



Mark Scheme (Results) Summer 2025

Pearson Edexcel GCE A Level
In Economics B (9EB0)
Paper 3: The economic environment and
business

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Summer 2025

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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.

Question Number	Discuss whether the growth of a firm will always lead to diseconomies of scale. Indicative content	Mark
1(a)	Knowledge / understanding 2, Application 2, Analysis 2, Evaluation 2 • Economic theory states that as a firm increases the scale of production, long run average costs will fall until the minimum efficient scale is reached • Producing beyond this point will create diseconomies of scale and see long run average costs begin to rise • So, in theory, regardless of the size of the firm there is always a point at which diseconomies of scale will happen • Extract A suggests many reasons why this may happen such as poor communications and the complexity of management • This does not just apply to large firms, all firms depending on their nature and the type of product or service can suffer from diseconomies of scale • However, markets are dynamic, the minimum efficient scale can be extended as, for example, technology improves • Computers and now AI have the ability to increase efficiency as scale increases preventing possible diseconomies • In addition, measuring long run average costs is very difficult for complex large firms, which makes it difficult to say just when economies of scale end and diseconomies begin • <i>Amazon</i> continues to expand in ever more diversified ways but it is impossible to say whereabouts on the long run average cost curve it operates	(8)

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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

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Question Number	Assess the extent to which the objectives of a firm and a consumer might conflict. Indicative content	Mark
1 (b)	Knowledge / Understanding 2, Application 2, Analysis 3, Evaluation 3 • All firms want to survive and for the majority of them this means making a profit in the long run • Many firms will want to maximise profits or sales, they may also want to expand and become more powerful than rivals • This can mean reducing costs and getting the highest revenues possible • Consumers generally want to get good quality goods and services for as low a price as possible • These objectives may not be compatible and the two groups may be in conflict • The degree to which this happens depends upon the power that each group has in the market and this depends on the market structure • Monopoly power is said to restrict consumer choice and raise prices, by contrast, a very competitive market is likely to see lower prices, more choice and perhaps better service • Extract B gives the example of <i>Tesco</i>, which is accused of excessive profits and appears to be in conflict with consumers who are having to pay more than they want • However, many firms will want to satisfy their customers because they want them to return and buy more from them • Quality, reasonable prices and customer service can all be important in this regard and the degree of conflict may be minimal • Consumers in the UK are also protected by a range of laws and regulations • Some businesses do not profit maximise for ethical or ideological reasons and conflict may not even exist • It does depend on the market, the nature of the firms involved and the attitude of consumers	(10)

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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	Assess whether an ethical stance by a business will lead to stakeholder conflict. Indicative content	Mark
1(c)	Knowledge / understanding 2, Application 2, Analysis 4, Evaluation 4 • An ethical stance refers to the principles and acceptable behaviours that govern the ways in which a business operates, they are considered to be the 'right thing to do' • Firms such as <i>Pepsico</i> and the others mentioned in Extract C are recognised as having very strong ethical policies • Such policies are likely to include a commitment to fair treatment of its workforce and suppliers, a commitment to minimise waste, energy consumption and pollution and to use sustainable resources as much as possible • Creating and maintaining such policies will take time and investment, which have an opportunity cost • For example, it may reduce the amount of profit paid to shareholders • This may cause stakeholder conflict if the shareholders want to maximise the return on their investment • However, many consumers are seeking out more sustainable and ethical options • This could mean that those businesses that actively pursue and promote a more sustainable and ethical policy in their operations are likely to attract those consumers • By doing so they will increase sales and market share which may lead to increasing profits and thus reduce the potential stakeholder conflict • Failure to follow an ethical stance may lead to a loss of sales as ethical consumers buy elsewhere to show their displeasure e.g. <i>Starbucks</i> was forced to become more ethical after consumer protest about its alleged underpayment of tax • Stakeholders such as employees and suppliers may benefit from an ethical stance and be more content and loyal in their roles • Some firms, such as <i>Patagonia</i> and <i>Tom's shoes</i> exist primarily for ethical reasons and all stakeholders will know this and support this • It would, therefore, seem likely that in many cases an ethical stance does not necessarily create stakeholder conflict	(12)

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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	Evaluate the extent to which globalisation has benefited national and local economies. Indicative content	Mark
1(d)	Knowledge / Understanding 4, Application 4, Analysis 6, Evaluation 6 • Globalisation is the increase in the flow of goods, services, capital, people, and ideas across international boundaries • It means an increase in trade between countries, which in theory benefits all countries. It allows nations to follow their economic strengths, knowing they can trade products for other resources • For developed countries it has meant the chance for firms to expand their sales and to base themselves in new production locations to take advantage of lower costs and proximity to markets • For developing and emerging countries it creates employment, boosts economic growth and as Extract D states, it has lifted millions out of poverty • For consumers it has increased choice and given access to many previously unobtainable goods and services • Prices for consumers and costs for firms have reduced as free trade has increased and protectionism has reduced • Improvements in technology and communications have made it easier for ideas to be shared and trade to take place • Globalisation has opened up labour markets creating employment and reducing skills shortages as migration takes place • FDI is encouraged benefiting local economies as jobs are created, infrastructure improved and technology shared • FDI can lead to a rise in income for the receiving country as employment is created leading to increased demand for local businesses • However, globalisation can create inequalities with some economies prospering while others see either a decline or slower growth • Increased specialisation can mean that while the richer countries develop high tech and more profitable businesses, the developing nations are often reliant on the primary sector where individual businesses have little opportunity to add value and are at the mercy of fluctuating global commodity prices • As a result some countries have increased protectionist policies to protect their economies which can lead to trade wars such as the recent one between the US and China • FDI does not always benefit poorer economies, labour may be exploited with low pay and poor working conditions. Tax revenues can be avoided and natural resources stripped away • Developed economies can also lose out to FDI as jobs disappear to low-wage economies creating greater inequality and political disillusionment at home • Increased globalisation seems to be directly linked to environmental damage, such as deforestation and loss of biodiversity and greenhouse gas emissions and other forms of pollution caused by increased transportation of goods	(20)

	Globalisation is unlikely to disappear and it has undoubtedly been of great benefit to many but with that has come many unforeseen and unwanted problems. Many of these can be overcome through political will or advances in understanding but whether this will happen is a moot point	
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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 competing arguments are 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 questions. 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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Question Number	Discuss the effects of an increase in the minimum wage on employment. Indicative content	Mark
2(a)	Knowledge / understanding 2, Application 2, Analysis 2, Evaluation 2 • A minimum wage is the least amount of money that can be paid to an employee as a wage by law • In April 2024 in the UK, this increased to £11.44 an hour • Employers will now have to pay anyone on the minimum wage more money which will increase their labour costs • Economic theory suggests that this increase in the cost of employment will reduce the demand for labour • In Extract E, the CEO of <i>Pets at Home</i> said the increase would cost an extra £16m when it had budgeted for only £8m and the CEO of <i>Currys</i>, claimed the increase would lead to fewer jobs • This indicates that there is a trade-off between an increased minimum wage and employment and the expectation is that employment will fall • However, it is not a straightforward trade-off. Some firms will absorb the extra costs and/or pass them on to the consumer in the form of higher prices • The extent to which this is possible depends on the PED for the firm's products • Many of the workers will now have more disposable income and may choose to spend it, increasing AD and the sales of some firms, reducing the impact of increased costs • Much research does not support this trade-off and shows that an increase of minimum wages has little impact on employment	(8)

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Question Number	Assess the extent to which supply side policies for reducing skills shortages may involve policy conflicts or trade-offs. Indicative content	Mark
2(b)	Knowledge / understanding 2, Application 2, Analysis 3, Evaluation 3 • Supply side policies are designed to increase the productive capacity of the economy, this will include policies which aim to tackle the problems of skills shortages • Skills shortages occur when not enough labour is available to meet the demand • In Extract F the construction industry faces a shortage of electricians, roof specialists, bricklayers, plasterers and carpenters • This will increase the cost of housing and reduce the number of houses being built which is clearly an ongoing problem • To solve skills shortages the government can use supply side policies to improve occupational mobility, these could include the following • Providing more education and training specifically targeted at those areas most needed. This results in the LRAS curve shifting to the right as workers' skills and productivity increase • Subsidies to producers to provide their own training schemes • Benefits can be cut and tax credits used as an incentive to encourage more people to enter the labour market • Migration policy could be relaxed to enable employers access to a wider pool of labour • However, most supply-side policies involve a time lag and only start working after a long time • Training and education requires investment which has an opportunity cost. More government funding for this means less is available for spending elsewhere such as healthcare • Cutting benefits is politically unpopular and using tax credits once again involve more expenditure as do subsidies to employers • Immigration is a controversial issue and it may mean that unemployment increases in the host economy or it depresses wages	(10)

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Question Number	Assess the potential trade-off between inflation and unemployment. Indicative content	Mark
2(c)	Knowledge / understanding 2, Application 2, Analysis 4, Evaluation 4 • Economic theory suggests that there is a trade-off between inflation and unemployment, as one increases the other falls and vice versa • As AD increases there is more demand for labour to produce more goods and services and unemployment falls • The economy expands and there is upward pressure on prices leading to inflation • When the economy slows, less labour is needed, unemployment rises but inflation falls • To an extent this can be seen on the two graphs in Extract G despite the distorting impact of the global health crisis • In 2020 inflation was below the Bank of England's target rate of 2.0%, unemployment below 4% • Unemployment rises steeply to 2021 and then drops away into mid 2022 to 3.5% • At the same time inflation rises sharply to mid 2022 at 11%. Then, it declines throughout 2023, whilst unemployment begins to rise • All this would suggest that there is an inverse correlation or trade-off between inflation and unemployment • However, much of the recent spike in inflation has been due to supply-side shocks caused by recent world events. The same happened in the 70s with a sudden increase in oil prices • The corresponding fall in unemployment could be a combination of the recovery following the global health crisis and an already tight labour market • There are times when the correlation is simply not there, as in the period of stagflation in the 1970s when both inflation and unemployment rose at the same time • The opposite happened in the late 1990s with a combination of low unemployment below 5% and low inflation below 2.5%	(12)

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Question Number	Evaluate the benefits of regulation in a market. Indicative content	Mark
2(d)	Knowledge / understanding 4, Application 4, Analysis 6, Evaluation 6 • All legal markets have some degree of regulation and all developed economies have many laws, rules and regulations designed to safeguard and protect economic agents from harm or damage caused by some unscrupulous firms or individuals • Without such protection firms may act against the public interest • Without regulation, markets will be less efficient and show signs of market failure • Regulation encourages competition, driving innovation and creating economic growth • Consumers are protected by legislation such as the Sale of Goods Act and the Consumer Rights Act which protect consumers from unfair or misleading trading practices by ensuring that all products must be of satisfactory quality, fit for purpose and as described • Suppliers have to comply with legislation designed to protect employees and make sure the workplace is a safe environment such as the Health and Safety at Work Act. Better working conditions can increase productivity • Regulatory bodies are responsible for overseeing an area of business activity such as Ofgem for gas and electricity ensuring that they act in the public interest • Markets may fail, particularly when powerful firms can restrict the contestability of a market • The Competition and Markets Authority (CMA) can investigate mergers such as the <i>Vodafone/Three</i> merger and has the power to prevent it • It can also investigate industries where it suspects anti-competitive behaviour exists and force a change • However, some would argue that there is too much regulation and that far from encouraging competition and growth it actually stifles it and that there should be less regulation • There is a considerable cost involved which has an opportunity cost for government expenditure and the taxpayer • Compliance adds to a firms costs reducing profitability and potentially reducing investment which in turn can adversely affect economic growth • Apart from the direct costs of complying with legislation it increases the bureaucracy of a firm, for example, a firm dealing in timber in the EU will now have to produce paperwork to show it is following the EUDR • Some of these costs may be passed on to the consumer in the form of increased prices • A blocked merger by the CMA may prevent benefits if the new venture could have benefited from economies of scale leading to lower prices and/or better deals for the consumer	(20)

	- Some regulatory bodies have been accused of being ineffective due to regulatory capture and a waste of taxpayers' money - While few would disagree with the need for some regulation, the form it takes and the amount of it there should be is a controversial area. Ideally, the benefits of regulation should exceed the costs	
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