



ADVANCED SUBSIDIARY GCE
ECONOMICS
 Markets in Action

F581

Candidates answer on the Question Paper

OCR Supplied Materials:
 None

Other Materials Required:

- Calculators may be used.

Wednesday 13 January 2010
Afternoon

Duration: 1 hour 30 minutes



Candidate Forename		Candidate Surname	
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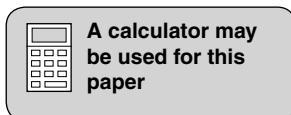
Centre Number						Candidate Number				
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INSTRUCTIONS TO CANDIDATES

- Write your name clearly in capital letters, your Centre Number and Candidate Number in the boxes above.
- Use black ink. Pencil may be used for graphs and diagrams only.
- Read each question carefully and make sure that you know what you have to do before starting your answer.
- Answer **all** the questions.
- Do **not** write in the bar codes.
- The spaces should be sufficient for your answers but if you require more space use the lined pages at the end of this booklet and number your answers carefully.

INFORMATION FOR CANDIDATES

- The number of marks is given in brackets [] at the end of each question or part question.
- The total number of marks for this paper is **60**.
- You will be awarded marks for the quality of written communication where an answer requires a piece of extended writing.
- This document consists of **16** pages. Any blank pages are indicated.



The Problem of Health Care

The UK has had a National Health Service (NHS) for over 60 years. Around 98% of the funding to cover the cost of the NHS comes from general tax revenue; the remaining 2% comes from charges for prescriptions, eye examinations and dental work paid for by those groups which are not exempt from such charges. Traditionally, health care has been provided free and available to all UK citizens who need it. In Economics, this type of health care provision is called a merit good.

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Issues relating to health care never seem to be out of the news. Typical headlines are:

‘East Sussex NHS Trust is faced with the closure of its maternity unit in either Eastbourne or Hastings’. (Hansard, 10 January 2007)

‘Funding cancer drugs makes no sense... the money is best spent on improving surgical techniques’. (Daily Telegraph, 8 August, 2008)

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The problem we face is that there will never be enough money for the NHS to provide the quantity and quality of health care that we would all like. Consequently, choices, often difficult ones, have to be made. This should be clear from the above headlines.

Not all forms of health care are provided free of charge by the NHS. A good example is the case of dental implants, whereby a new tooth is drilled into a patient’s jawbone. Demand for this cosmetic treatment has increased substantially in recent years. Adults are prepared to pay well over £1000 for each implant. This is due to the high cost of raw materials and the limited supply of dentists who are able to do this type of work. Dental implants are just one example of a growing number of situations where the private sector is providing a service in response to market demand. Other examples are private hospitals, private GP services and a wide range of alternative therapies.

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The health care market fails to produce the best allocation of resources due partly to problems of information failure. Over the past few years, there has been an increase in the number of patients requiring treatment for bowel cancer. Recent research has found that there is a link between the consumption of processed meat and the incidence of this type of cancer. Experts have warned that ‘eating one sausage or three rashers of bacon a day can increase the risk of bowel cancer by a fifth’.

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According to the researchers, people should eat less than 500g of cooked red meat a week and avoid all processed meat products such as hot dogs, burgers and sausages. They also believe that more could be done to get the message across – that those who eat only moderate amounts of red meat and especially processed red meat, are putting their lives at risk, as well as stacking up future problems for our already over-stretched NHS.

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- 1 (a) Using information from the case study, explain how the 'economic problem' can be applied to the health care market in the UK.

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- (b) In December 2007, the East Sussex NHS Trust decided to concentrate its maternity services at Hastings. Describe **one** likely economic advantage of specialisation.

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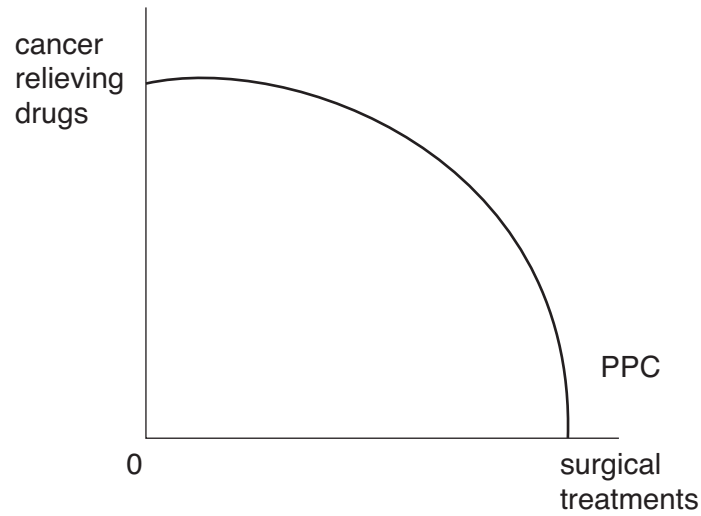
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2 The NHS has to decide how to allocate resources between paying for cancer-relieving drugs and surgical treatments. Assuming no other choices have to be made, this problem can be represented by the production possibility curve below.



(a) On the diagram, indicate a point where there is an efficient allocation of resources (label this X) and a point where there is an inefficient allocation of resources (label this Y). [2]

(b) Explain why point X is efficient and point Y is inefficient.

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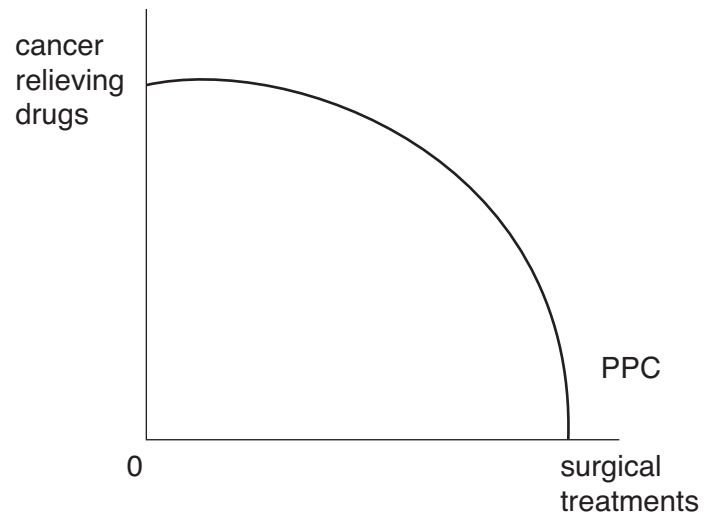
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(c) Show on the diagram below how more surgical treatments can be provided. Explain your answer.



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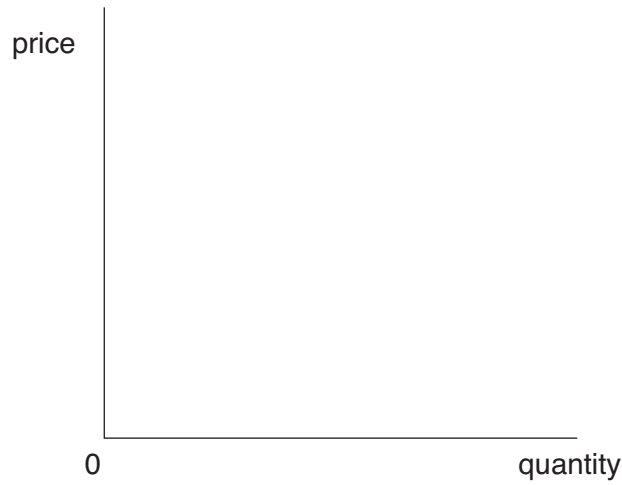
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- 3 (a) Use a demand and supply diagram to show how the price of private dental implants is determined.



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- (b) State and explain **two** possible reasons for the increase in demand for such implants.

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4 The estimated income elasticity of demand for private dental implants is shown below for three groups of consumers.

Low income earners	0.02
Average income earners	0.40
Above average income earners	1.65

Explain what these estimates mean and comment on their usefulness for dentists who carry out implants.

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- 5 Comment on why there is likely to be information failure amongst consumers of processed red meat products.

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