



Mark Scheme (Results)

Summer 2023

Pearson Edexcel GCE A Level

In Economics B (9EB0)

Paper 01 Markets and how they work

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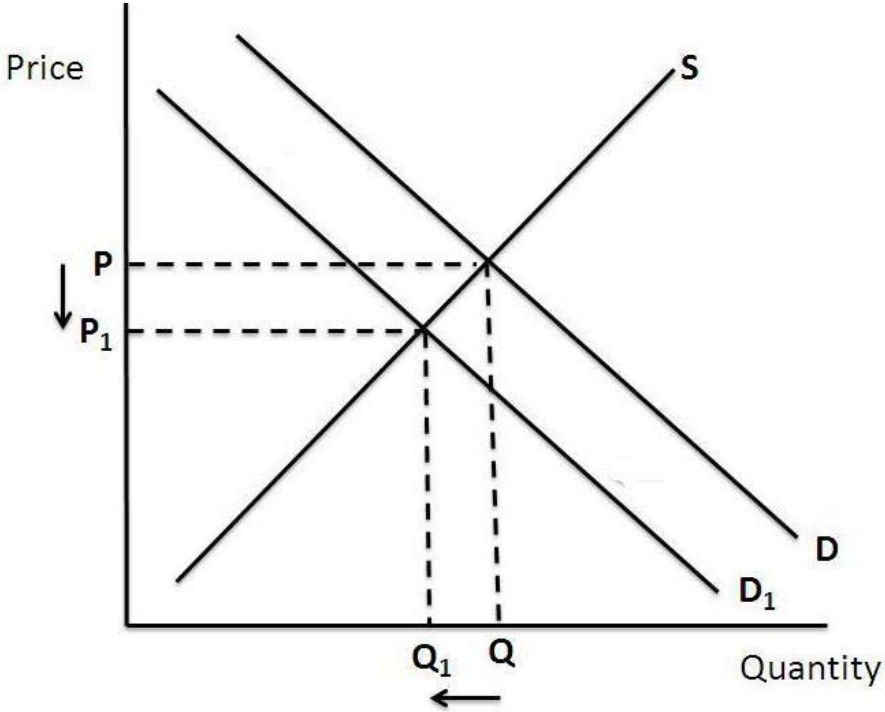
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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Explain one method the Competition and Markets Authority (CMA) could use to research the music streaming industry.	Mark
1(a)	<p style="text-align: center;">Knowledge/Understanding 1, Application 2 Analysis 1</p> <p>Knowledge/Understanding: up to 1 mark for explaining a method e.g.</p> <ul style="list-style-type: none"> by conducting primary market research such as questionnaires/conducting secondary market research such as ONS data (1) <p>Application: up to 2 marks are available for contextualised answers, e.g.</p> <ul style="list-style-type: none"> The CMA could ask consumers directly about the streaming platforms they use (1) The CMA could use focus groups to find out about the quality of music streaming services in the UK (1) <p>Analysis: Up to 1 mark available for developing the connection.</p> <ul style="list-style-type: none"> This could help the CMA to understand how music consumers have been affected by recent changes in the music industry (1) 	(4)

Question Number	Using a supply and demand diagram, illustrate the impact on the market for traditional music formats following the increase in music streaming.	Mark
1(b)	<p style="text-align: center;">Knowledge/Understanding 2, Application 1, Analysis 1</p> <p>Knowledge/Understanding: up to 2 marks for: constructing supply and demand curves correctly and for labelling the axes with price and quantity (1) correctly showing original equilibrium price and quantity P and Q (1)</p> <p>Application: 1 mark for correctly interpreting the shift in the demand curve to the left (1)</p> <p>Analysis: 1 mark is available for showing new equilibrium and consequences on the price and quantity axes P₁ and Q₁ (1)</p> 	(4)

Question Number	Using Extract B calculate, to two decimal places, the percentage of revenue spent on research and development (R&D) by <i>Spotify</i> in 2021. You are advised to show your working.	Mark
1(c)	<p>Knowledge/Understanding 1, Application 3,</p> <p>Knowledge/Understanding: 1 mark for the correct formula for percentage spent on revenue:</p> $\frac{\text{R\&D expenditure}}{\text{Revenue}} \times 100 \text{ (1)}$ <p>Application: Up to 3 marks for calculations</p> $\frac{\text{€912m}}{\text{€9 668m}} \text{ (1)} \times 100 \text{ (1)}$ <p>= 9.43% (1)</p> <p>NB if no working is shown award marks as below:</p> <p>If the answer given is 9.43% award 4 marks</p> <p>If the answer given is 9.43 award 3 marks</p>	(4)

Question Number	Analyse two possible reasons why <i>Spotify</i> might have increased its spending on R&D.	Mark
1(d)	<p style="text-align: center;">Knowledge/Understanding 2, Application 2, Analysis 2</p> <p>Knowledge/Understanding: up to 2 marks for identifying the possible reasons, e.g.</p> <ul style="list-style-type: none"> • To create a competitive advantage (1) • To increase its market share (1) <p>Application: up to 2 marks for contextualised answers e.g.</p> <ul style="list-style-type: none"> • €912m can be used to enhance the quality of the music app (1) • <i>Apple Music</i> is a close rival with 17.48% market share (1) <p>Analysis: up to 2 marks for explaining consequence, e.g.</p> <ul style="list-style-type: none"> • This can give <i>Spotify</i> a significant advantage in the marketplace by making it more attractive than competitors' services (1) • Increased spending on R&D will help <i>Spotify</i> to be innovative and stay ahead of rival streaming platforms (1) 	(6)

Question Number	<p>Discuss the benefits for <i>Spotify</i> of using price discrimination.</p> <p>Indicative content</p>	Mark
1(e)	<p>Knowledge/Understanding 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> • Price discrimination involves charging a different price for the same good or service with firms charging a higher price to groups with lower PED • <i>Spotify</i> is using third degree price discrimination and is segmenting by income, age and lifestyle with different subscription rates for students, individuals, couples and families • Some groups such as students benefit from cheaper prices compared to other groups • Students typically have a lower income so demand is more price elastic • Therefore, a lower subscription price may encourage more students to use <i>Spotify</i> than would have done so at the higher price increasing <i>Spotify's</i> revenue • Price discrimination could help <i>Spotify</i> to use revenue from premium subscriptions to fund discounts for other groups such as students or to offer the 'freemium' version to a wider range of listeners • From <i>Spotify's</i> perspective it can help to maximise profit as more listeners are able to access its services • However, there can be administration costs involved in maintaining the different subscriptions and many listeners may opt for the 'freemium' service instead • For price discrimination to be effective, there needs to be distinct groups who cannot access the service of other groups of customers and who have different price elasticities of demand 	(8)

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

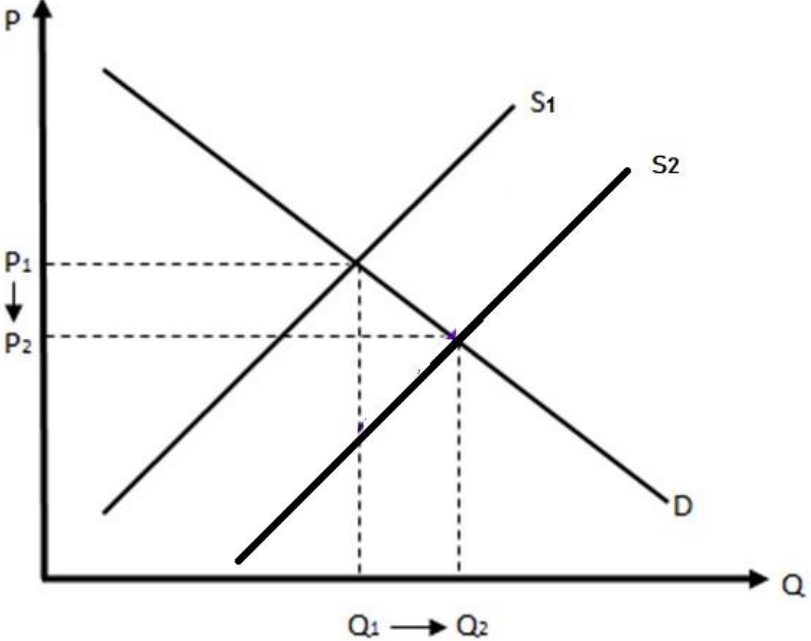
Demonstrating application (AO2) in responses

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

- must directly reference, interpret or analyse the information provided in the stimulus
- in addition, may select examples from their own knowledge but these must be relevant and directly connected to the context/issues set out in the stimulus.

Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and
- may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	<p>Using a supply and demand diagram, assess the likely impact on the market for live music if the UK Government reduced VAT on tickets for live music events.</p> <p>Indicative content</p>	Mark
1(f)	<p>Knowledge/Understanding 2, Application 2, Analysis 3, Evaluation 3</p>  <ul style="list-style-type: none"> • VAT is an example of an indirect/ad valorem tax that is levied as a percentage of the selling price • Supply and demand diagram showing a rightward shift in the supply curve from S1 to S2 and a new equilibrium and consequences on price axes, P2 and Q2 • A reduction in tax such as VAT may lower the prices of tickets for live music events due to the lower tax burden from the UK Government • Lower ticket prices could result in higher attendance at music venues • However, the impact on the market for live music will depend on how much the VAT rate is reduced by • A small reduction in VAT may have a limited impact on the price of tickets for live music events • Many live events were cancelled in 2020 and 2021 such as Glastonbury and many music firms may have left the industry or have been forced to close during lockdowns • It depends on whether the lower rate is passed on in the form of lower prices • Therefore, a lower rate of VAT may not have a positive impact on the industry 	(10)

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

Demonstrating application (AO2) in responses

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

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Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Assess the implications of a fall in unemployment for firms within the music industry. Indicative content	Mark
1(g)	<p style="text-align: center;">Knowledge/Understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Unemployment refers to a situation where a person actively searches for employment but is unable to find work • Although unemployment has fallen, there has been a substantial decrease in the number of workers in the music industry with a 69,000 drop in employment since 2019 • This will have affected a wide range of music firms such as Glastonbury, music studios and venues as musicians could not work during lockdown • This could have resulted in many musicians and workers moving to alternative employment as many were self-employed so not covered by the government support scheme • The impact of this will be that firms in the music industry may struggle to recruit replacement workers • This could negatively affect firms in the music industry to fill vacancies as music venues were allowed to open up • With falling unemployment, firms in the music industry could be forced to offer higher wages to attract workers back into the industry • Some music industry workers previously employed in the music industry may not return as they have found employment elsewhere • However, the impact on firms will depend on how easy it is to recruit workers back into the industry • Music industry skills may not be transferable to other industries and their alternative employment may mean they earn lower wages • A fall in unemployment could result in higher incomes and more demand for music industry products therefore benefiting firms within the music industry • The impact will depend on how easy it is for workers to regain jobs within the music industry and how much demand is affected by a fall in unemployment 	(12)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted. Limited attempt to address the question.
Level 2	3–5	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented but with limited attempt to address the question. Comparisons and judgements may be attempted.
Level 3	6–9	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, well developed with arguments. An awareness of the significance of competing arguments is present although this may lack balance.
Level 4	10–12	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen, logical, coherent chains of reasoning, showing full understanding of the question. Arguments are developed and evaluated. A full and balanced awareness of the validity and significance of competing arguments.

Demonstrating application (AO2) in responses

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Where questions do not specifically stipulate the use of data or information provided in a stimulus, students:

- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and may directly reference, interpret or analyse the information provided in any relevant stimulus

Question Number	Assess the benefits for consumers of the music streaming industry being an oligopoly. Indicative content	Mark
1(h)	<p style="text-align: center;">Knowledge/Understanding 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • An oligopoly is an industry dominated by a few large firms • The music streaming industry is dominated by a few firms such as <i>Spotify, Apple Music, Amazon Music, YouTube and Tencent Music</i> that have 87.23% market share between them • Competitive oligopolies can lead to price wars which can benefit consumers if music firms such as <i>Spotify</i> and <i>Amazon Music</i> lower prices to gain new listeners • Dominant music firms such as <i>Spotify</i> might be able to exploit economies of scale which leads to lower average costs and lower prices for music listeners in the long run • Non-price competition often occurs in an oligopoly with the aim to increase brand loyalty • For example, <i>Spotify</i> might improve the quality of its service, such as having more music artists in comparison to <i>Apple Music</i> • However, there can be cartel behaviour including collusion that can lead to higher prices • Often there is price stability due to interdependence resulting in higher prices than there would be in a more competitive market structure • A high concentration ratio limits consumer choice and barriers to entry such as high start-up costs may deter innovative smaller music streaming firms from profitable entry • It depends on the extent to which an oligopoly is contestable as to how music consumers will be affected • It depends on the effectiveness of industry regulation in protecting the consumer by tackling anticompetitive behaviour 	(12)

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

Demonstrating application (AO2) in responses

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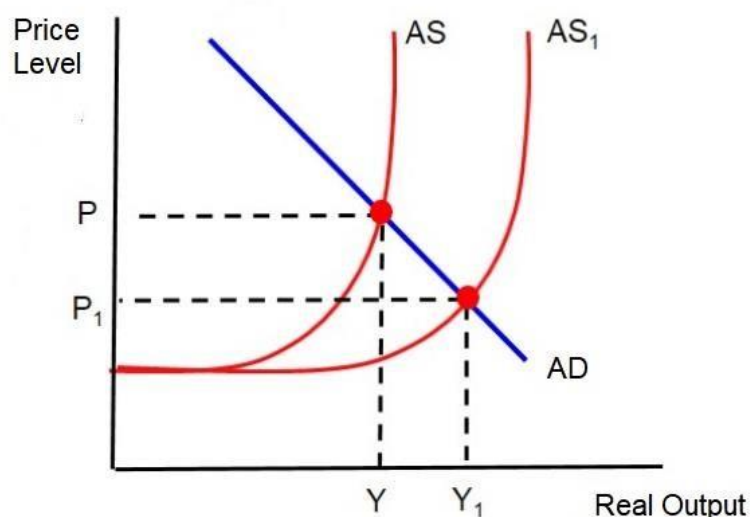
- must select relevant examples from their own knowledge, these must be directly connected to the context/issues set out in the question, and may directly reference, interpret or analyse the information provided in any relevant stimulus.

Question Number	Evaluate the effectiveness of the UK Government providing information in reducing the number of smokers in the UK.	Mark
	Indicative content	
2	<p data-bbox="443 315 1165 387">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul data-bbox="395 427 1267 1787" style="list-style-type: none"> • Smoking is an example of a demerit good and cigarettes/tobacco are overconsumed in the UK • This is because the price of cigarettes fails to take into account the cost of poor health to the individual, the addictive nature of the product and the potential harm to others through passive smoking • Overconsumption could be caused because of imperfect information on the part of the smoker who may not be fully aware of how it will affect their health or how addictive it can be • The film from the Better Health Smoke Free campaign is an example of government intervention to help correct market failure by the provision of information • The campaign can be used to show the dangers of smoking and to highlight that children are four times more likely to start smoking if parents or caregivers smoke • This new information might be enough to help smokers make a fully-informed decision about how their behaviour affects the likelihood of their children starting to smoke • Parents may not have known this link and this could result in more people stopping smoking not just because of the health implications for themselves • However, not all campaigns are successful particularly due to the addictive nature of cigarettes • Many smokers are fully aware of the negative consequences of smoking but still choose to smoke because of the private benefits they receive • The effectiveness will very much depend on smokers seeing the campaign and being able to get support to quit a very addictive product • Other policies such as high rates of taxation on cigarettes might be more effective in reducing demand • Taxation ensures that the price the consumer pays more closely reflects the individual and societal costs of smoking and revenue raised can be used to tackle the external costs of smoking • Regulation might be more effective and has been used 	

	<p>to place limitations on where cigarettes are sold, consumed, and advertised, as well as addressing information asymmetry by ensuring that products carry a clear health warning</p> <ul style="list-style-type: none"> • Further Government action could include a range of approaches including appropriate funding for stop smoking services 	(20)
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	0	A completely inaccurate response.
Level 1	1–4	Isolated elements of knowledge and understanding, using little or no relevant evidence. Arguments and chains of reasoning may be attempted, but fail to connect causes and consequences. Limited attempt to address the question.
Level 2	5–9	Elements of knowledge and understanding, using limited relevant evidence. Arguments and chains of reasoning are presented, but connections between causes and consequences are incomplete. Limited attempt to address the question. Comparisons, judgements or conclusions may be attempted, but are unsupported or generic.
Level 3	10–15	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, developed chains of reasoning, showing understanding of connections between causes and consequences. Arguments are well developed and partially evaluated. An awareness of the significance of competing arguments is present although this may lack balance. A conclusion may be attempted but may not show awareness of the significance of competing arguments.
Level 4	16–20	Accurate knowledge and understanding, supported throughout by use of relevant evidence which is well chosen and fully integrated to support the argument, well developed and logical, coherent chains of reasoning, showing full understanding of the question. Arguments are fully developed and evaluated. A full awareness of the validity and significance of competing arguments, leading to nuanced and balanced comparisons, judgements or conclusions.

Question Number	Using an AD/AS diagram, evaluate the impact of improving the skills and quality of the labour force for the UK economy.	Mark
	Indicative content	
3	<p data-bbox="472 342 1198 416">Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</p> <ul data-bbox="424 456 1297 1480" style="list-style-type: none"> • Improving the skills and quality of the labour force is an example of a supply-side policy • Extract G shows that the number of job vacancies in the UK has been increasing since Q1 2020 and currently stands at 1,294,000, spread across a range of occupations • Investing in education and training could help to reduce structural unemployment in the occupations with high job vacancies such as accommodation and food services • Education and training can help to increase the skills and employability of young people still at school as well as unemployed workers unable to get a job • The Skills Bootcamps can help to target people who want to gain new skills or retrain into new occupations which could help to fill the job vacancies outlined in Extract G and reduce occupational immobility • Education could increase the knowledge and skills of the workforce to enable workers to perform their jobs effectively and increase productivity for the UK economy • A better educated and trained workforce could enable the UK to produce more goods and services thus increasing the productive capacity of the UK economy and enable the UK to be more competitive • This could result in an outward shift of the AS curve as more goods and services can be produced with the same factor resources • This shifts Y to Y1, increasing economic growth and at the same time lowering the price level from P to P1 therefore helping to reduce inflationary pressures 	



However, investment in education and training tends to be long-term particularly for occupations such as teaching which can take many

- years of training before employment
- There is a shortage of teachers and the government is offering incentives to retain the best teachers therefore there could be problems in offering new training courses to 200,000 per year
- Often there is a delay in people gaining new skills and being able to enter the labour force therefore the impact on the UK economy could take many years to emerge
- There is a financial/opportunity cost to the UK Government of offering education and training which could be spent on things such as investment into the UK infrastructure which might have a greater impact on the productive capacity of the UK economy
- If the main cause of unemployment in the UK is due to other reasons than structural issues, then demand side policies such as fiscal and monetary might be more effective in reducing unemployment than supply-side policies such as education and training
- The impact will depend on how effective the education and training courses are in improving the skills and quality of the labour force to fill skills shortages
- Policy conflicts may appear if the government is unable to fully fund education and training in the longer term

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