



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2014**

Economics

Assessment Unit AS 1

Markets and Prices

[AE111]

WEDNESDAY 15 JANUARY, AFTERNOON



TIME

1 hour 30 minutes.

INSTRUCTIONS TO CANDIDATES

Write your Centre Number and Candidate Number on the Answer Booklet provided.
Answer **Question 1** and **one** question from **Questions 2, 3 or 4**.

INFORMATION FOR CANDIDATES

The total mark for this paper is 80.
Quality of written communication will be assessed in all questions.
Figures in brackets printed down the right-hand side of pages indicate the marks awarded to each question or part question.

ADVICE TO CANDIDATES

You are advised to take account of the marks for each part question in allocating the available examination time.

Question 1: Data response

The following passage was written in **April 2012**.

Study it carefully and answer the questions which follow.

Sunbeds ranked alongside cigarettes as cancer risk

A report published recently (March 2012) by the Committee on Medical Aspects of Radiation in the Environment (COMARE) has called on the government to introduce legislation forcing sunbeds to carry “cigarette style” warnings over their health risk. Cigarettes have long been considered demerit goods. However, this report has called on sunbeds to be placed in the same category. 1

The COMARE report claims that sunbeds are directly responsible for over 100 deaths and 370 new cases of skin cancer each year. The report points out that skin cancer cases in the UK have more than doubled in the last 10 years and that the deadliest form of skin cancer, malignant melanoma, has become the most commonly diagnosed cancer among British women in their twenties. The report estimates that the NHS spends approximately £200 million each year treating the consequences of sunbed use. 2

The use of sunbeds for tanning purposes continues to increase in popularity in the UK. The number of tanning outlets has more than doubled in the last five years, to over 8000. The desire for a tan, for fashion or cosmetic purposes, has proven to be counter-cyclical, as consumers consider it to be an affordable luxury. The increased availability of low-cost, unsupervised, coin-operated outlets, coupled with effective marketing, has driven demand, especially among young women. 3

Health campaigners are becoming increasingly concerned about the negative consequences of sunbed use and are calling on the government to introduce restrictions on their use. Stephen Carroll, a spokesperson for one such group, claimed “Young people are using sunbeds because they lack information on their effects. They are dangerous; they can kill or cause serious illness. The government must act quickly by introducing new laws to protect vulnerable young people from over exposure”. 4

However, Kathy Banks, chief executive of the Sunbed Association, claims there is no proven link between the responsible use of sunbeds and skin cancer. “Much has been made in this report about the private and external costs of sunbed use,” she said, “however, very little has been said about the benefits. Sunbeds can be used effectively in treating skin disorders such as acne and eczema and, because they help the body to produce vitamin D, they can help reduce infections such as colds and flu and more serious illnesses such as depression and high blood pressure. Over-exposure can cause health risks – moderate sunbed use is good for you”. 5

Karl Landon, Internet blogger and social libertarian, has poured scorn on calls for further government regulation of the sunbed industry. He stated, “In recent years the list of so called demerit goods has got longer and longer. This is a reflection of the desire of those in power to meddle in our everyday lives and justify the imposition of punitive taxes on an ever increasing range of goods and services. Instead of imposing more regulations on firms and consumers, the government should instead look for ways to remove inefficient and unproductive regulations. The sunbed market should be allowed the freedom to operate effectively”. 6

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- (a)** With the aid of appropriate examples, explain the difference between private costs and external costs. [6]
- (b)** Explain the factors which have led to the increased use of sunbeds in the UK. (Paragraph 3) [6]
- (c)** With the aid of an appropriate diagram, explain why the free market might lead to the over-consumption of sunbeds. [8]
- (d)** Analyse the main policies the government could use to reduce the use of sunbeds. [8]
- (e)** Critically examine the view that the government should not intervene in the sunbed market. (Paragraph 6) [12]

Essays:

Answer **one** question from **Questions 2, 3 or 4**.

2 Government introduces greater competition in health care in an attempt to reduce costs

- (a) Explain what is meant by the basic economic problem. [10]
- (b) Explain how a production-possibility frontier might be used to analyse the problem of allocating government spending between education and the National Health Service. [15]
- (c) Evaluate the desirability of introducing greater competition in the provision of health care in the UK. [15]

3 Wind farm subsidies to top £10 bn this year

- (a) Explain what is meant by an increase in supply. [10]
- (b) Analyse how an increase in supply in one market may impact upon other markets. [15]
- (c) Critically examine the UK government's decision to cut the level of subsidy available for the creation of wind farms. [15]

4 Bosses' pay now more than 50 times that of the average worker

- (a) Explain what is shown by the demand curve for labour. [10]
- (b) Analyse why free markets often lead to large wage differentials. [15]
- (c) Evaluate the main policies which governments could use to reduce wage inequality. [15]