Mark Scheme (Results)

Summer 2023

Pearson Edexcel GCE A Level
In Economics B (9EB0)
Paper 02 Competing in the global economy

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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.

Section A

Question Number	Using the data from Extract C calculate, to 2 decimal places, the rate of inflation in March 2022. You are advised to show your working.	Mark
1(a)	**Knowledge/understanding 1, Application 3** **Knowledge/understanding:** 1 mark for correct formula: $\dfrac{(\text{CPI Mar 2022 - CPI Feb 2022})}{\text{CPI Feb 2022}} \times 100$ **(1)** **Application:** up to 3 marks for calculating: 117.1 − 115.8 **(1)** = 1.3 1.3 ÷ 115.8 **(1)** = 0.0112 0.0112 x 100 = 1.12% **(1)** **NB if no working is shown award marks as below:** • If the answer given is 1.12% award 4 marks • If the answer given is 1.12 award 3 marks.	**(4)**

Question Number	With reference to Extract C, explain in which month there was deflation and in which month there was disinflation.	Mark
1(b)	**Knowledge/understanding 1, Application 2, Analysis 1** **Knowledge/understanding:** 1 mark for explaining which months: e.g. There was deflation in Jan 2022 and disinflation in Nov 21 **OR** Dec 21 **(1)** **Application:** up to 2 marks are available for a contextualised answer: e.g. Jan 2022 the rate of inflation was negative at -0.17% **(1)** the rate of inflation decreased to 0.79% in Nov 21 **OR** the rate of inflation decreased to 0.52% in Dec 21 **(1)** **Analysis:** 1 mark available for developing explanation: e.g. Deflation is when there was a decrease in the average price level whereas disinflation is when there was a reduction in the rate of increase in the average price level **(1)**	**(4)**

Question Number	Median nominal annual earnings for full-time employees in the UK increased from £25 806 in 2009 to £31 285 in 2021. In the same period, there was an increase of 52% in demand for takeaway meals. Using this data calculate, to 2 decimal places, the income elasticity of demand for takeaway meals.	Mark
1(c)	**Knowledge/understanding 1, Application 3** **Knowledge/understanding**: 1 mark for correct formula: YED = % Δ Qd ÷ % Δ Y **(1)** **Application:** up to 3 marks for calculating: £31 285 – £25 806 **(1)** = £5 479 £5 479 ÷ £25 806 x 100 **(1)** = 21.23% 52% ÷ 21.23% = 2.45 **(1)** **NB if no working is shown award marks as below:** • If the answer given is 2.45 award 4 marks.	
		(4)

Question Number	Analyse two ways small firms might survive in the competitive restaurant market.	
1(d)	**Knowledge/understanding 2, Application 2, Analysis 2** **Knowledge:** up to 2 marks for e.g. Better customer service rather than trying to compete on price **(1)** Product differentiation/USP **(1)** **Application:** up to 2 marks for contextualised answers e.g. More personal table service offered so that customers know the staff and the staff know the customers **(1)** Specialising in types of food not provided by the chain restaurants **(1)** **Analysis:** up to 2 marks for developing the answer e.g. Better customer service may result in increased repeat bookings increasing sales revenue and making survival more likely **(1)** By offering a more unique product, the small firm may be able to charge higher prices, increasing revenue, profit and making survival more likely **(1)**	**(6)**

Question Number	Discuss the possible benefits to takeaway firms of using dark kitchens. Indicative content	Mark
1(e)	**Knowledge/understanding 2, Application 2, Analysis 2, Evaluation 2** • Dark kitchens are intended to increase efficiency; to cook, pack and deliver takeaway meals as quickly as possible (Extract B) • Dark kitchens are also intended to help existing restaurant brands reach customers further away from their restaurants and increase turnover (Extract B) • Costs are reduced as dark kitchens are located within warehouses in low-cost areas of cities (Extract B) • This is likely to decrease average unit costs for existing firms increasing their profitability • However, lower costs may also attract new entrants to the takeaway meals market • This would increase competitive pressure on existing takeaway firms and may reduce their profitability	**(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
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Question Number	With reference to Extract A, assess the likely impact of rising inflation on the UK restaurant market. Indicative content	Mark
1(f)	**Knowledge/understanding 2, Application 2, Analysis 3, Evaluation 3** • Restaurants are facing food, wage and energy inflation • Real household incomes are falling, as the rate of inflation exceeds increases in nominal incomes • Rising costs mean that firms may pass these higher costs on in the form of higher prices, which may reduce demand • This decrease in demand may be greater if real incomes are falling and YED is elastic • Alternatively, firms may decide to absorb some or all these higher costs and see reduced profits • Lower profits have meant firms such as *The Restaurant Group* and *Casual Dining Group* have been exiting the market • Rising costs and lower profits may also make it less likely new firms will be able to enter the market • The growth of the takeaway meals market has further reduced demand for restaurant meals • However, independent restaurants have stepped into the gaps left by the chains • Cheaper rents have made it easier for entrepreneurs to start new restaurants • The impact of rising inflation upon restaurants will depend upon PED: if PED is inelastic, perhaps due to it being in a niche market, then rising prices may have little impact on demand; if PED is elastic, in the more competitive, chain market, then rising prices may have more effect on demand • Similarly, if YED is negative, for example in cheaper restaurants, then falling real incomes may increase revenue • Overall, the evidence suggests rising inflation may both reduce demand and mean lower profits in the restaurant market • The survival and success of firms depends upon their product differentiation and capacity to absorb higher costs and/or ability to raise prices	**(10)**

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	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, 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.

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Question Number	With reference to Extract A, assess problems arising from the inorganic growth used by UK restaurants chains such as *The Restaurant Group* and the *Casual Dining Group*. Indicative content	Mark
1(g)	**Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4** • Inorganic growth is where firms grow through mergers and takeovers • Growth can be horizontal (in the same sector/stage of production), vertical (backward and forwards) and conglomerate integration (across sectors) • *The Restaurant Group* and *Casual Dining Group* appear to have grown inorganically and horizontally as they control a range of restaurant brands such as Frankie & Benny's, Garfunkel's and Chiquitos and Café Rouge and Bella Italia respectively • The aim of growth is to increase market power and total revenue, reduce average costs from economies of scale and increase profitability • To some extent, the firms have achieved this through the acquisition of several brands • In growing inorganically and horizontally with differentiated products the firms have spread risk in the restaurant sector • However, Extract A suggests that the inorganic and horizontal growth model has left firms vulnerable to both demand and supply shocks • Falling real household income has reduced demand for restaurant meals, reducing the revenue for restaurants • At the same time, rising costs have also reduced the profitability for restaurants • Diseconomies of scale and a lack of flexibility in a changing market have led to the closure of many chain restaurants • Furthermore, the closure of many chain restaurants and the resulting fall in rents have reduced barriers to entry for small, independent restaurants • Therefore, the method of growth chosen by the restaurant chains while initially successful in allowing the firms to grow rapidly has left them exposed to demand and supply shocks	**(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, with well developed 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.

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| Question Number | With reference to Extract B, assess potential stakeholder conflicts associated with the growth of dark kitchens.

Indicative content | Mark |
|---|---|---|
| **1(h)** | **Knowledge/understanding 2, Application 2, Analysis 4, Evaluation 4**

- Stakeholders are anyone who has an interest in the success or failure of a firm and could include consumers, employees, owners/shareholders and the local community within which the dark kitchens are located
Possible conflicts might include:
- For consumers the dark kitchen may deliver takeaway meals as quickly and as cheaply as possible (Extract B) versus employees, where there have been concerns about poor working conditions and low pay within the industry (Extract B)
- For owners/shareholders dark kitchens designed exclusively for efficiency (Extract B) may reduce costs and raise profitability versus employees who may receive low pay (Extract B)

- For owners/shareholders dark kitchens help existing brands reach areas further away from their restaurants, reducing costs (Extract B) versus negative externalities for local communities from delivery traffic and increased litter (Extract B)
- However, the extent of such conflicts may depend upon the effectiveness of government enforcement of employment law, including working conditions and minimum wages
- The degree to which consumers base their purchasing decisions simply on price and speed of delivery rather than on quality or other non-price factors
- The level of productivity in the dark kitchens, as higher productivity may lead to better working conditions and higher pay
- The extent of negative externalities will depend upon the quality of the local infrastructure, including roads and waste management
- The level of employment and income created in communities may balance out the negative externalities | **(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, with well developed 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.

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Section B

Question Number	Evaluate the impact of just in time (JIT) management of stock on the efficiency and competitiveness of firms. Indicative content	Mark
2	**Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6** • JIT is a 'pull' system of production, where orders or purchases provide a signal for when a product should be manufactured or delivered and depends upon close relationships with suppliers • JIT enables firms to produce or store only what is required, in the correct quantity and at the correct time increasing efficiency • Stock levels of components, work in progress (Extracts F and G) and finished goods (Extract E) can be kept to a minimum • The aim is to reduce storage costs and money wasted in unused or unsold stock • Lower costs can lead to lower prices, increasing competitiveness and profitability • Minimal stock levels mean that if there is a break in the supply chain, production and sales may stop (Extracts E and Extract F) • Retailers such as supermarkets rely on road distribution. Problems can reduce efficiency, raise costs and cause a reduction in competitiveness • For car and electronics manufacturers, if stock is not delivered on time, the whole production schedule can be delayed or halted reducing efficiency • There is little or no spare product available to meet increasing demand and this makes the firm vulnerable to price increases for raw materials (Extract G) • However, JIT is a very responsive method of inventory management when supply chains are suitably resourced and integrated into production • Investment in supply chains, as well as the use of forward markets, can be used to reduce the risks associated with JIT management of stock • While JIT can be an efficient form of stock management for many industries, it may not be appropriate for the natural gas supply industry where reserves of stock are vital to avoid shortages and reduce price fluctuations	**(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.

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Section C

Question Number	Evaluate the extent to which there is a trade-off between the policy objective of economic growth and the other objectives outlined in Extracts H and I. Indicative content	Mark
3	**Knowledge/understanding 4, Application 4, Analysis 6, Evaluation 6** • Extract H shows how there may be a trade-off between inflation and growth • Extract H also shows how low growth and inflation may also be politically dangerous • Extract I shows a trade-off between prosperity (living standards) and sustainability • Extract I shows a trade-off for Norway between domestic sustainability and prosperity from export earnings derived from fossil fuels • The causes of inflation are important to understanding the potential trade-off between growth and inflation • If inflation is demand-pull, then there may be a trade-off as rising AD increases growth and inflation • The trade-off between prosperity and sustainability will similarly depend upon the sources of prosperity • If prosperity is derived from the exploitation of fossil fuels, then the trade-off may be large • However, if the causes of inflation are cost-push, then growth may be low or negative and combined with high inflation (stagflation) • If the wealth created through fossil fuels is invested in the development of sustainable energy sources, rather than consumption, then the trade-off may be reduced • Policy conflicts and trade-offs depend upon which macroeconomic objectives are given the greatest weight or priority by governments	**(20)**

	• If the UK government prioritises growth rather than inflation, then above target inflation may not be seen to conflict with growth at least in the short-term • This can lead to conflicts in fiscal policy (tax cuts and spending increases) and monetary policy (interest rate rises) • The extent of policy conflicts and trade-offs will depend upon the degree to which macroeconomic priorities of governments are limited by trade bloc membership and international agreements, for example on climate change	

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