Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

Each answer shows the steps, then the **result**.

2.1

- $8000 - 5000 =$ **3000** flats
- one of: long waiting lists / a black market / landlords leave the market or stop repairing

2.2

- it lowers fares, so more people use buses instead of cars (K)
- this reduces **external costs** such as congestion and pollution / helps low-income travellers (An)

2.3

- privatisation: selling state-owned firms to the **private** sector
- nationalisation: taking private firms into **state** ownership

3.1

B

3.2

(a)

- 0.50×170 million
- = \$**85 million**

(b)

- the tax raises firms' costs, so **supply decreases** / shifts left by \$0.50 (K)
- at the higher price, quantity demanded **contracts** (An)
- firms must cut their price to sell enough, so they **absorb** part of the tax (\$0.20) (App)
- consumers pay only \$0.30 of the \$0.50 (App)

(c) a developed chain, for example:

- sugary drinks are a **demerit good**: they harm health and are over-consumed (K)
- the tax raises the price, so quantity falls from 200 m to 170 m cans (App)
- less sugar means less obesity and tooth decay (An)
- this lowers **external costs** such as health care paid by taxpayers (An)
- the revenue can fund health education or sport (An)

(d) tax: (An)

- cuts consumption at once and raises \$85 m
- but demand is inelastic: sales fell only 15 %; it hits poorer families hardest

advertising ban: (An)

- tackles the cause by reducing the **pull** of adverts, especially on children
- costs little but raises no revenue; works slowly; firms may advertise online

judgement: (Ev) for example, the tax is better in the short run because it gives a price signal and revenue; a ban on adverts aimed at children is a useful second step; together they work best.

Level 3 (6–8): both sides analysed and a justified judgement. Level 2 (3–5): one side analysed or both explained. Level 1 (1–2): simple points.