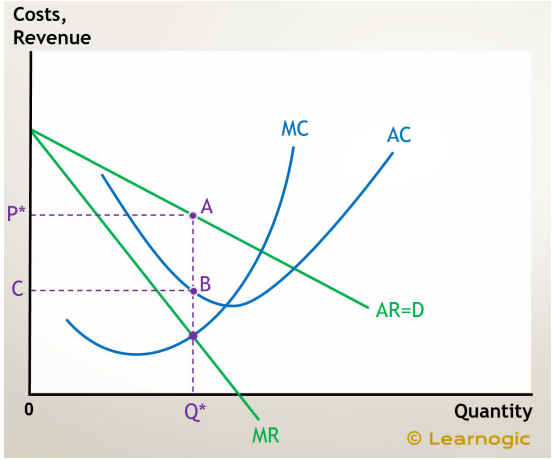
NB Maximum level 2 if no appropriate cost/revenue diagram is included showing increase in price cap

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

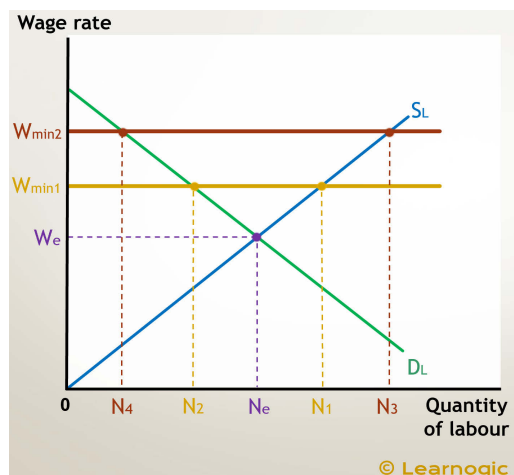
	Evaluation (6 marks) – indicative content Negative impacts on consumers: • The effect on the consumer will depend on their household income. Low-income households may be affected more than high-income households • The UK Government announced help for approximately 28 million households by providing a discount on energy bills worth £200 in 2022. This will reduce the effects of the price cap on consumer surplus
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		- The negative effect on standards of living will be reduced as there would also be a £150 cash payment to some households that will not need to be repaid - If consumers can reduce their energy usage the increase in the cap may not increase their energy bill as much - If consumers use energy saving devices/install solar panels, this may reduce the effects of the price cap Positive impacts on suppliers: - The increase in the price cap may not be sufficient to cover the increase in the wholesale price of gas and some suppliers may make losses - Consumers may continue to reduce their energy usage reducing revenues for the suppliers - If wholesale price rise again, price caps may not be sufficient for suppliers to survive
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	Evaluate the view that the objectives of state-owned enterprises and private sector organisations always differ. Illustrate your answer with an appropriate diagram(s). Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • A private sector organisation is one that is owned by individuals and not the state • State-owned enterprises are run by the government Private sector  • Private sector organisations may have an objective to profit maximise (where $MC=MR$) for example the private sector in America • At this point the firm is making the highest level of profit possible • Private sector organisations may be owned by shareholders who want dividends as reward for their investment • Private sector organisations need to make a profit to survive in the free market therefore will have profit as a key objective, universities need to set high prices to cover costs • Private sector organisations need to make at least normal profit if they are to remain in the industry. If they choose not to maximise profits,

- Unemployment rises from N_1 - N_2 to N_3 to N_4



N.B Minimum wage diagram must show an increase in the minimum wage, not the introduction

Application

Up to 2 marks for application to Extract B

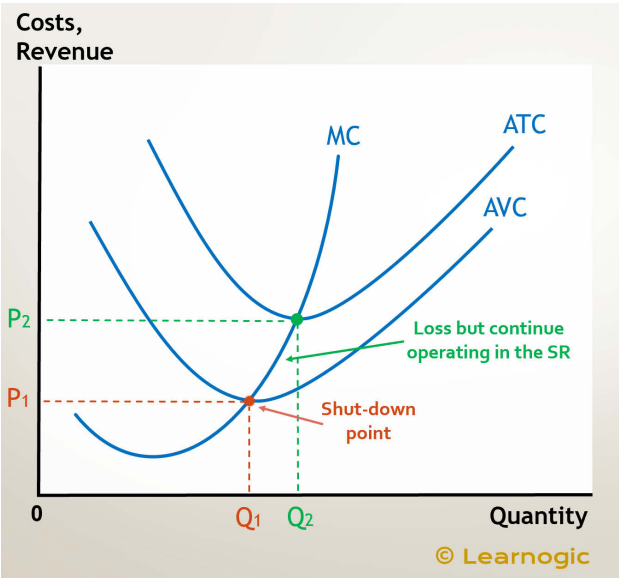
- The minimum wage for garment workers was 8 000 taka per month **(1)**
- The Government has been under pressure from trade unions to increase this rate to 22 000 taka per month **(1)**
- The minimum wage for garment workers has not increased since 2018 **(1)**
- Garment manufacturers argue that they do not have the funds to pay a higher minimum wage **(1)**

Question	With reference to Extract A and your own knowledge, discuss the likely effects of Government policies on the productive efficiency of SMEs Indicative content
7(e)	Indicative content guidance QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application, Analysis (8 marks) – indicative content - Productive efficiency occurs when the business is operating at its MES/lowest point on its AC curve - Training would improve the quality of management, enabling better decision-making and improving productive efficiency. Training the workforce would increase output and productivity, reducing production costs and increasing productive efficiency

		- The SME foundation's funding for R&D may create process innovations that could help to reduce the average cost of production - Creation of industrial parks creates external economies of scale for businesses that can allow them to lower their LRATC and move towards their MES - Investing in the quality of infrastructure within industrial parks will make running SMEs easier due to better broadband connections and power supplies lowering average costs for SMEs - Establishing loan schemes to support SMEs could result in more SMEs in being created/started increasing competition resulting in lower prices/higher productivity/more choice - Providing subsidies to SMEs lowers their average cost
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence
		Evaluation (6 marks) – indicative content - Many of these policies would only have an impact in the long-run because of time lags involved in training - The quality of labour is low and may not have sufficient skills to produce the newly innovated products/ if training is inefficient the quality of labour may not improve sufficiently - Research and development may help identify new areas of product development. However, if there are insufficient skills/capital the new products may not be developed - Subsidies are not available for all markets limiting the improvements in efficiency to all markets - Lower production costs may not be passed on to the consumer in the form of lower prices - The impact of the industrial parks will depend on the number of businesses willing/able to locate in these areas - Funds would be more effective if allocated to large enterprises that are more likely to experience economies of scale
Level	Mark	Descriptor

	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	Evaluate the view that a business will always shut down if it is not able to make a normal profit. Illustrate your answer with an appropriate diagram(s).
	Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content Indicative content Short-run shut down point  © Learnogic In the short-run Toys "R" Us would continue to operate even if it is making a loss as long as it is covering its average variable costs. At any point below this the business must shut down because it is not able to cover its variable costs of production.

Section C

Question Number	In 2019 the Indian Government announced plans to privatise up to 25 airports across India. These airports are not the largest in India, but they each have annual passenger numbers between 1 million and 1.5 million. Evaluate the possible benefits of privatisation for the consumer. Illustrate your answer with an appropriate diagram(s). Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Knowledge, Application, Analysis (12 marks) – indicative content Privatisation is the transfer of assets from public to private ownership - Privatised firms have an incentive to cut costs in order to maximise profits and the firm moves closer to productive efficiency/reduce X-inefficiency - Reduced costs as privatised firms will increase efficiency (falling MC and AC), leading to lower prices and increased output - Lower costs may be reflected in lower prices for consumers of flights, increasing consumer surplus

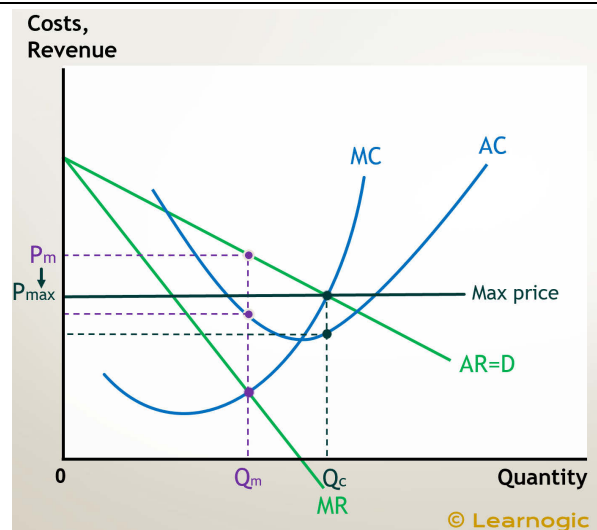
		• If privatisation increases competition there is an incentive for firms to deliver more choice and quality in order to boost sales. An increase in choice improves consumer welfare • Incentive to innovate in order to boost sales and, therefore, profit. Firms may become more dynamically efficient, improving the quality of products produced • Increased quality of goods and increased innovation increases consumer choice e.g. better quality airports or more flights • Wider share ownership – consumers may be able to buy shares in privatised firms to spread the rewards of capitalism to more people Restrict to a maximum of Level 3 if no appropriate diagram provided
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question.

		Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Competition may not be increased if state-owned airports become privately owned by a private sector monopolist • Some public monopolies become private monopolies, with the objective of profit maximisation causing prices to increase and resulting in a reduction in consumer surplus and welfare • They may become X-inefficient if there is a lack of competition in the private sector • Market forces may not ensure greater efficiency • State-owned firms may provide loss making services that private firm would not, reducing choice and consumer welfare • Choice may be reduced if service becomes unprofitable	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

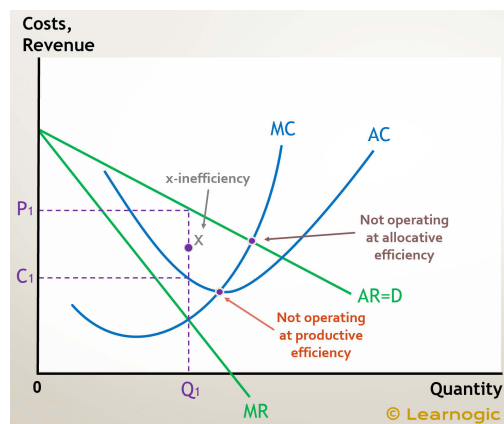
Question Number	In the UK for any given rail journey, there are usually more than five different ticket prices depending on the time and day of travel. Evaluate the view that price discrimination is always beneficial for producers. Illustrate your answer with an appropriate diagram(s). Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content - Price discrimination occurs when a firm charges different prices for the same product in different segments of the market e.g. business travellers and tourists - Conditions necessary for price discrimination - monopoly power, different PED's in sub-markets, able to separate different consumer groups e.g. age, students and travelcard holders - A firm gains higher profits from price discrimination when it charges a higher price to consumers with inelastic demand and a lower price to consumers with elastic demand - REWARD MARKS FOR RELEVANT DIAGRAMS - showing separation of markets © Learnogic

		Collusive behaviour resulting in more non-price competition could increase costs of firms
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate methods that a government could use to control monopoly behaviour. Illustrate your answer with an appropriate diagram(s). Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content - A monopoly market structure is when there is one single dominant supplier in the market. These firms possess price setting ability - Government intervention is in response to a market failure - Monopolies tend to charge a higher price than in a competitive market. - The introduction of a price cap/maximum price- price ceiling above which firms cannot charge - Diagram to show impact of maximum price on a monopoly diagram



- The introduction of the price cap at $P_{\max}$ stops the monopoly charging a price at P_m reducing the level of supernormal profits and producer surplus made
- Monopolies are inefficient and government intervention is needed to improve efficiency and to avoid consumer exploitation



- The government can use maximum price on goods, such as water to stop prices increasing and force the monopolist to charge the allocatively efficient price ($P = MC$)
- The price is set below the monopoly equilibrium, reducing the price level, increasing consumer surplus
- Price regulation can stop a firm increasing prices in line with inflation if there is any X-inefficiency in the business
- The government may use profit regulation, this limits the amount of total profit that can be earned by a firm operating in an industry, encouraging lower prices or increased investment

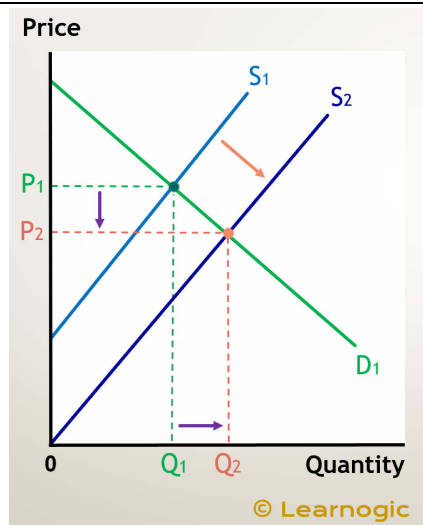
		- Quality standards may be set e.g. to ensure a minimum legal quality of water being produced - Performance targets aim to regulate the quality produced by the monopoly through ensuring there is adequate output/safety standards of water produced - Imposition of fines for poor performance - Nationalisation of the monopoly - Measures to reduce entry barriers/increase contestability NB if no diagram candidate can achieve a maximum of level 3
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.



	Evaluation (8 marks) – indicative content - Government failure and unintended consequences: examples below - If regulatory capture occurs the regulator may become focused on the interests of the firms they regulate rather than on the public interest - Profit regulation/price control may limit the ability for the monopoly to be dynamically efficient or improve the quality of drinking water production - Profit regulation/price control may reduce profits leading to the companies having insufficient funds for investment e.g. to improve water quality - The level of X-inefficiency can be hard to estimate. If overestimated the firm may find it difficult to be profitable - Performance targets may move the focus of the firm away from essential services reducing quality in other areas of the business - If there is asymmetric information/information gaps in the market, the regulator may not know the issues/problems associated with specific monopoly therefore may not put in place sufficient regulation to control the firm - If the regulator has inadequate resources it may not be able to control the monopoly or fully investigate the level of inefficiency/market abuse - Lack of regulatory power may stop any regulation being implemented effectively	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question	Evaluate methods that a government could use to promote competition in a market. Illustrate your answer with an appropriate diagram(s). Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application, Analysis (12 marks) – indicative content • Definition of competition: a number of rival firms operating in a market • The Government in Singapore introduced tax incentives to new firms to encourage them to operate. A reduction in the tax burden should incentivise more new firms to start up in Singapore which increases the level of competition in the market • The tax incentives of S\$100 000 should result in a decrease in average costs leading to an increase in profits • Fall in AC to AC₁ showing a new equilibrium with a higher profit level AC₁-P, 0-Q © Learnogic • Government intervention will increase the level of supply in the market causing the supply curve to shift outwards, with a higher quantity and lower equilibrium price



- Deregulation makes it easier for a firm to set up and expand, as it reduces time/costs. This increases the number of firms entering the market improving the level of competition
- Deregulation reduces the barriers to entry into the market, as less legal expertise is needed, increasing competition
- Privatisation moves an industry from the public sector into private sector, allowing an increase in competition between firms, if more firms enter the market
- Competitive tendering for public sector contracts encourages firms to compete over price and quality, encouraging firms to become more competitive. The removal of long-term contracts also reduces the barriers to entry in the provision of public sector services
- Trade liberalisation removes barriers to entry that may stop foreign firms from being able to enter a market, encouraging more market entrants and competition
- Measures to control mergers must relate to how this improve competition

NB if no diagram candidate can achieve a maximum of Level 3.

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident, but they may not be developed fully, or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • If tax incentives are not generous enough, they may not incentivise small business to set up • Reducing the tax burden may not be enough for small firms/FDI to enter the market. There might be more significant factors stopping firms, such as market conditions or access to finance • Deregulation may reduce the costs of production for incumbent firms, allowing prices to fall, making it more difficult for new firms to enter the market and compete over price, increasing barriers to entry • If deregulation encourages more FDI, smaller domestic firms may find it hard to compete, reducing competition	



	• If privatisation creates a private monopoly, then competition may not be increased • Competitive tendering may not reduce barriers to entry/improve competition if a cartel is in operation in the industry, as new firms would not be able to undercut the cartel to make an offer and win the bid • Trade liberalisation can lead to foreign monopolies undercutting smaller domestic firms, reducing the level of competition and increasing barriers to entry in the market
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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate the impact of a profit maximising monopolist being nationalised. Illustrate your answer with an appropriate diagram(s). Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. - Nationalisation is the transfer of a business or industry from private to state ownership or control - Nationalised businesses do not have to make a profit, which could reduce the price of energy for the consumer in France from F to G, if marginal cost pricing is adopted - Output would also increase from J to K - Consumer surplus would increase from AFI to CGI - Producer surplus/supernormal profit would fall © Learnogic - With nationalisation there would be a more secure supply of energy in France, even when costs are rising. This would ensure that energy companies would not exit the market - Natural monopoly diagram could also be included - Profits made by a nationalised business may be used for investment or to finance public services - Nationalised businesses may receive more finance for investment to ensure the stability of energy supplies. This might increase the level of dynamic efficiency in the energy market

	- The nationalised EDF is likely to be more regulated than a private energy business as it is run using tax revenues. This could lead to more productive and allocative efficiency - The energy produced might make more use of green technology as the government may have environmental objectives NB if no diagram candidate can achieve a maximum of level 3 Positive impacts of nationalisation may be regarded as KAA and negative impacts as evaluation or vice versa	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content - A nationalised business may be more inefficient than a profit maximising monopolist, as it lacks a profit motive. Therefore there may be a reduction in allocative/productive/dynamic efficiency - Lack of efficiency may increase costs of production for energy, these would be passed onto the consumer with higher energy prices - There is no guarantee that nationalisation would ensure stability of supplies - Marginal cost pricing could result in losses if EDF is a natural monopoly	



		- There might be an increase in diseconomies of scale caused by poor management as the French Government are not expert in energy provision allowing costs to rise - X-inefficiency may cause costs to increase caused by complacency and lack of competition, actual AC above potential AC - The energy firms might be under-funded as a result of the government preferring to invest in other aspects of the economy - EDF may run at a loss/deficit, which may force the government to divert funds from key areas of the French economy to provide support - Nationalised firms are not able to access commercial loans, restricting their access to finance, hindering investment
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate why the objectives of small and medium-sized enterprises may differ from those of large enterprises. Illustrate your answer with an appropriate diagram(s). Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms.

Section C

Question	Evaluate policies that a government could use to control and regulate monopolies, such as PTCL. Illustrate your answer with an appropriate diagram(s). Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • Price regulation: prevents monopolies from charging a price much higher than the price set under competitive market conditions. The government will set a maximum price (P_m to P_c) to increase allocative efficiency and reduce supernormal profits • Limiting the amount of profit monopolies such as PTCL are allowed to make. A maximum level of profit can be set equal to what the regulator thinks a firm would earn in a competitive market. © Learnogic • Performance targets: would increase the quality of services e.g. internet services provided in Pakistan. The government would monitor the quality of the service, e.g. speed, reliability and coverage and set targets to improve, this increases the performance of the business and improves the experience for the consumer • Quality standards: the government could enforce standards e.g. to ensure that PTCL improves the quality of the internet by imposing fines on PTCL if it does not improve the quality of its service

	· Regulatory authorities can regulate against anti-competitive practices such as predatory pricing or price discrimination. These monopolies could be fined. This acts as a deterrent for monopolies and discourages them from acting in a way that is negative for consumers · Control mergers and takeovers to avoid the creation of monopolies. These monopolies could distort the market by reducing quality and/or increase prices. This would maintain the level of competition in the market maximising consumer welfare · Nationalisation: Government control of monopolies would change their objectives to work in the interest of the consumer as the business would not have a profit incentive · Measures to reduce barriers to entry e.g. subsidies to new entrants; reducing patent protection would increase competition in the market NB if no diagram candidate can achieve a maximum of level 3
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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.



Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
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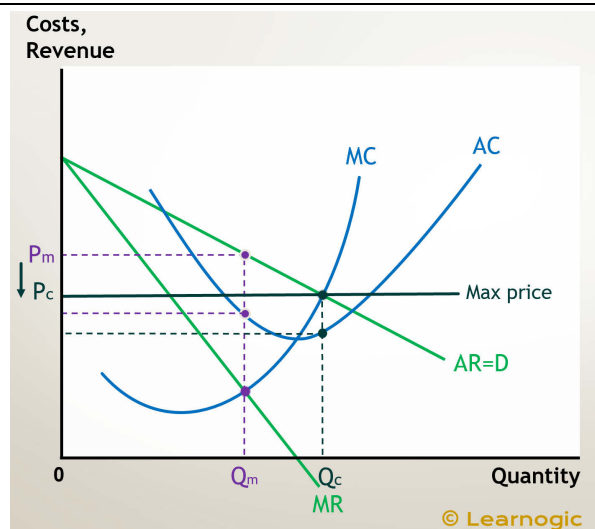
	Evaluation (8 marks) – indicative content - Limiting profits can reduce dynamic efficiency. This might cause a lack of productive efficiency in the long-run the fine for not meeting the performance targets is too low, the monopoly would not have the incentive to change its production methods/services - A lack of regulatory power may stop the regulator from effectively controlling the operations of the monopoly - If price regulation is set too low, the monopoly may make a loss, reducing the opportunity for dynamic efficiency or causing the monopoly to close down - Regulatory capture means the regulator may act in the interests of the monopolists rather than consumers - Unintended consequences e.g. reduced quality of service to consumer - Information gaps mean the regulator does not have the required information to effectively control and regulate monopolists - Government failure may occur where government intervention results in a net welfare loss
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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

		No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	Evaluate policies a government could adopt to control monopolies. Illustrate your answer with an appropriate diagram(s). Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • A monopoly is a sole supplier that exists in the market with high barriers to entry • A business may have monopoly power if it controls a high percentage of the market • Monopoly power enables a business to set prices, limit output and restrict competition • Profit regulation by imposing limits on the amount of profit a monopoly can earn, to ensure the business does not exploit its market power and to promote increased allocative efficiency and consumer welfare • Price regulation is a maximum allowable price for a particular good or service. This limits the amount that a monopoly can charge consumers and protects consumers from excessively high prices set by a profit-maximising monopolist



- Price is capped to P_c , reducing the price from P_m . This would reduce supernormal profit and increase consumer surplus
- Performance targets: set specific objectives that the monopoly must meet, ensuring that it operates efficiently and provides quality services
- Quality standards can be used to control a monopoly by establishing specific criteria and requirements that the monopoly must meet to ensure the provision of high-quality goods or services
- Fines: competition authorities may impose fines for not meeting performance targets or quality standards
- Legislation to control mergers and takeovers: laws can block any integration that may result in an increase in monopoly power
- Nationalisation will transfer the business to the state sector where the objectives of the business may change e.g. reducing profit incentives, leading to lower prices
- Tax on profits encourages firms to invest more to reduce supernormal profits, increasing dynamic efficiency
- Tax incentives/Subsidies for new firms to enter the market increases competition and reduces monopoly power
- Government policies to promote competition and contestability e.g. deregulation

NB: If diagram does not show the impact of a policy then candidate can achieve a maximum of level 3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.

Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content - Regulatory capture may occur if the regulator becomes influenced or controlled by the monopoly that it is supposed to regulate, resulting in the regulator allowing the monopoly to abuse its dominant position - Government failure e.g. asymmetric information may lead to the government making inaccurate decisions on the level of a price cap or the level of profit control. This could cause the monopoly to shut down if it cannot cover costs/or allow the consumers to pay a high price for the goods - Government failure may lead to a misallocation of resources or unintended consequences, such as businesses shutting down - Inadequate resources may stop the government from being able to control and challenge the behaviour of a monopoly - Limited regulatory power may make it impossible to control the business. The regulator may not be able to impose a fine high enough to deter monopolies from abusing their power - Increased performance and quality targets may lead to an increase in the costs of production for the monopoly. These increases could be passed onto consumers - Price controls may cause the monopoly to cut costs which can lead to a reduction in quality for the consumer	
Level	Mark	Descriptor



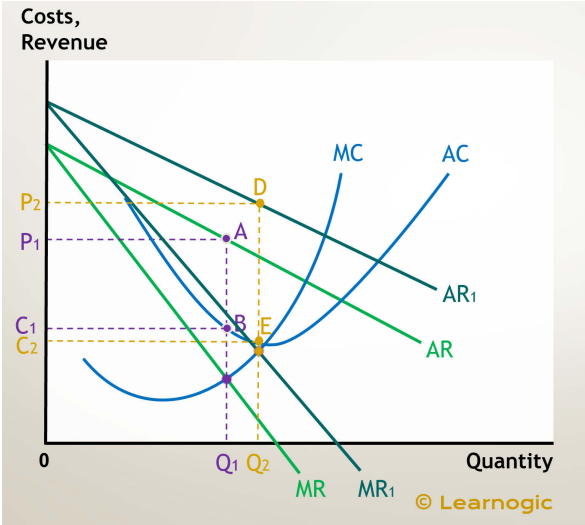
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate measures that a government could introduce to promote competition and contestability. Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Market contestability refers to the ease with which new firms can enter and leave a market. Students may use a costs and revenue diagram to show reduced costs or increase supply in the market. • Subsidy: by offering subsidies it will lower production costs to encourage the entry of new firms into the market by reducing barriers to entry and increasing incentives • Reduced tax burdens: these would reduce costs of entry into the market and make it easier for small businesses to compete with larger, established businesses, increasing competition • Support for small businesses: Indonesia's Government is offering low-cost loans to help small businesses to compete more easily with medium-sized and large businesses • Foreign Direct Investment (FDI): FDI allows foreign businesses to enter the market and compete. A government can offer tax incentives to encourage businesses to enter, as their costs will be reduced • Deregulation: eliminates unnecessary barriers and restrictions, making it easier for new businesses to enter the market • Privatisation: a government could transfer state-owned enterprises to private ownership, opening up industries to competition • Competitive tendering for public sector contracts: encourages private firms to bid for projects, promoting a competitive environment • Trade liberalisation: reduces barriers to international trade, allowing foreign businesses to enter domestic markets. This increases the number of firms in the market, promoting competition and contestability

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
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Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
		Evaluation (8 marks) – indicative content • Tax incentives may not be high enough to overcome the barriers to entry if there are significant start-up costs in the industry • The time scale of any measures could determine how effective they are in promoting competition and contestability • Effectiveness depends on the scope and scale of the government measures • Measures will result in opportunity costs for the government • Government failure: imperfect knowledge, administrative costs, unintended consequences • Large foreign businesses may force smaller domestic firms out of the industry reducing competition • If foreign businesses are very efficient, their entry may act as a barrier to other firms in the long-run • Privatisation may create a private monopoly thereby reducing contestability and competition • Cost of measures may outweigh benefits • Businesses may fail anyway even with govt help • Economic conditions - growth phase or recession may have a significant impact on determining success of measures

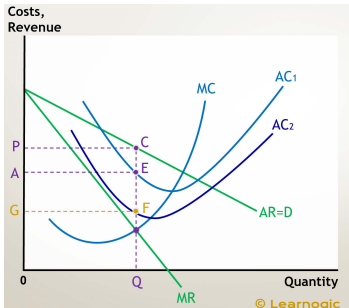
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.



Question	Evaluate the benefits of a takeover for businesses and consumers. Illustrate your answer with an appropriate diagram(s). Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Benefits for businesses: Revenue Growth: a takeover can help a business to achieve a higher market share, granting it more pricing power and access to new markets. For example, Mars being able to sell more products in the luxury chocolate market. This increases revenue and profit (MR/AR to MR₁/AR₁) and increase in supernormal profit as shown.  Increased synergies, a takeover may enable a sharing of expertise. This can improve efficiency and output Cost reduction: a takeover can lead to economies of scale and the acquisition of new skills, leading to cost savings as AC will fall and output will rise. Some takeovers can also take advantage of lower corporate tax rates in certain countries. Can be shown on a diagram:

Section C

Question	Evaluate measures that a government can use to protect employees and suppliers in a product market of your choice. Illustrate your answer with an appropriate diagram(s). Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Policies to protect employees e.g.: • Restrictions on the monopsony power of TNCs buying cocoa by promoting trade unions to bargain for higher wages and better working conditions • Employment regulations e.g.: maximum working hours, health and safety regulations. These can protect workers from exploitation and ensures that they are treated fairly • Minimum wage: can prevent employers from exploiting workers by offering wages lower (W_1) than those in a perfectly competitive market • Nationalisation: can ensure that employees are paid fairly by the business as the government will set the price/wage. This can be a higher level than in the free market as the government is not trying to achieve a profit maximisation objective • Fund training schemes so that workers are able to be more occupationally mobile Policies to protect suppliers e.g.: • Ensures that local producers are protected from more competitive foreign suppliers. This enables producers to survive and jobs to be protected • Impose fines for the exploitation of market power: this increases the costs of exploitation and prevents businesses from abusing their power • Barriers to entry of foreign firms • Regulation/imposition of a cap on profits of the TNC • Minimum price guarantees/Fairtrade schemes

		- Government subsidies to farmers causing a rise in supernormal profits from PAEC to PGFC  - Competition policy could block mergers that create monopolies or break up existing monopolies. These measures reduce the dominance of businesses and prevents them from exploiting suppliers NB: A candidate can achieve a maximum of level 3 if there is no appropriate diagram NB: A candidate can achieve a maximum of level 3 if no context is provided NB: A candidate can achieve a maximum of level 3 if both suppliers and employees are not referenced
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content - Possible unemployment associated with the introduction of a minimum wage - Trade unions may not have sufficient bargaining power to improve wages or working conditions - Trade unions are illegal in some countries - Regulations may encourage TNCs/monopsonies to leave the country and produce elsewhere, increasing unemployment and forcing local suppliers to shutdown - Asymmetric information: the government may not have full information about the problem, causing the exploitation to continue - Inadequate resources: regulatory agencies may lack the funding, staff and expertise necessary to effectively monitor and enforce regulations - Lack of regulatory power can hinder government agencies from effectively addressing issues. Fines may be set too low to deter firms from abusing their power or disincentives may not be strong enough - Regulatory capture: the government agency may operate in favour of the business rather than suppliers or employees and leads to a lack of improvement in the market - The effectiveness of any minimum price scheme depends on where the price is actually set - Government subsidies may only be for the short-term	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate the benefits of a natural monopoly supplying a product or service in an industry of your choice. Illustrate your answer with an appropriate diagram(s). Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Benefits may occur to the firm, consumers or workers - A natural monopoly occurs when there are falling long-run average costs so it is productively efficient to have one firm in the market rather than many firms: - LRAC continues to fall because of economies of scale - A natural monopoly is able to spread all the infrastructure costs across a much larger output than if there was competition. Reaching a lower minimum efficient scale makes it more productively efficient - This could lead to a reduction in prices for consumers of water and higher consumers' surplus - Avoids duplication/waste of resources in an industry - Dynamic efficiency: Sabesp would make higher supernormal profit than in a competitive market. This may be used for investment in improving water supply, leading to lower LRAC in the long-run and improved quality for consumers - The business may have greater buying/monopsony power so could pass this onto the consumer - Many natural monopolies are owned and run by the government who may have objectives of high levels of employment and/or setting a price so that allocative efficiency is reached NB: A candidate can achieve a maximum of level 3 if there is no appropriate diagram NB: A candidate can achieve a maximum of level 3 if no context is provided

Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D <i>A is not correct because the takeover would decrease contestability</i> <i>B is not correct as the takeover will combine the two businesses and is likely to increase total costs</i> <i>C is not correct because the takeover would reduce competition in the market</i>	(1)
2	QS2: Calculate, use and understand percentages, percentage changes and percentage point changes. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C <i>A is not correct as it does not use the correct firms in calculation</i> <i>A is not correct as it does not use the correct firms in the calculation</i> <i>D is not correct because it includes 'others' in the calculation</i>	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	The only correct answer is D <i>A is not correct as the increase in minimum wage would cause unemployment</i> <i>B is not correct because there is a contraction of demand</i> <i>C is not correct because there is an extension of supply</i>	(1)

4	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because more passengers are a likely to cause a rise in employment C is incorrect because it is unlikely to cause a rise in unemployment since costs have decreased D is incorrect because it is unlikely to cause a rise in unemployment since costs have decreased	(1)
5	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is A B is incorrect because this was unemployment at the lower minimum wage C is incorrect because demand would contract from Q_2 to Q_1 D is incorrect because supply would extend from Q_3 to Q_4	(1)
6	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is D A is incorrect because the firm will be allocatively efficient and only normal profit will be made in the long-run B is incorrect because the firm will be allocatively efficient C is incorrect because the firm will make normal profit	(1)

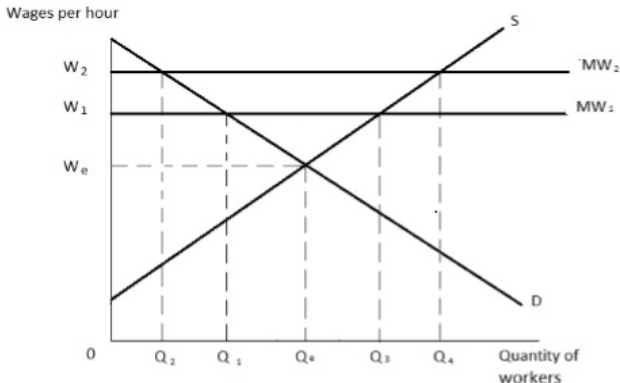
Section A

Question	Quantitative skills assessed	Answer	Mark
1	QS4: Construct and interpret a range of standard graphical forms QS6: Calculate cost, revenue and profit (marginal, average, totals) QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because decreasing returns to scale would relate to the long-run average cost curve B is incorrect because fixed costs would not be included in marginal costs D is incorrect because diseconomies of scale would relate to the long-run average cost curve	(1)
2	QS6: Calculate cost, revenue and profit (marginal, average, totals)	The only correct answer is A B is incorrect because this is the average fixed cost C is incorrect because this is the average total cost D is incorrect because this is the average revenue	(1)
3	QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is C A is incorrect because this is likely to increase unemployment B is incorrect as this affects the geographical mobility of labour D is incorrect because this is likely to increase unemployment	(1)
4	QS4: Construct and interpret a range of standard graphical forms QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.	The only correct answer is B A is incorrect because the equilibrium output is not at the lowest point of the AC curve	(1)



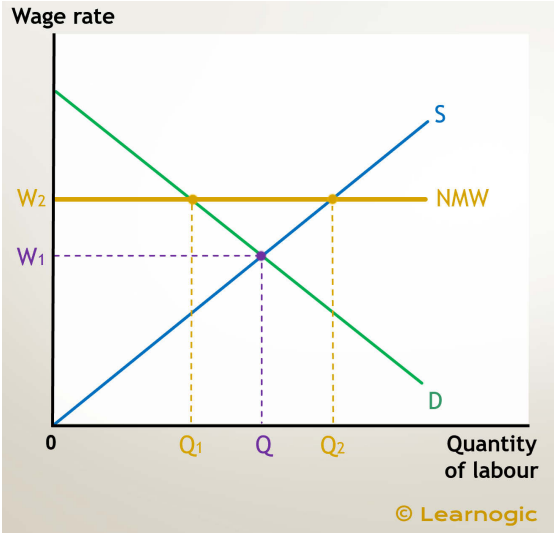
	Evaluation Up to 2 marks for evaluative comments (1+1 or 2+0) e.g.: • The Government of Bangladesh is providing subsidies to SMEs (1) which may limit the negative impact on profit (1) • Rising energy prices may not continue in the long-run (1) helping profits to recover in the long-run (1) • The 50% rise in energy costs is very significant (1) causing a substantial reduction in profit (1) • Significance of energy as a proportion of total costs (1) will determine the size of the shift in MC and AC (1) • Government subsidies may reduce costs (1) so there would be less impact on the profit of a garment manufacturing business (1) • Recent high rates of inflation may allow garment firms to also raise their prices (1), so the increased energy costs may not have such an impact on profits (1) • Some firms will leave the market so others will survive in the long run (1)	
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Question	With reference to extract B, analyse two likely effects on the labour market for garment workers of the possible increase in the minimum wage to 22000 taka. Answer	Mark
7(d)	Knowledge 2 Application 2 Analysis 2 Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge and analysis 1 mark for identifying each effect and 1 mark for each linked expansion (2k+2An) • Increasing minimum wages causes workers to lose their jobs (1k) SMEs cannot afford to employ as many individuals at the higher wage rate causing individuals to lose their jobs (1An) • An increased supply of labour/extension in labour supply (Kn) because the higher wage rate acts as an incentive for more people to join the labour force (An) • An increase in minimum wage may increase motivation (Kn) increasing output/productivity (An) • If used, correct diagram showing the increase in the NMW causing a contraction of demand N_2 to N_4 and an extension of supply N_1 to N_3 (1+1)	(6)

Question	In 2018 the Malaysian Government increased the monthly minimum wage for garment and textile workers from MYR1 000 to MYR1 500. Evaluate the benefits of an increase in the minimum wage on businesses and workers. Illustrate your answer with an appropriate diagram(s). Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content - Understanding of minimum wage - the lowest wage that a business is legally required to pay its workers Benefits to businesses - Workers may be better-motivated and hence more productive. Labour productivity increases - An increase in efficiency may result in a fall in unit labour costs, more than offsetting the rise in the minimum wage rate - Lower unit labour costs may mean that the business becomes more competitive - Workers are more likely to stay employed with their current employer. Lower labour turnover rates means more experienced and loyal workers. Lower recruitment and training costs on replacement workers - Consumers may be on higher incomes which may result in an increased demand for the firm's products/services. Revenue and profit may rise - Businesses may replace workers with capital. Hence efficiency and profit may rise Award relevant diagram e.g. 

	Benefits to workers • A rise in income for low-paid workers. Greater purchasing power and a rise in living standards. Minimum wage rises from OW_1 to OW_2 • Less dependence on benefits to top-up household income level • Greater motivation and job satisfaction • Workers may be more inclined to seek promotions and pursue careers • If the employer is a monopsony, a rise in NMW may lead to a rise in employment Restrict to a maximum of 9 marks for Knowledge, Application and Analysis if no appropriate diagram provided or only one economic agent is considered.	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content Drawbacks of minimum wage to businesses • Increase in labour costs (see diagram). May make business less competitive especially in international markets • May exert upward pressure on wages for other workers not just the low-paid. This further increase production costs • May result in some businesses having to downsize or even leave the market • Small firms may be particularly vulnerable • Possible rise in administration costs Drawbacks of minimum wage to worker	

	- Some workers may lose their jobs as the business seeks to lower the increase in labour cost (see diagram 1). Employment in the industry falls from OQ_1 to OQ_2 - Businesses may expect workers to work harder/more efficiently to compensate for higher costs - A minimum wage may result in a rise in inflation (demand-pull and cost-push). Hence real wages may not rise significantly (may even fall) - A minimum wage may increase the number of people working in the informal sector, so firms can avoid paying the legal minimum General points - Impact on a firm partly depends on number of low-paid workers it employs - Magnitude - depends on the extent of the rise in the minimum wage. E.g. for Malaysian textile workers the rise is 50% - Impact depends on how effective a government will be in enforcing the minimum wage	
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question Number	Indicative content
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	Effect on the workers - The introduction of a minimum wage will increase the supply of labour to the tourist industry as there is an increase in the incentive to work - Unemployment will rise if firms make workers redundant if the firm can not afford the rise in wage rates - If the increase in wages is above the rate of inflation then real wages will rise - A rise in minimum wage would increase standards of living for those still employed in tourism NB if no diagram candidate can achieve a maximum of Level 3. NB if no reference to tourism industry referred to candidate can achieve a maximum of Level 3	
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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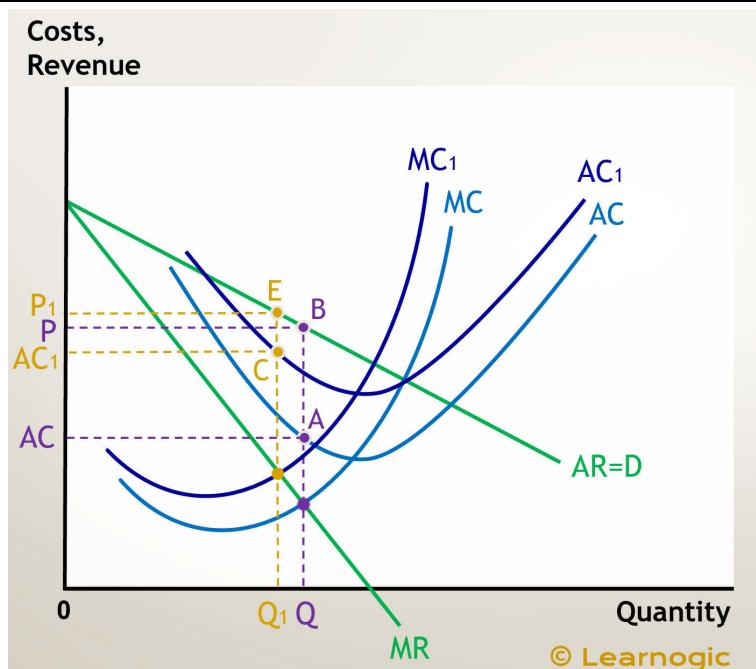
Evaluation (8 marks) – indicative content		
• In the tourism industry many workers are paid below the minimum wage, therefore the change will have a significant impact on businesses or employees. • However, in some parts of the tourism industry, e.g. management, the new national minimum wage may be below the equilibrium wage • Tourism is labour intensive and therefore business will face significantly increased costs of production and fall in profits. • Depends on the ease with which the tourism industry can substitute labour to capital • If businesses can offset the increase in costs, jobs may not be lost/ profits will remain constant • If demand for tourism is price elastic, it will be difficult for firms to pass on higher costs to consumers so resulting in a fall in profit for hotels • Depends on where the tourist comes from – those from high income countries are likely to absorb any increase in price, enabling the hotels etc to pass on any increased costs • In the short-run firms might be slow to respond to changes in minimum wage, therefore job losses may only occur in the long run • Magnitude – how far above the equilibrium wage the minimum wage is set will determine the impact on costs and employment • Impact will depend on how well minimum wage law is enforced		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Knowledge, Application and Analysis (12 marks) – indicative content • Occupational immobility of labour occurs when there are barriers facing people active in the labour market moving from one job to another • Geographical immobility of labour occurs when there are costs or barriers facing individuals who need to move from one area to another to find employment • Immobility of labour is a form of market failure • The Indian Government is making access to university easier by allowing universities to offer online degrees. This should increase the number of people taking a degree so increasing the skill level of young people in India and reducing the occupational immobility of labour Measures implemented by government, businesses could include: • offer training or subsidise businesses that provide specific training for their staff. This improves the skills of the workforce enabling them to fill gaps in the labour market more easily • offer subsidies to businesses who take on workers from groups with very high unemployment levels. Businesses are incentivised by the lower labour costs and the work experience these individuals receive to improve their skill level making them more employable in the future • encourage more apprenticeships to improve the skills of young people entering the workforce, to overcome occupational immobility, by improving their skill level • introduce relocation subsidies or support for individuals who live in regions with lower house prices, that need to move to regions with higher house prices for work • improve the knowledge of job opportunities available across the country to help individuals know where they could locate to find better work • reduce barriers to immigration to overcome occupational immobility of labour • improve infrastructure to reduce geographical immobility of labour Restrict to a maximum of Level 3 if reference is not made to both occupation and geographical immobility
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Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content • The labour force may not have the potential to fill the vacancies for high skilled occupations • Many individuals will not move if they have family ties or friends, even if the government/ business provides relocation subsidies • If the training/education provided does not fill gaps in the labour market, the occupational mobility of labour will not improve • There are time lags for education/training to have an effect. Therefore there may not be any change in the mobility of labour in the short-run • It will depend upon the magnitude of the government/ business expenditure on measures • Lack of information for those putting in place measures mean the wrong level of support is offered		

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate the likely microeconomic effects of an increase in the national minimum wage on an industry of your choice. Illustrate your answer with an appropriate diagram(s). Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. - National minimum wage is a price floor below which the wage rate cannot fall/the lowest amount businesses are allowed to pay per month/per hour © Learnogic - An increase in the national minimum wage would cause the equilibrium wage rate for restaurant workers to increase from W_1 to W_2 and the level of employment in this market to fall from Q_2 to Q_4 - Unemployment may increase in the restaurant industry from Q_2Q_3 to Q_4Q_5 as firms cannot afford to employ the same amount of labour - Unemployment will rise as more individuals enter the labour market, incentivised by the higher wage rate, but cannot find employment



- Profits may fall for restaurants from A,B,P,AC to C,E,P1,AC1, as labour costs have risen causing AC to rise to AC1 and MC to rise to MC1,
- Businesses may make a loss as restaurants may be labour intensive
- Businesses may face a significant increase in costs and may have to reduce other costs e.g. costs of materials, reducing quality
- Businesses may need to increase prices reducing consumer surplus
- An increase in the informal sector, as businesses try to avoid paying higher wages to workers

NB if no diagram candidate can achieve a maximum of level 3

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

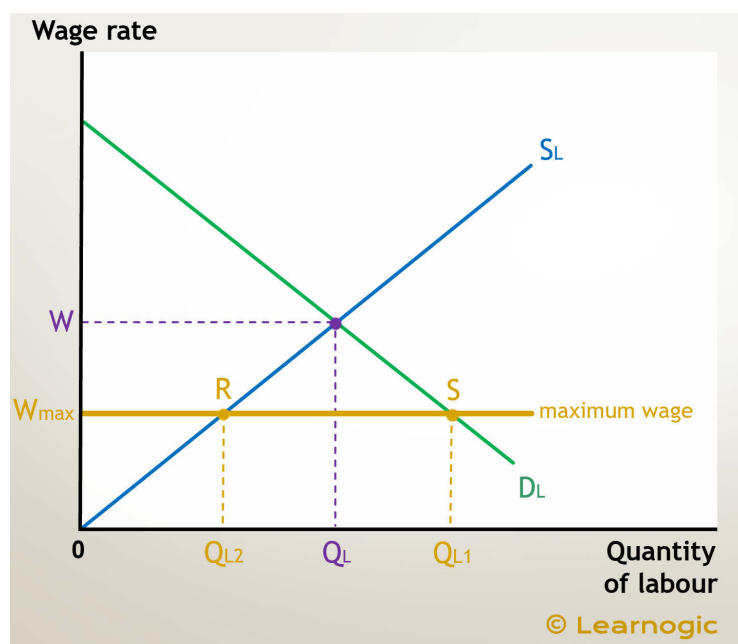
	Evaluation (8 marks) – indicative content - Higher wages may improve productivity, reducing production costs and increasing profits - Many workers are paid above the NMW, therefore the rise will not have an impact on them - Higher wages would increase standards of living - If the proportion of costs allocated to wages is low, businesses may absorb the extra cost and unemployment may not rise - It depends on how labour-intensive the industry is. For more labour-intensive industries, the impact will be more significant - If the labour is derived demand the national minimum wage may not significantly impact the demand for labour - It will depend on the PED of labour as to the size of the impact
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Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

		Collusion and predatory pricing are illegal in most countries and businesses could be fined
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section C

Question	Evaluate the impact of imposing a maximum wage. Illustrate your answer with an appropriate diagram(s). Indicative content
8	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. - Definition of maximum wage: wage ceiling above which workers cannot be paid - Diagram to illustrate maximum wage below market equilibrium



- Contraction of supply of labour $Q_L - Q_{L2}$
- Extension of demand for labour $Q_L - Q_{L1}$ that cannot be fulfilled
- Shortage or excess demand for labour
- 200 executives resigned from banking sector
- The pay would not reflect the responsibilities
- Likely to move to other countries/ occupations without a maximum wage
- Loss of highly skilled and experienced banking executives
- Efficiencies are reduced
- May impact government finances, less tax revenue
- Profits could fall as a result of loss of highly skilled workers
- 200 banking executives leaving might be a significant loss to the Egyptian banking sector

NB if no diagram candidate can achieve a maximum of level 3
Negative impacts of national minimum wage may be regarded as KAA
and positive impacts as evaluation or vice versa

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.

Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
		Evaluation (8 marks) – indicative content • Impact on supernormal profits/reducing wage costs/reducing average costs and leading to higher profits • Labour may be immobile between countries/occupations • Other policies might be more effective- e.g. progressive taxes • Service charges to consumers are reduced as costs fall for banks • Impact on shareholders – dividends would rise if profits increased • Reduction in the difference between those earning the minimum wage and the highest earners • Improvements in equality in the country • Impact depends on gap between the competitive wage and the maximum wage • The Egyptian banks are likely to offer other incentives to retain workers e.g. bonus, company car • 200 banking executives leaving might be a significant loss to the Egyptian banking sector • Only impacts a small number of employees, therefore may not be significant • The government may not set the optimal level of the maximum wage
Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate policies that a government could use to reduce the geographical immobility of labour and the occupational immobility of labour. Refer to industries of your choice in your answer. Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Occupational immobility of labour refers to the difficulty that workers face in switching between different occupations Belgium has a skills shortage as unemployed people are unable to fill the vacancies available. Policies to improve the occupational immobility of labour are therefore needed Policies to overcome occupational immobility of labour: • Skills training programs: Governments may provide skills training programs to help workers acquire new skills and move to a different occupation • Apprenticeship programs: Governments may offer apprenticeship programs e.g. in engineering or robotics, to provide training to increase vocational skills and fill gaps in the market • Education and training subsidies: Governments may provide subsidies to support education and training programs for workers who are looking to move to a different occupation e.g. subsidies for workers training for medical professions • Labour market information/support with job searches: Governments may provide up-to-date labour market information to help workers make informed decisions about their careers and the skills they need • Support for small businesses: Governments may offer support to small businesses to create new job opportunities and reduce occupational immobility • Tax incentives for employing workers: The government may offer tax incentives to employers who hire individuals who are facing difficulty finding work, such as those with disabilities Geographical immobility of labour is the difficulty of workers moving from one location to another Policies to overcome geographical immobility of labour:

- | | |
|--|--|
| | <ul style="list-style-type: none">• Relocation assistance: e.g. The Government provides financial support to low-income workers/the unemployed who need to move for work, helping them with the cost of moving• Housing subsidies: providing housing subsidies to low-income workers/the unemployed to help them afford to move to areas with better job opportunities with high living costs• Transportation infrastructure: Improving transportation infrastructure, such as roads, train links and public transport, can make it quicker/easier for workers to move to areas with job opportunities• Labour market information: better provision of information about job opportunities in different regions, to help workers make informed decisions about moving• Job creation in local areas: encourage job creation in areas with high unemployment by providing tax incentives and other subsidies to businesses that locate in these areas• Regional/industrial policy e.g. freeports or joining a trading bloc/ common market to reduce national barriers to the mobility of labour |
|--|--|

NB: award a maximum of level 3 for a response that does not refer to industries

NB: award a maximum of level 3 for a response that does not consider both types of immobility of labour

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	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
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Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

Evaluation (8 marks) – indicative content

Occupational immobility policies:

- There may be a lack of funding for policies to address immobility of labour. If there is a lack of government funding or political will to support these policies, they may not be implemented
- There could be structural barriers: factors such as discrimination or lack of access to education and training could be causing the immobility. Therefore, short-term policies are not likely to be effective
- Workers might be resistant to changes in their occupations
- The market conditions could change, and policies aimed at overcoming occupational immobility may not keep pace with these changes, or may not be flexible enough to respond to shifting labour market demands
- Workers may not have the skill level to retrain to fill gaps in the market

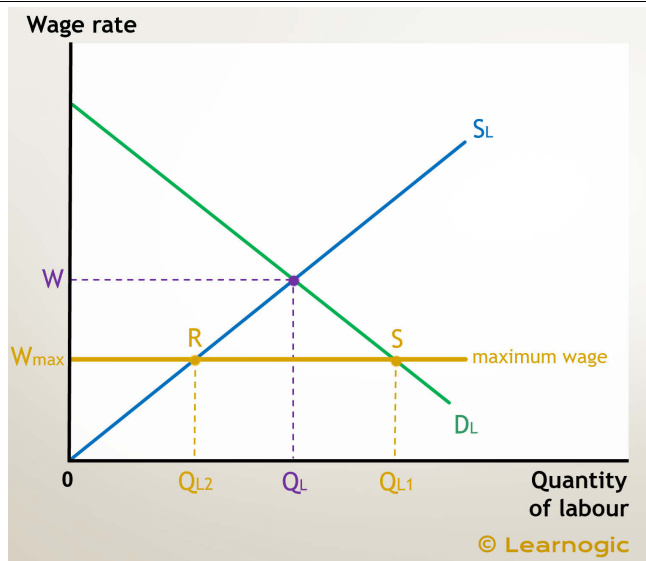
Geographical immobility policies:

- Individuals may have strong personal and family ties that prevent them from moving, such as caring for elderly relatives or having children in school
- Workers may resist moving, especially if they are familiar with their current community and have established social networks
- Policies are costly and require significant investment in infrastructure. if there is a lack of government funding they may not be implemented or be underfunded
- Time lags in building infrastructure may occur and the problem will not be resolved in the short-run
- Workers may not have enough information about job opportunities and the conditions in different regions, making it difficult for them to make informed decisions about moving

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Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	Evaluate the impact that the size of a business has on its efficiency. Illustrate your answer with an appropriate diagram(s). Indicative content
10	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. • Larger businesses, such as Nestlé, might be more productively efficient than smaller businesses (producing at the MES) • Nestlé has access to more resources and economies of scale, which can lead to increased efficiency compared to smaller food-producing businesses • Large production runs in producing food and beverages will lower unit costs, and will enable fixed costs to be spread over a larger output. This may enable the business to produce at the productively efficient level of output © Learnogic • The large businesses produce at Q_1 compared to Q and is able to produce at a lower cost C_1 • Large businesses, such as Nestlé, have specialised division of labour or capital equipment e.g. specialist packaging machines. These might improve efficiency in production, lowering average cost when producing at a higher level of output • Large businesses might be more dynamically efficient • The large business likely to have more price setting ability in the market allowing them to set higher prices and make supernormal profits. The supernormal profits can be reinvested into improving production or better-quality capital, investing in research and development

Question	Evaluate the economic benefits of government intervention in labour markets. Illustrate your answer with an appropriate diagram(s). Indicative content
9	Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. Quantitative skills assessed: QS4: Construct and interpret a range of standard graphical forms. QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. The graph illustrates the labour market with a downward-sloping demand curve (D_L) and an upward-sloping supply curve (S_L). The equilibrium point is at (Q_e, W_e). Two minimum wage levels are shown: NMW (at equilibrium) and NMW_1 (above equilibrium). The graph shows that increasing the minimum wage above the equilibrium level increases unemployment. The unemployment under NMW_1 is the horizontal distance between Q_3 and Q_4. The unemployment under NMW is the horizontal distance between Q_1 and Q_2. - Minimum Wage Controls: Setting a minimum wage above the market equilibrium (NMW to NMW_1) protects workers from exploitation and ensures that they receive a basic standard of living. For example the increase in the NMW in Mexico by 20% to 207.44 pesos in 2023. This wage floor prevents the exploitation of low-skilled or vulnerable workers in Mexico. May result on increased productivity/ higher output for business - Regulating working conditions to improve the quality of work, for example the Government of Mexico setting a maximum of 48 hours of work for a full-time employee - Measures to reduce discrimination and exploitation: anti-discrimination laws and labour standards protect workers from unfair treatment and exploitation. These measures promote and establish working conditions that improve employee welfare



- **Maximum Wage Controls:** Maximum wage controls reduce income inequality and prevent excessive wages earned by higher income groups. By capping the maximum earnings an individual can receive below the market equilibrium (W to $W^{\max}$), the economy can achieve a fairer distribution of income and reduce the gap between high and low-income earners
- **Direct Taxes e.g.:** National insurance contributions may fund unemployment benefits and pensions. It may also fund spending on infrastructure, education and healthcare that can enhance the overall quality of the labour market
- **Measures to reduce geographical and occupational immobility of Labour:** These can include investing in transportation infrastructure, improving education and training programs, and creating policies that facilitate the transfer of workers between industries and regions, ensuring a more efficient and flexible labour market

NB: A candidate can achieve a maximum of level 3 if no relevant diagram

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Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
Evaluation (8 marks) – indicative content - Minimum wage controls: setting a minimum wage too high could lead to job losses in Mexico, especially for small businesses, as they may struggle to afford increased labour costs - Maximum wage controls: may discourage the most skilled from pursuing the most senior jobs or it may hinder motivation impacting productivity (fall in quantity of labour). The most skilled may be encouraged to move to another country to work seeking a higher salary - Direct taxes (e.g., National Insurance contributions): High rates may discourage investment and job creation, potentially leading to reduced employment opportunities - Measures to reduce geographical and occupational immobility of labour may be ineffective because of resistance to change, lack of resources for retraining, or failing to match gaps in the market with the skills of the workforce - Measures to reduce discrimination and exploitation: Enforcement of anti-discrimination measures can be challenging for a government (government failure) - Government intervention may impose excessive costs on businesses		

Level	Mark	Descriptor
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Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.