



# Mark Scheme (Results)

Summer 2023

Pearson Edexcel GCE A Level  
In Economics B (9EB0) Paper 03  
The Economic environment and business

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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	<p>Discuss if wage rates in a modern labour market are always determined by supply and demand.</p> <p>Indicative content</p>	Mark
1(a)	<p><b>Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul style="list-style-type: none"> <li>• If the demand for labour exceeds the supply of labour then it might be expected that wage rates would increase</li> <li>• In a free market labour would respond to the signal of higher reward and move to that market</li> <li>• This would increase supply and create a new equilibrium wage</li> <li>• The opposite would happen if supply was greater than demand, wages would fall as happened in Extract A</li> <li>• Labour would leave the market until equilibrium is reached at a lower wage</li> <li>• In general, labour for the more specialised or skilled occupations tends to be in short supply and therefore wages rise accordingly</li> <li>• Again, the reverse holds true when there are a few if any skills needed, wages tend to be low</li> <li>• However, labour markets are not free markets and other forces (or market imperfections) can influence wage rates</li> <li>• Trade unions can negotiate higher wages by the strength of their organisation, often backed by industrial action</li> <li>• Some labour markets face a monopsony employer that can drive down wage rates such as the NHS or state education</li> </ul>	(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:

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Question Number	Assess how barriers to entry affect market structure.  Indicative content	Mark
1(b)	<p style="text-align: center;"><b>Knowledge/understanding 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• Barriers to entry are anything that prevent or make it difficult for a firm to enter a market and compete</li> <li>• They include start-up costs, regulation, patents, use of technology and scale</li> <li>• The higher the barriers to entry are, the less contestable the market is, with fewer firms present in the market, and competition may be low</li> <li>• Ultimately, a monopoly has only one firm and high barriers to entry, often because it is a natural monopoly such as a rail network</li> <li>• Having no barriers at all is one of the requirements of perfect competition, a theoretical model. In reality, all markets have some barriers to entry that must be overcome</li> <li>• Those markets with very few or low barriers tend to have many firms and much competition. It is relatively easy to open up a snack bar and so there are many such firms</li> <li>• These markets are usually referred to as imperfect competition</li> <li>• As the barriers increase in size and scope, fewer firms are capable of entering the market and it is often dominated by a few large firms, this is called an oligopoly, such as the high street banks or the supermarkets</li> <li>• However, barriers to entry are not permanent or insurmountable as Extract B shows with <i>Tesla</i>, it is possible to break into a previously non-contestable market</li> <li>• Changes in technology have circumvented the old barriers and changed the nature of the market, reducing monopoly power and increasing competition</li> <li>• The strength of the supermarket oligopoly has been diluted in recent years with the emergence of <i>Aldi</i> and <i>Lidl</i> and although it is an oligopoly there are still many small corner shops and convenience stores</li> <li>• Even if barriers to entry are low it does not mean that firms will enter a market, that may depend on other factors such as the economic climate or the level of demand</li> </ul>	(10)

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Level 3	5–7	Accurate knowledge and understanding, supported by use of relevant evidence to support the argument, clear chains of reasoning, with well-developed 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 (A02) in responses

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Question Number	Assess the benefits for a firm of adapting its marketing strategies for global markets.  Indicative content	Mark
1 (c)	<p style="text-align: center;"><b>Knowledge/Understanding 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• Global marketing is the act of focusing a product on the needs of potential buyers in other countries</li> <li>• Global localisation or glocalisation is a marketing strategy that adapts a global product or service to suit differing tastes and preferences in different regions</li> <li>• Many successful MNCs do this e.g. <i>McDonald's</i> adapts its menus to suit local tastes such as no beef in India and the Mcaloo Tikki burger</li> <li>• If a firm such as <i>Dunkin Donuts</i> takes local preferences into account it means that many potential sales may be gained as the product/marketing is more likely to appeal to local tastes</li> <li>• This will build brand loyalty and encourage repeat purchases and is likely to give a business a competitive advantage over rivals that may not have followed such a policy</li> <li>• Thinking local gives a business such as <i>Dunkin Donuts</i> the best of both worlds - the power and protection of a global brand and the targeting of local tastes to maximise sales</li> <li>• Although it may cost more to research and adapt to local tastes, the potential gains from increased sales may outweigh these extra costs</li> <li>• However, the reverse may also be true - not having to adapt to local differences saves time and money in researching and adapting to the demands of individual markets</li> <li>• Standardised products mean that economies of scale are more likely, leading to a cost advantage, leading to lower prices and a competitive advantage, or an increase in profitability</li> <li>• For <i>Red Bull</i> it is confident in its approach and does not see the need to adapt to local tastes – so far, this has been successful with over 7.5 billion cans sold annually, the same product is successful in every country</li> <li>• Some products and services are universal and therefore little or no adaptation to social and cultural differences is needed when trading internationally – <i>Sony/Apple/Ferrari</i></li> <li>• Much will depend on the product or service and it is perhaps more likely that food products will need to be adapted to local preferences than technological products</li> </ul>	(12)



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Question Number	Evaluate the impact of the digital economy on markets and firms. Indicative content	Mark
1(d)	<p style="text-align: center;"><b>Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</b></p> <ul style="list-style-type: none"> <li>• The digital economy has made information and communication much easier for both consumers and firms</li> <li>• It has transformed many markets in terms of structure and the way in which they operate</li> <li>• Consumers have access to a much wider range of goods and services with greater information which has done much to increase their power and reduce asymmetric information</li> <li>• Price comparison sites have meant that many firms have had to become more price competitive and focus more on their non-price factors such as quality and customer service</li> <li>• Businesses such as <i>Amazon</i> and <i>eBay</i> have thrived by being able to offer a wide range of products to a national/global audience by a digital platform</li> <li>• Niche products have been able to expand their customer base by using these platforms or using the internet to reach faraway customers</li> <li>• Supermarkets now offer online shopping and home delivery</li> <li>• All of these activities have created structural changes in markets and firms. Employment has moved from traditional workplaces to the newer digital based businesses, Extract E shows just some examples</li> <li>• The rise of home shopping has seen a large increase in the demand for drivers and vehicles</li> <li>• New skills are needed which means a change in the labour markets and in the courses offered by our education providers</li> <li>• It is not just consumers that have benefited from greater access and information. Many firms have reduced costs and increased efficiency by using B2B digital platforms</li> <li>• However, while the process of creative destruction has brought many changes to markets, there has been a negative impact on many traditional firms</li> <li>• Many high-street shops and chains have closed as they cannot compete with the prices and range offered by digital competitors</li> <li>• Print based media is under threat from digital news and media such as <i>Twitter</i> and <i>Facebook/Meta</i>. Entertainment media such as the cinema and television face falling consumption in the face of streaming services such as <i>Netflix</i> and <i>Sky</i></li> </ul>	(20)
	<ul style="list-style-type: none"> <li>• Small businesses have complained at the excessive power of the digital platforms they rely on</li> <li>• Amazon has been accused of using its power to exploit workers in terms of wages and conditions</li> </ul>	

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|--|---|--|
|  | <ul style="list-style-type: none"><li>• All change creates winners and losers, creative destruction is an apt term for this process and markets and firms have always changed and evolved, whether the cause is the industrial revolution or the digital revolution</li></ul> |  |
|--|---|--|

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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 competing arguments are 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 questions. 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.

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Question Number	Discuss the benefits for a firm of operating in a niche market.  Indicative content	Mark
2(a)	<p style="text-align: center;"><b>Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2</b></p> <ul style="list-style-type: none"> <li>• A niche market is a smaller segment of a larger market with special characteristics such as specialised products/services often commanding premium prices and having a low PED</li> <li>• Competition in niche markets is usually low, with brand loyalty and/or product differentiation reducing direct competition</li> <li>• Targeting very specific tastes and cultures such as Motorcycle travellers to the Himalayas is more likely to gain customer satisfaction and loyalty and gain a competitive advantage</li> <li>• Closer relationships with customers are possible which increases brand loyalty and enables products/services to be more precisely targeted</li> <li>• In the example of IOC this has led to an increase in revenue</li> <li>• However, businesses in niche markets can rely too much on one area/product/service which can be adversely affected by changes in tastes, for example, the Himalayas as a destination may lose its appeal if it becomes too popular</li> <li>• Although niche markets have less competition, barriers to entry are low and competition may increase as other petrol stations see the advantages of copying the idea</li> <li>• Over time, niche markets can expand and become mass markets and so a business can lose the advantages of being a niche producer</li> </ul>	(8)

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Question Number	Assess the likely impact of the proposed takeover of OMV Slovenija by MOL on the market for fuel in Slovenia.  Indicative content	Mark
2(b)	<p style="text-align: center;"><b>Knowledge/understanding 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• The commission is concerned that the takeover, if allowed to go ahead, will reduce competition in the market for fuel</li> <li>• This may mean that prices for fuel will rise once the need to compete with each other is reduced</li> <li>• This will impact motorists by reducing their remaining disposable income</li> <li>• It may be that some petrol stations may close as the new enlarged company cuts costs by getting rid of surplus outlets</li> <li>• This has implications for staff and for customer choice and convenience</li> <li>• As competition reduces there is less need to innovate or provide good quality products or services</li> <li>• The market power of the new larger firm will act as a barrier to entry, discouraging new entrants that might have increased competition in the market</li> <li>• However, <i>MOL</i> may now be in a position to take advantage of economies of scale and reduce costs which may stabilise or even reduce pump prices and benefit the consumer</li> <li>• If <i>MOL</i> does close surplus outlets this may benefit the consumer if the savings are passed on in lower prices</li> <li>• With increased market power <i>MOL</i> may be able to compete more effectively with <i>Petrol</i> the largest supplier in Slovenia, this may benefit the consumer</li> <li>• The overall impact will depend on whether the commission imposes any restrictions on <i>MOL</i> and what they are, for example it might force <i>MOL</i> to sell some of its fuel stations to a smaller rival to maintain competition in the market</li> </ul>	<b>(10)</b>

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Question Number	Using a suitable diagram, assess the benefits of a subsidy in a market such as the French energy market.  Indicative content	Mark
2(c)	<p style="text-align: center;"><b>Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4</b></p> <div data-bbox="389 546 1102 976" data-label="Figure"> </div> <ul style="list-style-type: none"> <li>• A subsidy will shift the supply curve down and to the right by the amount of the subsidy as shown in the diagram</li> <li>• This creates a new lower equilibrium price at <math>P_2</math> and an increase in quantity consumed at <math>Q_2</math></li> <li>• The actual size of the increase depends on the PED, an inelastic demand curve will see a smaller increase than an elastic one</li> <li>• For consumers this has the effect of maintaining or even increasing (depending on the size of the subsidy) their remaining disposable income</li> <li>• In the French energy market this may ensure that consumers do not suffer from fuel poverty or a loss in real income</li> <li>• However, the subsidy may have to be paid by the government from taxation, which may have a trade-off with other areas of government spending such as health or education</li> <li>• If the subsidy is funded by extra government borrowing this will increase debt and incur interest payments and ultimately require repayment at a later stage</li> <li>• Extract H suggests that this will prevent future investment</li> <li>• If the consumer is not paying the true cost of energy more will be consumed, this may cause an increase in negative externalities</li> <li>• The overall impact will depend on the size of the subsidy needed and the length of time it is in place</li> </ul>	(12)

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Question Number	Evaluate government policies that can be used to deal with market failure in an economy caused by emissions.  Indicative content	Mark
2(d)	<p style="text-align: center;"><b>Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6</b></p> <ul style="list-style-type: none"> <li>• Governments have a choice of policy options to deal with the externalities caused by emissions</li> <li>• Tradable pollution permits can be imposed which limit the amount of emissions allowed by individual firms</li> <li>• More efficient producers can trade their excess permits increasing profitability which is an incentive for firms to become more efficient</li> <li>• However, setting the right levels for permits is difficult, as is policing their use</li> <li>• Indirect taxes placed on fuel and energy increases the price and reduces consumption</li> <li>• Vehicles that pollute carry a higher tax to discourage their purchase, revenues raised can be used to subsidise research into more efficient methods of transport</li> <li>• Tax can be reduced or abolished on greener less polluting forms of transport such as electric vehicles</li> <li>• However, taxation can be unpopular with some sectors of society. People in rural areas may have little choice but to continue to use cars and fuel if there is no public transport available</li> <li>• Regulation and legislation can be used to set more efficient standards, for example exhaust emissions have become much stricter in recent years. In the UK the sale of new petrol and diesel cars will be banned by 2030</li> <li>• New houses have to conform to certain standards of thermal efficiency</li> <li>• However, this can cause protests from individuals and interest groups and can add to the cost of producing regulation compliant products</li> <li>• Government information can help to promote public understanding of the problems caused by market failure and the need to accept policy solutions</li> <li>• Awareness of climate change is much greater now than it was a decade ago</li> <li>• However, this takes time to change people's minds and habits</li> <li>• Governments can actively intervene and promote greener technologies such as wind and solar power. Funding can be used to research and develop alternative technologies for future benefit</li> <li>• However, this can be long term and requires funding which has an opportunity cost</li> </ul>	(20)

	<ul style="list-style-type: none"><li>• There is no one solution, all government policies have both advantages and drawbacks. The ones used will depend on the needs of a particular economy, its resources, its political persuasion and public opinion</li></ul>	
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