

Data Response Case Studies Volume 2 (2023)

for AS / A Level Year 1 AQA Economics

3.1: Microeconomics

zigzageducation.co.uk

POD 12145

Publish your own work... Write to a brief... Register at **publishmenow.co.uk**

follow us on Twitter @ZigZagBusiness

Contents

Product Support from ZigZag Education	
Terms and Conditions of Use	iii
Teacher's Introduction	1
Elite specialisation: Toyota's takumis	2
Resource misallocation: UK housing crisis	4
Falling demand: decline of the high street	6
Supply-side shocks: rising fertiliser prices	8
Volatile prices: negative oil	10
Global reach: Facebook's market dominance	12
Excessive costs: The collapse of Carillion	14
End of a monopoly: Intel's emerging rival	16
Public or private goods: COVID-19 vaccines	18
Reforming subsidies: agriculture after Brexit	20
Imperfect information: healthcare provision	22
Keeping up with demand: university admissions	24
Demerit goods: Minimum unit pricing in Scotland	26
Answers	28
Elite specialisation: Toyota's takumis	28
Resource misallocation: UK housing crisis	29
Falling demand: decline of the high street	30
Supply-side shocks: rising fertiliser prices	31
Volatile prices: negative oil	32
Global reach: Facebook's market dominance	33
Excessive costs: The collapse of Carillion	34
End of a monopoly: Intel's emerging rival	35
Public or private goods: COVID-19 vaccines	36
Reforming subsidies: agriculture after Brexit	37
Imperfect information: healthcare provision	38
Keeping up with demand: university admissions	39
Demerit goods: Minimum unit pricing Scotland	40

Teacher's Introduction

The case studies in this series are designed to support students as they study AS / A Level Year 1 Microeconomics. These case studies cover the AQA specification perfectly, and are designed as real-world contexts to complement the theoretical content of the module.

Each case study contains:

- **Contextual information:** this is the body text of the case studies, providing the relevant information, facts and figures.
- * Data: each case study contains data presented in a graphical format.
- *** Use the data questions:** for each case study, students are presented with questions set in response to the data presented. Answers are included.
- **Test your knowledge questions:** for each case study, students are presented with questions designed to mimic short-answer examination questions. Answers are included.
- **Extended-response question:** for each case study, students are presented with a question designed to mimic long-answer examination questions. Possible answers are included in summary form.

This resource is designed to be useful to students of all abilities. Students of the highest ability require up-to-date contextual information for use in examination, while for lower-ability students these case studies may complement class activity and help to ground theoretical content in real-world contexts.

These case studies are designed to be up to date for 2023 and provide as contemporary a snapshot of economic discussion as possible. However, it is likely that some themes which are relevant and topical at the time of teaching may not be included. It is therefore advised that these examples are used in tandem with the study of the most recent themes.

I hope this resource can contribute towards an engaging and rewarding learning environment. Best of luck with your teaching!

April 2023

Always check the exam board website for new information, including changes to the specification and sample assessment material.

Elite specialisation: Toyota's take

Economic methodology; Production and productivity; Spe

In the 2010s, Toyota definitively became the world's largest car company, overtaking US rival General Motors and German competitor Volkswagen. Like most car companies, Toyota operates a strict division of labour on its assembly lines to ensure each stage of production is conducted as expertly as possible. This helps to increase output while also reducing costs.

However, more unique to Toyota's approach is its investment in around 500 elite workers. In a same at takumis. In Japan, a takumi - takumi a same artisan - is a worker that a spent at least 60,000 hours refining the same as a same as a same artisan.



The work of takumis has led to efficiency gains which are seen as critical to cutting productivity. The highly skilled employees are sent around the world to train staff armanufacturing inefficiencies. Many of Toyota's takumis are experts in robotics and methods of automation. Robots deployed on the production line are trained to perfesspecialised workers, such as takumis.

Toyota

Volkswagen

Hyundai

General Motors

Ford

Nissan

Honda

Fiat-Chrysler

Renault

Figure 1: Vehicles produced per minute (2020)¹

Toyota's approach to an amount of the property of the property

Toyota's emphasis on a highly specialised workforce, with an elite class of workers in the production process and driven down costs. Figure 1 highlights how Toyota caminute than any other car company in the world.



Source: https://www.moneyshake.com/shaking-news/miscellaneous/minute-of-motor-manufacturing-

- 1. Using Figure 1, explain the likely price elasticity of demand for Toyota's pro
- 2. Toyota sold 10.7 million cars in 2021. How many days would it take them to cars, and what does this tell us about Toyota's production levels?

Test your knowledge...

- Show the effect of Toyota's strict specialisation, relative to a carmaker with of labour, using a production possibility frontier.
- 2. Show the effect of high worker productivity and and supply diagram

Extended new question

1. Explain the costs and benefits of a firm introducing specialisation.





Resource misallocation: UK housing

Economic methodology

Rising house prices have been among the defining characteristics of the UK economia 1990 and 2020 house prices grew by almost 350%, compared to inflation of 130% as over the same period. As a result, the average house is now worth 7.8 times the average leaving first-time buyers often saving for more than a decade before being able to as



There is a notable generational divide In 1990, 67% of 25–34-year-olds own declined trace by 2014. For the 16–2 hare furcion 36% to 9% over the 3.2.82% of the UK's property wealth, second home. Second home ownership with one in 10 people owning more that 5.5 million houses are 'buy-to-let' propand mortgage costs pushing up the present that the second houses are buy-to-let' propand mortgage costs pushing up the present second home.

The rapidly rising prices can be attributed to a lack of housing supply.

Figure 2 demonstrates that the supply of new housing has fallen since

the marketplace has largely taken over the role of property construction. In the 1970s, when housing was built jointly by the market and the state (through local government), the supply of new yearly houses was almost double the level it is now.

The housing market in the UK could thus be seen as an example of the marketplace delivering an inefficient allocation of resources, and also failing to ensure equity among the population. Lack of access to pra creates a gr socio-econoi d'uvide between asset owners receiving rental income and workers reliant on wages to pay their rents. The pertinent question for students of Economics is:

how can scarce resources

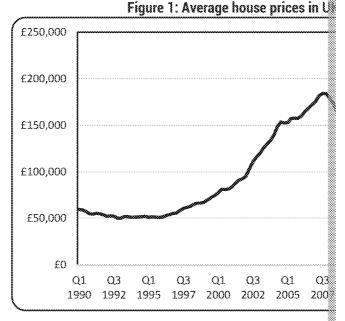
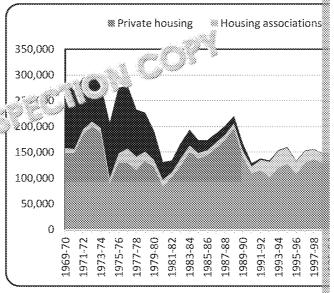


Figure 2: New houses built in UK



be organised to better meet people's housing needs?





- 1. Using Figure 1 and information in the text, calculate the average income at
- Figure 2 shows that in 1969 almost half of all housing built was council hous the impact of council housing construction on a supply and demand diagram

Test your knowledge...

- 1. Identify the positive statement and the normative statement, and explain the
 - 'The housing market in the UK is failing to ensure whity among the po
 - Lack of access to property creates a growing swo-economic divide.
- 2. Identify **two** examples of factions in the same

Extended- nse question

1. Evaluate the view that free markets always produce the most allocatively eff





Falling demand: decline of the high

Determinants and elasticities of demand



High-street shops in the UK have long been viewed a consumer habits changing in response to new techno of the consumer economy in 2020, in response to the accelerated this trend. In that year alone, major branch Dorothy Perkins, Peacocks, Harveys, Monsoon, Debe and Oasis fell into administration.

These big firms are just the tip of a larger iceberg. Store in the first six more 11,000, and are taking place disproportionately within place deprived regions of the extent to which high-street retailers have access worst year in recent history.

The other side of the colonic online retail grown dram in the UK. From barely registering a presence in the retail market at the start of the new millennium, online sales in 2020 had shot up to a third of market share, with no sign of the trend being temporary. As Figure 2 demonstrates. even before the coronavirus pandemic, online retail was growing at a consistent rate. Moreover, since the UK has reduced coronavirus

restrictions on retail, online sales remain stable at a significantly higher level than the historic trend rate.

High-street stores have struggled to adapt to these rapidly changing consumer trends, though some have embraced online retail more successfully others. The

retailer Next

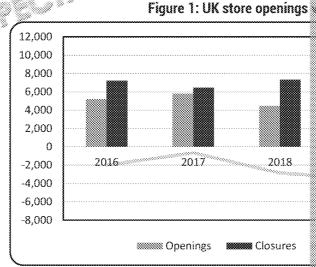
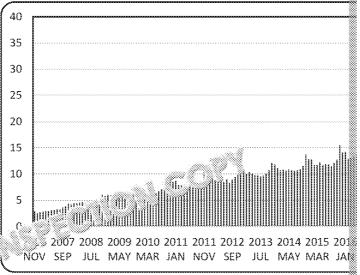


Figure 2: Online sales as a % of UK



example, was an industry pioneer and has built a strong and competitive online presfinances of its high-street operations. This was evident during the pandemic, in which despite the forced closure of its 498 high-street stores.

Online retail offers a range of non-price competitive advantages for consumers; how advantage remains lower prices. Online retailers can charge less due to low products street competitors.



- Calculate the percentage increase in online sales according to Figure 2 betw 2006 and January 2021.
- 2. Draw and annotate a demand curve demonstrating the trend in Figure 2.

Test your knowledge...

- 1. Identify two non-price competitive advantages online retail has over high-st
- 2. Explain why the production costs for online retailers ower.

Extended-response question

1. Discus he finné retail reduces asymmetric information.

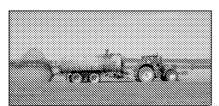




Supply-side shocks: rising fertiliser

Determinants of elasticities of supply

Perhaps the most important goods that are traded in global supply chains are crops. Cereal themselves both staple ingredients for human consumption and integral to the feeding of the overall food supply, and any kind of disruption to the production of crops can easily call skyrocket. Rising food prices are frequently a key cause of social unrest and political install.



Fertilisers play a key role in the production of credemand or prices begin to rise, and thus ensuring are, therefore, a fundamental input in the agricultural for humanity and applies are reliant on supporture and approduce are set that is highly gas intensive

In 2021, following the coronavirus and a size crisis, the price of natural gas began to rise changes in the clobal sample. This drove up the price of synthetic fertilisers dramatical synthetic fertilisers dramatical synthetic fertilisers dramatically on the scale demonstrated in Figure 1 is – for many farmers – unsupproducers have they will simply use less fertiliser, which in turn will reduce their cross of food. Of course, we can then expect reduced crop production to drive up food prices.

Some farmers are also concerned that reduced use of fertilisers will lower the quality of content. Less fertiliser use may also expose crops to greater vulnerability during periods help crops to survive dry spells.

Figure 2 shows the proportion of the global population who are now reliant on synthetic fertilisers for the production of their food supply, which has grown rapidly since 1950. It also shows the number of people whose food supply is produced using nonsynthetic fertilisers, which has remained relatively static given the overall increase in food production. Nonsynthetic fertilisers are natural products derived from plants or animals and are often waste products from food production. As a result of their diffuse sources, they are far less exposed to supply-side shocks and thus less like trigger price location natural fertil difficult to scale up quickly, and also carry significant

environmental costs, such as

water pollution.

Figure 1: Global fertiliser price inde

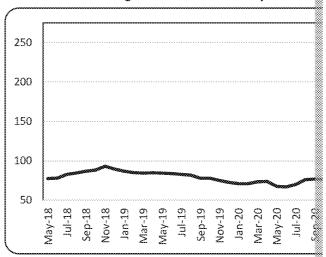
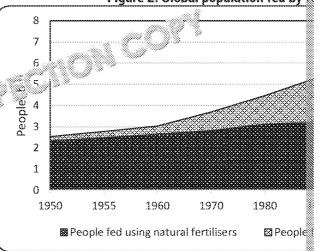


Figure 2: Global population fed by





Source: https://ycharts.com/indicators/fertilizers_index_world_bank#:~:text=Fertilizers%20Price%20Index%20is%

³ Source: https://ourworldindata.org/fertilizers

- 1. Using Figure 2, explain why abandoning synthetic fertilisers might be difficult
- 2. Draw the impact of the trend in Figure 1 on the supply curve.

Test your knowledge...

- 1. Explain the likely elasticity of supply for fertilisers.
- 2. Explain whether fertilisers are a consumer good or a pall al good.

Extended-response questions

1. Using agram, explain whether a price ceiling could be introduced





Volatile prices: negative oil

Determination of equilibrium; Interrelationship between



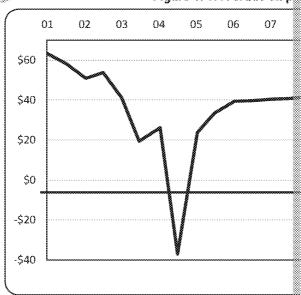
In the middle of April 2020, at the height of the coronavirus Europe and North America, something very odd happened to markets: it turned negative. On 20th April 2020, a barrel of confidence of -\$36.98. In other words, anyone wishing to sell oil on fut expected to pay the buyer an additional \$37 simply to take

In practice, not many exchanges happened quite like that - day to a still historically low high to as positive, \$8.91. So

unsurprisingly, the negative valuation related to the broke greverberations of the excoronavirus had created: the closure of the exposure of the economy.

One side of the story i demand. Hu millions of p who vordinarily be working or travelling were staying at home, foregoing billions of oil-consuming car journeys. In addition, most commercial premises had been closed by the pandemic, which suddenly reduced the demand for energy. And most significantly, with borders being closed to prevent the global spread of the virus, international flights had been grounded. Aviation is a huge consumer of oil, and faced with such a massive collapse in demand the price of crude went tumbling.

So that's the demand side but that doesn't on its own explain the negative price. For this we need to look at supply. At the outset of the pandemic, we can identify what economists might call a 'glut' (an abundance, or overproduct excess oil n be stored somewhere with is not being consumed, but storage capacity for crude is limited and under these circumstances was running out quickly.



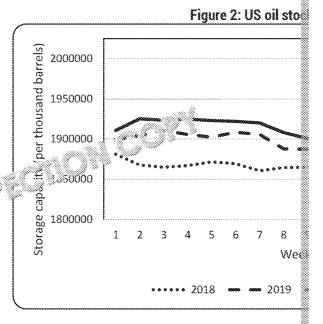




Figure 1: WTI crude oil p

⁴ Source: https://fred.stlouisfed.org/series/DCOILWTICO

Source: https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=WTTSTUS1&f=W

On top of that, the specificities of the coronavirus pandemic crisis meant that there when demand might start to pick up. For oil traders in possession of a good for which and reducing storage, their asset was guickly becoming a liability.

And as they tried to offload their product at ever cheaper prices, they realised that the Thus the market determined – on the basis of the day's interaction of supply and de failing to store unwanted crude was greater than the value of the good itself.

Spooked by the market crash, the major oil producers quickly slashed their producti global supply of crude oil and end the glut. The move successfully restored the price pre-pandemic levels by June. But the collapse into negative prices remains a memo development, even for a famously volatile market like crude oil

Use the data

- percentage decrease in the value of crude oil between Januar lowest point in April 2020 (give your answer to the nearest whole percentage
- What does Figure 1 indicate about the elasticity of oil?

Test your knowledge...

- Demonstrate the events of 20th April 2020 on a demand and supply diagram
- Explain why commodity markets are so volatile. 2.
- Explain the market functions of rationing and signalling.

Extended-response question

1. Explain the likely impact of the renewable energy sector on the oil market.





Global reach: Facebook's market don

Objectives of firms; Economies of scale

Facebook is the world's third most visited website, and the biggest social network. It outmanoeuvred market rivals such as MySpace and Friendster in the late 2000s to establish a monopoly position in the social network scene. But the key to maintaining its market position in the 2010s, when faced with emerging and established competition, has been two enormous acquisitions.

891 344 A

In 2012, Facebook purchased Instagram for the ecology, astronomical sum of \$1 billion. The most valuable viewed as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased, Institute as a catastrophic overvaluation by Facebook GEO Mark Zuckerberg. When purchased is a catastrophic overvaluation by Facebook GEO Mark Zuckerberg.

In 2014, Facebook purchased WhatsApp for the even more staggering sum of \$19 been entire GDP of Iceland). The deal was viewed as make or break for Facebook – it was be successful.

Both of the acquisitions were extremely well timed, and more than good value for more than \$5 billion a year for Facebook, while Instagram brings in a stunning \$20 billion demonstrates the huge growth of both platforms, which mostly took place after their

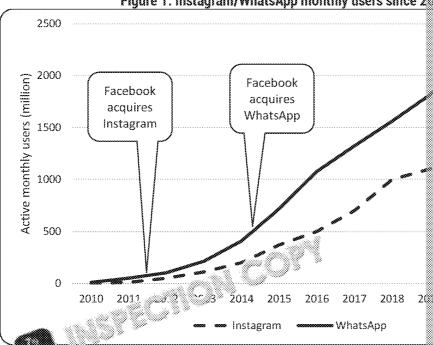


Figure 1: Instagram/WhatsApp monthly users since 2

The savvy accounts have maintained Facebook's dominance of the social medial younger generations, during a period in which the primary product's growth among begun to slow. It also prevented the emergence of key rivals, and thus maintained its Google+, a social network launched by the online search giant in 2011 to compete we closed in 2019.

https://www.businessofapps.com/data/whatsapp-statistics/ and https://www.demandsage.com/insta



In 2017, Facebook introduced the 'stories' feature across its platforms in a direct bi which it failed to acquire in 2013. The introduction of the 'reels' feature across its p attempt to halt the growth of TikTok, which has experienced rapid expansion among

While Facebook continues to grow, its acquisitions are catching up quickly. Figure 2 approaches its three billionth user, WhatsApp and Instagram are both far past the two

Active monthly users (million) 500 1000 1500 2000 2500 Facebook Instagram

Figure 2: Monthly users of Facebook platforms in 2

Use the data

- Using Figure 1, calculate the percentage change in WhatsApp's monthly act Facebook's acquisition of the platform and 2022.
- Figure 2 demonstrates the scale of Facebook's reach. Explain why this scale business model.

Test your knowledge...

- Explain two types of economy of scale.
- Which of the following objectives is Sar San San Sar likely to have pursued in
 - Sales maximisation
 - Satisficing
 - C.
 - maximisation
- Using a suitable diagram, explain the benefits of an economy of scale.

Extended-response question

Evaluate the view that business growth is always beneficial to a firm.



Excessive costs: The collapse of Car

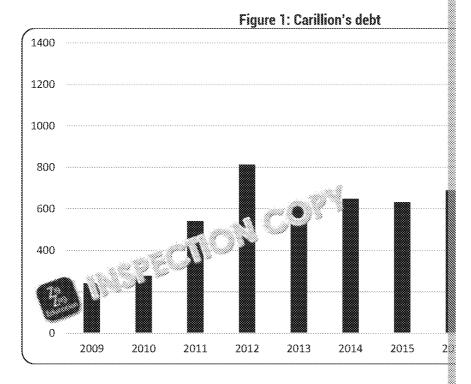
Costs and revenues; Public goods

Carillion, a large UK construction and services company, collapsed in 2018 after a serious mishandling of finances and failure to keep up with contractual repayments. The company was a frequent government contractor, with a number of large obligations to build and help operate public facilities. Carillion's responsibilities included building and providing services for schools, hospitals, prisons, housing and transport infrastructure. As a result of the company's collapse, many of these important public facilities were left in limbo, facing reduced levels of service and constructionally of up to several years.

The collapse called into questic to e occurrent's pursuit of public private partners successive UK government's pursuit of public private partners successive UK government's pursuit of public private partners of projects are inherently for the construction in from public to the sorts of projects are inherently risky because of the large construction, and the frequency with which such projects exceed their initial budget completion date.

Instead of the risk being handled by the government, the private sector is awarded a privately and thus also inherits the risks involved. Carillion would borrow the money which it would pay back in future revenue from the proceeds of operating the facilities usually 25 to 30 years.

However, in this case Carillion overextended itself. It had piled up large debts from it which quickly began to exceed its revenues from running facilities. **Figure 1** highligh by Carillion in millions of pounds.



In July 2017 Carillion issued a profit warning, signalling that the company was in trowarning in September 2017, and another in November that same year. The company unmanageable levels of debt. **Figure 2** highlights the impact of the profit warnings of which compounded the firm's woes.



Carillion's quick expansion is seen as a key cause of the collapse. The firm took over firms at a rapid pace, including Citex, Mowlem, Alfred McAlpine, Vanbots and Eaga. part to scale up Carillion's operations at pace, as they took on increasingly large numfirm's business model relied on constant growth — taking on large projects in order borrowing costs.

Use the data

- 1. What does Figure 1, along with information in the text, suggest about the pa Carillion's expansion?
- 2. Explain how costs, cash flow and revenue were responsible for Carillion's co

Test your knowledge...

- 1. Explain which type of growth Carillion pursued.
- 2. How do public-private initiatives attempt to solve the ender problem?

Extended-response question

1. Evaluating the case of using private finance to deliver public goods.



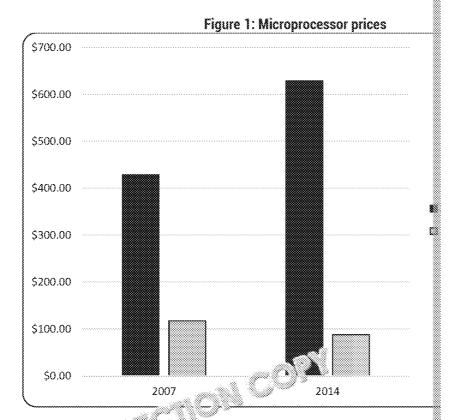
End of a monopoly: Intel's emergin

Monopoly and monopoly power

For decades, technology company Intel has exerted monopoly power over the manufacture and distribution of microprocessors: the central unit upon which computers function.

Intel's position in the microprocessor industry bears hallmark features of a monopoly in a number of ways. Firstly, Intel is a vertically integrated organisation: unlike its competitors, it controls the full supply chain of its products from production to sales. Secondly, Intel operation and a gigh-tech market with particularly large barriers to entry. This is a series considerable may 200,000 patents around the world protect the product of property from competit price setter.

Rival AMD processors, in an industry where effective advances show and to falling prices. Figure 1 shows the average price of an Intel \$47% over a seven-year period. In the mobile computer market, where Intel faces greater of its products fell by 33% over the same period.

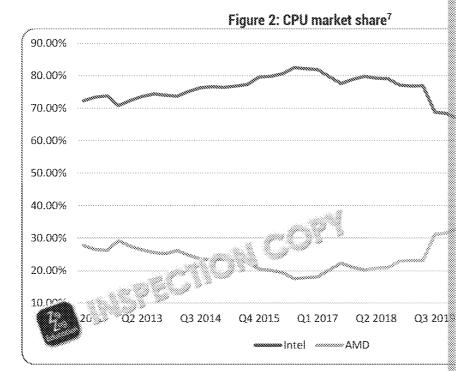


Intel argues that the rising a server chips simply reflects high consumer dem 2007 study details aftel earned more than \$60 billion dollars of so-called 'n attributed to setting – between 1996 and 2006.

Intel has previously acted determinedly against AMD to maintain its market position payments of hundreds of millions of dollars to computer manufacturers Dell, Acer as switching to AMD chips in the production of future products.

However, in 2018 – in a seemingly unassailable position – Intel's dominance began while Intel controlled more than 80% of CPUs at points over the last decade, this figures 60%.





While still a comfortable market leader, the decline represents a serious loss of marks. Some see it as a story of complacency: Intel had become too reliant on its market downth AMD's pace of investment in research and development. This gave AMD the operation of microprocessors at a lower price point than Intel's.

As the competition from AMD increases, the expectation is that consumers will beneat

Use the data

- 1. Explain **two** reasons why consumers are expected to benefit from AMD's in
- 2. Which market structure best characterises the microprocessor market in re

Test your knowledge...

- 1. Explain the difference between pure monopoly and monopoly power.
- 2. Explain how concentration ratios are calculated.

Extended-response questing

1. Explair ເວັ້ນ ເວລ ຊາວ ນອກefits of monopolies.



https://www.statista.com/statistics/735904/worldwide-x86-intel-amd-market-share/

Public or private goods: COVID-19 v

Market failure; Public goods

The coronavirus pandemic crisis was brought under control, predominantly, as a residevelopment of vaccines against the virus. Thus in one sense we can argue that the public good: its benefits – the eradication of a contagious virus – are shared by even

However, the vaccine itself was not globally distributed in the way economists would with a public good. It was not available to everyone, and its benefits have not been sequally. Doses of coronavirus vaccines differed significantly in price, while some we limited and required specific and expensive storage facilities.

In 2021, United Nations Secretary General Aragas Guterres argued in favour of treat public good, as the vaccine roll of progressed in developed countries but stalled acres

'It's been socies should be considered Guterres That they need to be available and affordable to all and that is not

justice buses also a question of efficiency. There is no way to defeat a virus that spreads in the developing countries like wildfire and that can risk to mutate.'

Guterres sought to highlight the extensive positive externalities associated with an equitable rollout of COVID-19 vaccines, as well as the uneven distribution of the good highlighted by Figure 1.

A large proportion of funding for the development of COVID-19 vaccines came from public sources, with the initial development of the UK-based Oxford/ AstraZeneca vaccine almost entirely publicly funded. However, large private firms with greater experience in the manufacture and distribution of pharmaceuticals are incentivised 3 that goods commercially and e.

Figure 2 demonstrates the expected revenue for each major COVID-19 vaccine producer over a projected five-year period.

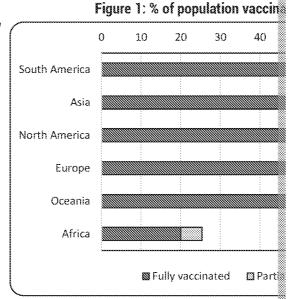
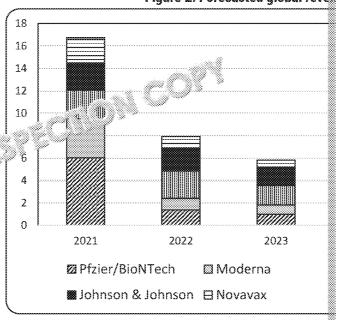


Figure 2: Forecasted global reve



⁸ Source: https://www.wsj.com/articles/covid-19-vaccine-makers-to-face-challenges-when-recognizing-re



 Based on figures 1 and 2, give two reasons why pharmaceutical companies incentivised to produce vaccines.

Test your knowledge...

- 1. Define a 'public good'.
- 2. Explain the free rider problem.
- 3. Identify four positive externalities associated with value ines.

Extended-response with item

1. Explain er vaccines are a public good.





Reforming subsidies: agriculture afte

Market failure; Public goods; Government interven



The European Union's Common Agricultural Pathe institution's budget, handing out more than across Europe. The UK's agricultural producers programme, receiving a total of £3 billion between the safeguard Europe's food supply and protest whims of market forces.

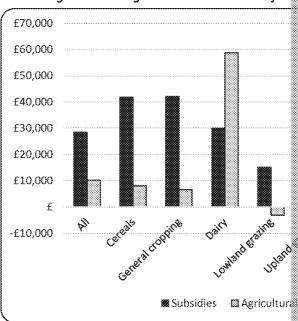
As the UK left the Full of an Union in 2020, the farmers. The GK no a nment has introduced a

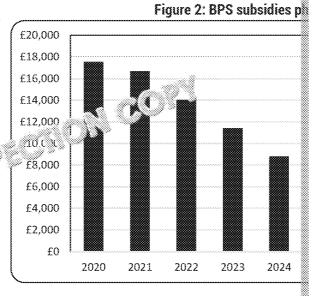
Payment Scheme – while a longer-term solution outside. Without replacement, many of will struggle to make their operation and the same viable. Figure 1 indicates how depend on subsidies.

icised for The CAP is d having a dest environmental impact by encouraging unsustainable forms of land use on an excessive scale, and for producing excess supply leading to food waste. The UK's proposed replacement comprises a number of schemes designed to encourage more sustainable forms of land use. These include a Landscape Recovery Scheme, in which farmers are paid to reforest their land, and a Sustainable Farming Initiative, which remunerates farmers for environmentally friendly agricultural practices.

The Basic Payment Scheme is scheduled to be phased out over a period of eight years as part of the transition towards the new, more sustainable schemes. Figure 2 shows the phasing out process for an agricultural producer currently receiving £17,500 in subsidies. Farmers complain that there is not enough clarit th schemes, an ne subsidies available to tile after the transition will be less valuable.

In addition, according to a parliamentary committee, the government has 'not explained





how the Scheme's changes in land use will not simply result in more food being imported food production being "exported" to countries with lower environmental standards.'

Figure 1: Average UK farmers income by fa



⁹ Source: https://www.natwest.com/business/insights/sector-trends/agriculture/farm-business-management-like

- Calculate the percentage of an average UK farmer's total income that come (give your answer to the nearest whole percentage).
- 2. Draw and annotate a diagram demonstrating the impact of the phaseout in

Test your knowledge...

- 1. Identify consumer and producer surplus on the diagram you have drawn.
- 2. Explain **two** reasons why subsidies can incre se ്രട്ടെട

Extended-ressors vosibility

1. Evaluate the UK government should subsidise certain types of land





Imperfect information: healthcare p

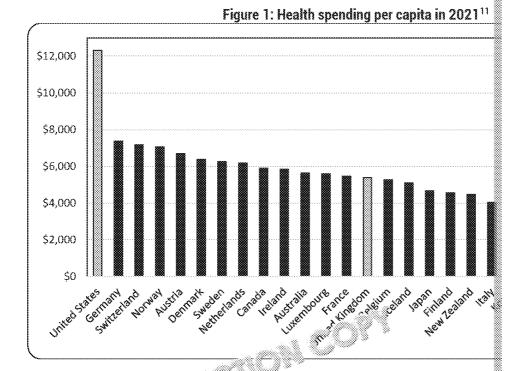
Market imperfections; Public goods

The content of this case study is adapted from the UK Parliament's Scrutiny Unit in accordance vi

Healthcare provision is an area in which imperfect information presents a consistent problem. Regardless of the economic model that is followed for healthcare provision, there is a problem of asymmetric information: the healthcare professional is almost certain to have significantly greater knowledge of the service being provided than a patient. In particular, the patient is not well placed to judge the quality of the service they are being provided with.

In the USA, healthcare is provided as a pair at sold, accessible through health insurance schemes. This are a number of additional information problems. The pair of a line and unable to judge the quality of the sold the value for the value for the provided of the provided. In a private market, the incentive not necessal the provided the highest quality service, but rather may be to minimise.

This dynamic can result in a misallocation of resources. Figure 1 demonstrates how per capita, is far greater than in comparable OECD countries. One reason for the increhealthcare professionals in the USA to overprescribe medications in order to boost is



These are among the reasons why healthcare is treated as a public good in the UK. IN UK healthcare provision is free from information failure. One problem for an organism Health Service is limited resources: decisions may be influenced by the availability of reduce the quality of care offered.



Source: https://www.parliament.uk/globalassets/documents/commons/Scrutiny/SU-Economics-in-practice.

Source: https://www.kingsfund.org.uk/publications/public-satisfaction-nhs-social-care-2021

Determining the quality of care being offered is equally difficult. Without a simple w which the market mechanism provides, investment decisions on the part of the gove Unlike private providers, the NHS must also consider the marginal social benefit of These decisions are far more complex than simply allowing market forces to detern

80 % 70 60 50 40 30 1983 1986 1992 1995 2001 2004 2007 2010 «Satisfied Dissatisfied

Figure 2: NHS public satisfaction 12

Use the data

- Explain why information gaps may have led to inflated cost of US healthcare
- Give a possible reason for the collapse of NHS public satisfaction since 2019

Test your knowledge...

- 1. Using a suitable diagram, explain the relationship between healthcare provided and productivity.
- Explain why adverse selection in them nce market is an unusual form of asymmetric information

Extended-3 **Sonse question**

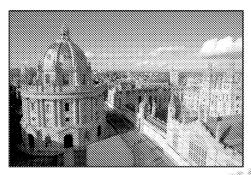
Using a suitable diagram, explain the benefits and costs of information gaps 1.



Source: https://stats.oecd.org/index.aspx?DataSetCode=SHA

Keeping up with demand: university a

Government intervention; Government failure



University admissions among British school 320,000 18-year-olds applying for a place UK 18-year-olds — a figure that has risen with only 33% of 18-year-olds applying in in all applications and admissions to UK

The increases in admissions come despite promote after the less to university education of further after the colleges, and also despite the lights and the introduction of the highest

A number of new reformal. university a on: Lave been announced, and a lowering of the income threshold at which students must make repayments, an increase of a decade in the period before student debt is written off, and a proposal to withhold student finance from applicants without GCSEs in English and Maths. A requirement for prospectuses to include the percentage of graduates who enter employment after receiving their degree has also been suggested.

The government estimates that 70% of students will fail to repay their debts as they will not earn above the threshold for a long enough period. Figure 2 highlights the rising levels of student debt in England since the cap on tuition fees was trebled.

At the same time, the labour market for graduate jobs continues to be highly competitive. Provide 40 graduates for a graduates for a graduate job available. This limited supply of graduate jobs means that many graduates end up retraining or simply remaining in lower paid, insecure work.

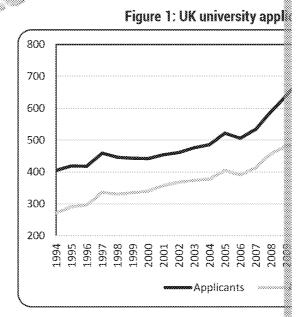
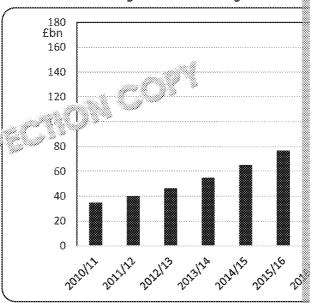


Figure 2: Outstanding student de



Source: https://www.statista.com/statistics/284230/university-applicants-in-the-united-kingdom-uk/



Source: https://www.statista.com/statistics/750679/outstanding-amount-in-student-loans-uk/

- 1. Draw the trend demonstrated in Figure 1 on the demand curve.
- 2. Calculate the percentage increase in university applicants between 1994 and

Test your knowledge...

- 1. Why might demand for university education have increased, relative to other higher education?
- 2. Explain the elasticity of demand for university et in iton.

Extended-ressors vosibility

1. Evaluat her increased costs for students represents government failu





Demerit goods: Minimum unit pricing i

Government intervention; Demerit goods; Governme



In 2018, the Scottish government introduced minyears-long legal battle with the Scotch Whisky Adrink producers. Legislation passed back in 201 minimum price of 50 pence per unit of alcohol shigh duties on all sales, and the minimum prices

The Scottish government argues that prior to the

Figure 1: Alcohol-specific deat

Figure 2: Alcohol sales in S

pricing, or MUP, alcohol in Scotland was sold at an excercion which did good. Between 1987 and 2018, alcohol became \$4.5 million arrordable across the Univertook pub drinking in popularity, and to be a cakets drove down the price of alcohol.

The drink-related dent's according Scotland is the rest of the government estimates that after five years of the minimum pricing policy, there will be 400 fewer alcohol-related deaths. and 8.000 fewer alcoholrelated hospitalisations. However, a report released in June 2022 by Public Health Scotland found that there is no evidence to suggest that minimum unit pricing is changing the behaviour of heavy drinkers in a uniform way. Figure 1 shows a small increase in alcohol-specific deaths since 2018.

The Scottish government argues that the minimum price needs to be set at a higher rate in order to shift the habits of heavier drinkers, favouring pricing of 65p per unit. And it argues that alcohol sales overall have reduced since MUP was introduced, as shown by Figure 2. However, critical argue that Minimum shift with a shift was a shown that Minimum shift was a shown to make the shift was a shown to make the shift was a shift w

Following the policy being a representation of the policy being introduced in Scotland, Wales introduced MUP in 2020, and Ireland also adopted the policy in 2022.



Source: https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/causesofdeath/ intheunitedkingdom/registeredin2020#alcohol-specific-deaths-by-uk-constituent-country

¹⁶ Source: https://publichealthscotland.scot/publications/mesas-monitoring-report-2022/

- 1. Using figures 1 and 2, look at the trends in alcohol-specific deaths and sales think MUP is having an impact?
- Calculate the percentage decrease in Scottish alcohol sales between 2002 a sales were at 935 units per adult.

Test your knowledge...

- 1. Using a diagram, demonstrate the impact of minimus scing on supply and
- Explain two costs and two benefits a mum pricing.

Extended null question

1. Explain the likely consequences of an increase of the MUP to 65p per unit for and for heavy drinkers.





Answers

Elite specialisation: Toyota's takumis

Use the data

- Toyota's cars are likely to have a high price elasticity of demand as there are so man car makes). Figure 1 highlights how 116.3 cars are produced every minute by just no to have a high price elasticity of demand if they are a large proportion of a consume expect buying a new car.
- Toyota produces 20 cars per minute × 60 = 1,200 cars per hour × 24 = 28,800 cars per Toyota's production of cars to exceed 10.7 million at a na 28,800 cars per day. the most cars of any carmaker, Toyota sold more 28,800 cars per day.

Test your knowledge

- Your PPF should show an about a mark for creek to be addingram, 1 mark for drawing an initial and an experience a further 2 marks for drawing the pivot.
- You should show a shift to the right in supply, resulting in a lower market price and higher quantity supplied. Award 1 mark for correct labelling, 1 mark for showing shift correctly, 1 mark for identifying initial equilibrium and 1 mark for identifying new equilibrium.

Extended-response question

- The primary benefit, as established, is that the production process should increase in efficiency. Workers will become more proficient in their craft, and able to perform it at faster speeds. There should be less wastage during production and sunk costs in training will provide a better return on investment. In the long run, it may also encourage capital investment, which will save on labour costs.
 - Costs may include worker boredom and alienation leading to low motivation and dragging down productivity. Firms may also become very reliant on specialised workers, and incur greater costs if they decide to leave. Specialisation may also increase the risk of structural unemployment as workers have not diversified their skill base.



COPYRIGHT PROTECTED



Cars produced by competitor

Pr

 P_2

Preview of Answers Ends Here	
This is a limited inspection copy. Sample of answers ends here to stop students looking up answers their assessments. See contents page for details of the rest of the resource.	to