

A LEVEL ECONOMICS

EXAMPLE ESSAYS

Microeconomics: Theory of the Firm

With Examiner Commentary

- Written by experienced teachers and senior examiners
- Commented on by principal examiners
- Suitable for exam boards
- Learn how to structure an essay, integrate diagrams, develop chains of analysis, and build strong evaluation

Suggest Essay Structure for A Level Economics

Following the tutor2u suggested essay structure and technique can help you to write economics essays that are capable of achieving a top band mark. The key to any successful essay is **PLANNING!**

INTRODUCTION

Identify the 3 or 4 key points that you will be writing about in your essay

Write one sentence to **summarise your conclusion** - use the words from the question to indicate to the examiner that you are **FOCUSSED** on the precise question

FOR EACH POINT...

Use the **PECAN** and **APE** approach (see below!)

The final sentence for each point should **directly answer the question**

CONCLUSION

It is **VITAL** that you **reach a judgement** on the more topical issues

Don't introduce anything new - base your judgement on the arguments you have already made

PECAN PIE – How to Structure a Point

Answer each point at least 3 slices of PECAN PIE!

P – **Point** – state your point in one sentence

E – **Explain** – explain your point very briefly

CAN – **Contextualised analysis** – write a step-by-step chain of argument and integrating examples

A – **Assess** – consider your original point in **evaluation** - don't just focus on disadvantages but also advantages, but instead really think about why your point may not be valid – use the **go APE** strategy.

Go APE - How to Evaluate

Assumptions – consider the assumptions that underpin the theory you have used to make your analytical point may not be valid

Perspectives – consider your point from different perspectives

For microeconomics use the mnemonic **PLASTIC** to help you (producers, location, age, skill, time, income level, consumers)

For macroeconomics, you can use the mnemonic **TINKER** to help you (trade offs, immediacy, neoclassical, Keynesian, equity, region)

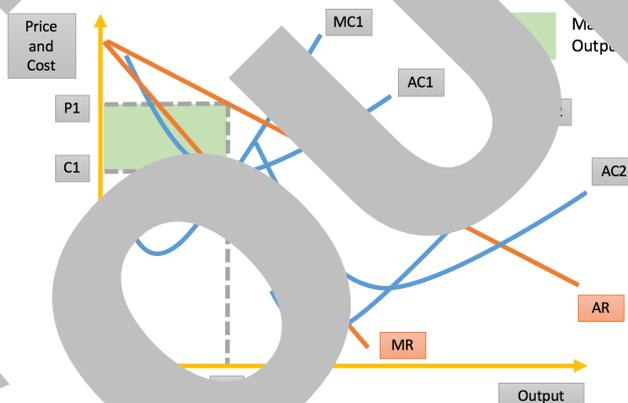
Evidence – consider your point in light of evidence, either in favour or against

In January 2016, the makers of Ray-Ban sunglasses, Luxottica, agreed a merger with a rival eye-wear firm, Essilor, worth €46bn. Evaluate the likely advantages and disadvantages for businesses growing in this way.

Firms may grow in a number of ways - internally (organically) or externally by merging or taking over another firm. The Luxottica/ Essilor merger is an example of external growth. The key advantage of growth by acquisition is that the firms are likely to achieve cost savings, more quickly than using internal growth. However, external growth is more likely to attract the attention of the competition authorities, and in the long run, may also fail to deliver many of the expected advantages, perhaps resulting in a demerger.

One key advantage of a merger is that it can allow the firm in question to achieve the economic benefits of operating on a large scale more quickly, and with more certainty than via internal growth. A merger takes place when two firms agree to combine their operations in the hope of achieving synergies. One such advantage is internal economies of scale. These occur when long run average total costs fall as the scale of output rises. Depending on whether the merger is horizontal or vertical, cost savings could come from a number of sources. Luxottica and Essilor are suppliers of broadly similar products, so this would be an example of a horizontal merger, allowing greater specialisation and purchasing economies (e.g. UVB reflective film for sunglasses). There might also be advantages from vertical integration by gaining access to the firms' supply chains (e.g. suppliers of glasses cases). Another possibility includes technical economies if the merger allows use of specialised pieces of plant and machinery, volume economies or economies of financial resources.

The impact of economies of scale for the firms is shown in the diagram. The graph shaded below shows the increase in profit that the merged firm can achieve with cost structures. Economies of scale achieved as a result of the merger allow the cost curve AC2 to be lowered and profit is considerably increased as shown by the peach-coloured area. This is a significant advantage to the merged business arising from gains in productivity and efficiency. The same results could have been achievable with internal growth, but more slowly.



However, the analysis diagram assumes an unchanged demand schedule in the face of the merger, and this may not be true. It is possible that customers for products such as sunglasses value the exclusivity of the brand and would be less likely to purchase from a business that accounts for a large proportion of the market, and demand would fall. It is possible too that removal of a competitor means the business incentive to be productively efficient so efficiency may result. While the average total cost curve has fallen, the newly merged business may be incurring costs way above it. That said mergers in many industries do achieve more rapid cost savings and profit increases

The student shows that they have understood the main topic in the question, and **used the context**. The **key arguments are outlined**.

The first point builds on the key advantage outlined in the introduction - good structure.

The context is **used well** here with a **specific** reference to the companies, AND an attempt to explain the eye-wear industry.

This is an example of a **diagram** that allows **AO3** marks (analysis) rather than just AO1 marks (knowledge) because the **diagram is adapted** and carefully **integrated** into the written analysis.

This is an excellent example of **evaluating by questioning assumptions**.

than other forms of growth. This is a key advantage of merger.

A significant disadvantage of a business growing by merger is that it may attract the attention of the competition authorities, in a way that internal growth might not. By merging with a rival firm, the market for eyewear has become more concentrated, and contestability has lessened. Given the size of the deal (€46bn), it is likely that the resulting business now has significant monopoly power. This means that the profit maximising firm could restrict output and raise price to achieve higher supernormal profits. It might also be able to price discriminate to raise revenue and profits even further. This is likely to attract the attention of the UK Competition and Markets Authority (CMA) who have a remit to investigate actions which restrict or distort competition. While the business itself may have a lot to gain from increased monopoly power, it is likely to want to avoid an investigation. Investigations takes time and causes delays, increases costs and risks adverse media comment, all of which can negatively affect on profits. If the merger is disallowed, the firms in question may now be the target of a fresh hostile takeover. However, the likelihood of an investigation depends on the size of the market, and the contestability. No information is provided on this, but the risk is higher than with internal growth, so the desirability of a merger depends on the degree of risk-aversion of the firm and its owners.

A further disadvantage of growing by merger is that the hoped for benefits fail to materialise. In fact, some major mergers fall into this category. In behavioural economics terms, it seems that perhaps there is bounded rationality in considering the vast amounts of information available and some sort of optimism bias at work. There are a number of reasons why this may be so. The cost of a merger itself. If it is debt financed, for example, then the interest may add to the burden. It may also be that other parties were interested in the deal, but eventually negotiations failed - the so-called winner's curse. €46bn is a large sum, so this is an important consideration. It is possible that rather than bringing the business closer to minimum efficient scale, it actually takes the business past the point where diseconomies of scale start to operate. Many businesses do not merge integrating systems such as IT, so to speak. Also cultural incompatibility can be a major cause of failure. Changing prices and perhaps personalities of senior managers. Sometimes human capital is lost, if the merged labour prefers to work for smaller businesses where there is more autonomy. There are exceptions of course but in the case of the Luxottica/ Essilor merger, these seem valid concerns. Research from Harvard Business School suggests that between 70% and 90% of mergers fail.

In conclusion, there are a number of advantages to businesses from growing from mergers, but it is clear that there must be a balance given the amount of such activity. However, there are disadvantages to be considered and the claim that most merger deals fail to achieve the hoped for benefits is persuasive. There is nothing obvious about the Luxottica/ Essilor merger which suggests they would be immune from failure. Therefore, it is reasonable to think that the disadvantages of a business growing by merger, most probably outweighs the advantages.

The use of the word 'significant' here is an easy way for students to express a degree of judgement, which is essential in achieving top band responses.

This is an excellent example of a developed chain of analysis being used in evaluation.

A neat end to a paragraph, using "development" phrase that are carefully chosen and not overused.

This excellent use of analysis, demonstrating how economic thinking.

Good use of the context here.

Data helps to raise the quality of the evaluation.

A clear judgement is reached, allowing this essay to be awarded a top band mark.

Shares in Premier Foods, the company behind famous brands such as Mr Kipling cakes and Bisto gravy, plummeted following a January 2017 profit warning issued by the firm, in which rising production costs were blamed. Evaluate the view that all businesses should aim to maximise their profits.

Profit is the difference between total revenue and total cost. In traditional economic theory, firms are assumed to maximise profits, but it is arguable in today's complex and globalised world whether this is the case. This essay will consider three key arguments. First, that profit is the reward for risk taking and is essential to business success. Second, that profit satisficing might be more appropriate as an aim, and finally that perhaps profit maximisation should indeed be the aim, but only in the long run rather than the short run.

This is a super opening paragraph, which carefully sets out the structure of the argument and hints at the conclusion.

Profit is the reward for risk taking and most commercial and private sector businesses exist to make profit. Traditional theory assumes that firms will always maximise profit. On the diagram below, representing a firm in a perfectly competitive market, profit maximisation is achieved where $MR=MC$. Output at this level of output the maximum price that can be charged is $P1$.

The purpose of the diagram is introduced, and a careful explanation is given of its relevance to the analysis in the

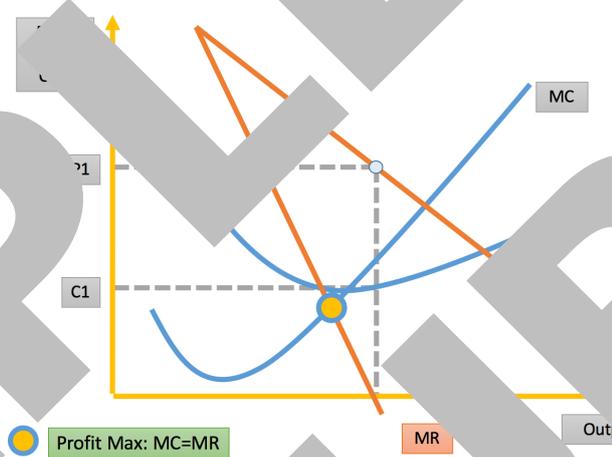
AR lies significantly above AC at $Q1$ indicating large supernormal profits are being earned. Maximising profits achieves a high reward for entrepreneurs and shareholders. In the case of listed companies such as Premier Foods the likely effect of their share price rising as a result could lead to share price discounts and performance risk.

Further, maximising profits can provide an important source of finance for further investment by a firm, perhaps crucial for the success of a new product without an established track record to obtain bank loans. This is therefore essential to the survival of firms.

However, achieving profit maximisation is not always possible. It may be due to a lack of accurate and timely information on revenue and costs for better decision-making; indeed, accountants do not monitor margins and revenues. Even if information is available, firms will exhibit bounded rationality – an inability to handle such large amounts of information for rational decisions. Firms may adopt instead simple rules of thumb (known as heuristics) such as cost plus pricing in response. While it is lack of profit that has caused difficulty for Premier Foods, its immediate objective is survival. It may not be possible to focus on short run profit maximisation, however important to business success. More generally, the aim of profit maximisation may be difficult if not impossible to achieve in many instances.

Finally for many companies with significant numbers of stakeholders, and where the firm is under pressure from control, profit satisficing might be a better aim, where a stakeholder is anyone with an interest or concern in a company. This would include shareholders, managers, employees and

It is vital that diagrams are well integrated into the written analysis in the



This evaluative paragraph demonstrates excellent synoptic thinking, as well as examining the practicality of the theory previously mentioned.

and finally for many companies with significant numbers of stakeholders, and where the firm is under pressure from control, profit satisficing might be a better aim, where a stakeholder is anyone with an interest or concern in a company. This would include shareholders, managers, employees and

customers. For large companies such as Premier Foods with perhaps thousands of shareholders, a Board of Directors is appointed to represent their interests, and a team of managers undertakes the day to day running of the business. There is likely to be asymmetrical information with managers possessing a monopoly of the technical knowledge about the business (the so-called principal-agent problem) and additional problems resulting from moral hazard if managers enjoy the reward when risk pays off but do not suffer the costs when they do not. In this situation, managers have different incentives and hence objectives to shareholders and other stakeholders. While various methods can be used to re-align objectives such as profit related pay, there is persuasive evidence of industries where revenue maximisation appears to be the dominant strategy – for example streamed TV and films (which occurs when $MR = \text{zero}$). The situation becomes more complicated when stakeholders such as employees and customers are taken into account. True profit maximisation would mean paying employees the lowest possible wage, and charging customers a price that varies with price. This is not achievable nor desirable. Political and social objectives come into play for a company such as Premier Foods with growing social concerns over obesity and sugar content. The outcome is likely to be that firms pursue a profit that is aim to achieve a level of profit that is likely to be satisfactory to shareholders. On the diagram, this could lie anywhere between profit maximisation and normal profit (where $AR = AC$). For many firms, revenue maximisation is likely to be a better objective than profit maximisation.

The preceding argument has focused on the short run. In the long run, there may be stronger arguments for firms focusing more on profit maximisation than other objectives. Firms are unlikely to earn abnormal profits on an ongoing basis when entry is easy, high and contestability is low. If this is the case, high profit signals firms currently outside the market to enter, and compete away profits to more in excess of normal. There are many factors influencing the ease with which firms can enter a market, but if incumbent firms experience significant economies of scale or brand loyalty for instance, new entrants will find it difficult to compete. Businesses aiming to maximise long term profits may well adopt a strategy such as revenue, sales or growth maximisation to build market power. On the diagram revenue maximisation occurs where $MR = 0$ and sales maximisation where normal profit is earned. A strategy of revenue or sales maximisation in the short run may be in the interest of longer run profit. Examples of this type of behaviour can be seen in the coffee market with Costa Coffee rapidly expanding the number of outlets, undoubtedly at high cost, and Amazon, Spotify and Netflix building (exponentially) the number of active customer accounts. If a market is more contestable however, as it may be for Premier Foods, then a strategy of aiming for profits above normal may be more sensible to avoid the entry of new rival firms and to ensure it can maximise longer-term profits.

In conclusion, while it matters and no business could afford to ignore it completely (even socially-owned businesses or social enterprises), the view that all businesses should aim to maximise their profits is difficult to sustain. For the reasons outlined, it may not be possible for them to do so (in the strictest economic sense of profit maximisation), although many firms do seem to employ strategies more consistent with other important goals. It seems unlikely, though, that these are the only goals. It seems likely that the majority of businesses should be aiming to profit satisfice rather than profit maximise.

The essay is following the **same structure** as outlined in the introduction.

The **technical economics** used in this analysis is excellent, and draws on **topics from across the course content**.

Again, the **practical application** of profit maximisation is addressed, which is a **real engagement** with the subject.

Good use of context

Good use of technical knowledge
The argument looks **overused** because the key point of the paragraph was referenced in the opening paragraph.

There are **strong chains of analysis** demonstrated in this paragraph, explaining the **dynamism** of market structures.

The **examples** and use of the Premier Foods **context** are helpful in **enhancing the quality of the argument**.

An excellent conclusion – **nothing new is introduced**, but overarching statements are made that allow a **judgement** to be reached

The company British American Tobacco agreed a takeover deal of its US rival Reynolds in January 2017. This will result in the world's largest tobacco company. One of the reasons cited for the deal was to benefit from increased economies of scale. Evaluate the view that having a business objective of increased economies of scale is always desirable.

Economies of scale arise when long run average costs fall when firms increase the scale of their production. In reaching a view on whether economies of scale are always desirable, this essay will consider the issue from the perspective of a business itself, but in reality there will be impacts on consumers, competitors, government and society as a whole. This essay will consider first the impact of such an objective on business costs, efficiency and profits, second the risk that pursuing this objective will increase the likelihood instead of experiencing diseconomies of scale and finally the possibility that pursuing this objective might attract unwanted responses from other market participants or competition authorities.

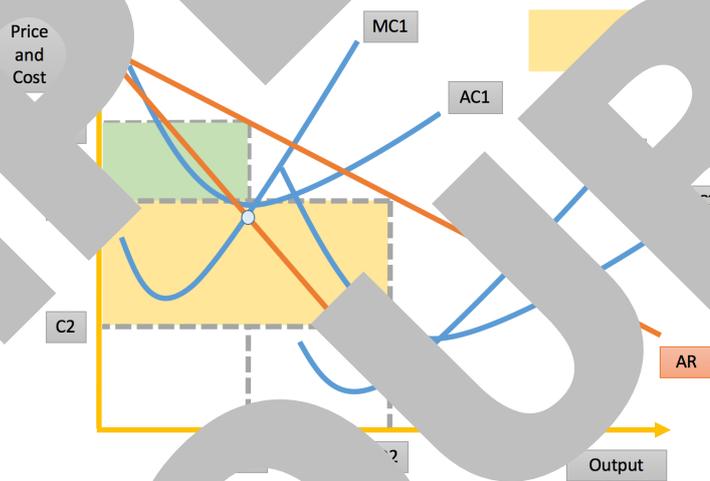
The first reason why such a business objective might be desirable is that the lower cost structure means that total profits rise. On the diagram, at a scale of output Q1, a profit maximising firm (setting MR with MC1) could earn the profit shown by the green box. However, at a larger scale of output, Q2, costs savings might be possible perhaps due to technical economies

such as indivisibilities or volume, or economies of marketing or research and development. This is likely to be especially important for an industry such as cigarettes as new generations of people are developed. At scale of output Q2, average costs are lower and the price paid by consumers has fallen to P2, and hence consumer surplus increased (generally an advantage, but perhaps not in this case as cigarettes being a demerit goods), profits have risen significantly as shown in the yellow box. Supernormal profits allow greater rewards to be paid shareholders and can provide an additional source of finance to invest in an industry that might find more conventional banks unwilling to lend because of the high profit and expensive.

However, profits will only increase to the extent indicated if the firm in question is x-efficient. Efficiency occurs when there is organisational slack (perhaps due to weak competition) and higher wages than necessary are paid, perhaps through overstaffing, or simply wasteful production. On the diagram, the firm will operate above its average cost curve, rather than at the minimum. This is possible in an industry such as tobacco, which is concentrated, and firms may choose to pay higher wages to avoid further public criticism. More generally, although there are significant economies of scale to

This is a smart opening paragraph – the student recognises that they cannot cover everything in the available time, and therefore note that they will focus purely on the arguments from the business itself.

This is an excellent example of a diagram that is being used to develop and support analysis – the relevance of the diagram is clearly written about.



An excellent use of context, demonstrating the importance of knowing about the wider world and being observant.

The key point of the paragraph – rising profit – is referred to again, demonstrating a strong paragraph structure.

A succinct way of introducing technical evaluation.

be gained in many industries such as car manufacturing and pharmaceuticals, this is not always the case. In some of the service sectors, for example, the minimum efficient scale (MES) could be low especially if little specialist capital is required. In the UK, the service sector accounts for around 75% of GDP, suggesting that achieving economies of scale may not be essential. So, although lower costs and improved profitability is one reason why an objective of increased economies of scale might be desirable for many firms, it is doubtful if this is always the case.

A second factor with a bearing on whether an objective of increased economies of scale is always desirable is the risk that such a strategy would instead lead to diseconomies of scale. Diseconomies of scale occur when long run average costs rise as the scale of output increases. While technical economies and so on may still be operating, these may now more than offset by difficulties with administration, communication, coordination and motivation. This may be especially so where the scale of output has increased because firms have merged (amicably) or where there has been a takeover as for British American Tobacco and Reynolds. In this case, different corporate cultures can increase the probability of diseconomies of scale occurring. Firms may overestimate the likelihood of experiencing economies of scale and underestimate the risk of diseconomies of scale, an example of optimism bias. In industries where there are important returns to scale over large output ranges, the risk will be low but this is a reason why it is doubtful that having an objective of economies of scale is always desirable.

A final factor to be considered is the likely response of other market participants and competition authorities. Unless total market supply is growing (which it is not for most goods), such a strategy would mean the firm's question remained a larger market share. This is not the only factor to be considered by competition authorities, but it increases the chances of them investigating the firm and the time and costs associated with an investigation, even if there is no other action. It is also likely that other market participants will respond, possibly aggressively, which could drive the firm's market share down. If economies of scale are significant, the market is likely to be concentrated, and the decisions of the firms concerned will be interconnected. While game theory throws light on the possible consequences, uncertainty would be a significant factor. While there is evidence of some large businesses pursuing a maximum growth strategy - for example Amazon - this is not sufficiently widespread to provide compelling evidence that having a business objective of increased economies of scale is always desirable.

To claim that having a business objective of increased economies of scale is always desirable would require both robust theoretical evidence in support, together with a range of credible real world examples of success. While there are some, there are equally compelling arguments against. The number of methods for taking a firm which is to produce the expected results is a complex argument. For many firms a business objective of increased economies of scale may be desirable, but it is not possible to conclude on this basis that it is always so.

*The **final sentence** of this paragraph **links explicitly back to the question**, which helps to build a **solid structure**.*

The point of the paragraph is made clear immediately.

*Excellent **definition***

*Excellent use of **behavioural economics**, which demonstrates sound **systemic knowledge***

*Evidence of **excellent use of the context**.*

*Good use of **technical economic theory**, backed up with **appropriate terminology**.*

*A **judgement** is reached on whether economies of scale are desirable – it doesn't matter that the judgement isn't on one side or the other*

During 2016, the UK's Competition and Markets Authority conducted an investigation into allegations of cartel activity amongst UK furniture makers. In 2017, two companies – Thomas Armstrong Ltd and Hoffman Thornwood Ltd – were fined £2.8m for fixing prices in the drawer-making industry. The CMA reported that a third company, BHK Ltd, had confessed to cartel activity shortly after the investigation began and would therefore not face fines. Evaluate the view that industry fines are the best way to tackle collusion in oligopolistic markets.

An oligopoly is an imperfect market structure characterised by a high level of concentration. Decisions taken by firms in oligopolistic markets are interdependent, and there may be a strong incentive to collude. A cartel is a formal agreement to collude. This essay will consider the options for tackling such industry conduct: first – do nothing; second, improve regulatory structure backed by fines, and finally, take measures to reduce incentives and ability to abuse monopoly power.

Firstly, one option open to competition authorities is to do nothing. Firms in an oligopoly have a strong incentive to collude to reduce the uncertainty inherent in this market structure, by attempting to reach agreements with other firms. This could be agreement on price, output, supply, geographical areas, or who will bid for certain contracts. If the deal holds, the oligopoly essentially becomes a monopoly and has a high level of market power because it covers virtually the whole industry. The left hand side of the diagram shows the outcome of perfect competition and monopoly. Perfect competition results in output to Q_{PC} and price P_{PC} as the profit maximising output is where $MC = P = MR$. Monopoly results in a lower output Q_{mon} and a higher price P_{mon} . This is significantly above the perfectly competitive market price P_{PC} . There is a deadweight welfare loss and in static efficiency terms, the market is productively and allocatively inefficient. This suggests a case for intervention from the competition authorities, and a decision to intervene is not an option.

However, this depends on what the collusion is about to achieve. Some agreements in oligopoly markets do not have anti-competitive intentions, but aim to achieve benefits from economies of scale e.g. the airline alliances or the various R&D activities undertaken in industries such as car manufacturing (e.g. driverless cars to improve road vehicle safety). Even when the intention is anti-competitive, it is possible to consider whether the resulting economies of scale and static efficiency could lead to better long run outcomes for consumers. It is also possible that collusive agreements will fail without any intervention. Game theory, for example the Prisoners' Dilemma game, provides an explanation of why collusion is such a difficult process. While there are strong incentives to collude

The key concepts introduced in the question are described / defined – this is a good and safe way to start

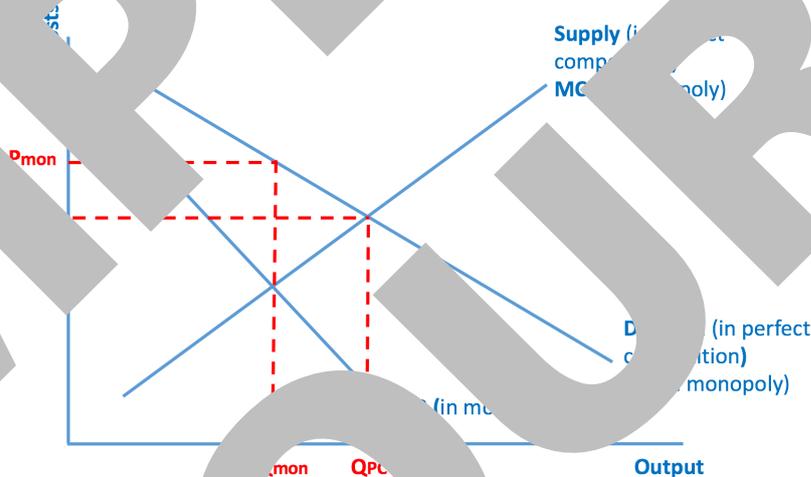
This is an interesting and different assumption that intervention is essential

It is an option that could be to leave the market alone.

This diagram is used well to compare perfect competition and monopoly outcomes, allowing the achievement of AO3 marks.

Excellent examples.

The student has made the 'right call' here in terms of not including a payoff matrix – if this was a homework



in the first place, there are arguably even stronger incentives to renege on the deal. However, in this case, the cartel among UK furniture manufacturers was intended to be anti-competitive. It is hard to see what possible economies of scale or dynamic efficiencies could result in this case. Here, some means of tackling collusion was necessary.

One means of addressing collusive behaviour used here is an industry fine. The Competition and Markets Authority (CMA) is the government agency in the UK responsible for advising on and implementing competition policy. The CMA uses structure, conduct and performance indicators to assess whether features of the market or behaviour of firms prevent, restrict or distort competition. When the anti-competitive behaviour has already occurred, as was the case with the furniture industry, it is difficult to see what other alternative to fines was available. Since cartels are most definitely illegal, decisive action was necessary. Fines seem to work particularly well when accompanied by a measure of amnesty for the whistle-blower. This reduces the resources that need to be allocated to industry surveillance and investigation and also increases the chance that the collusive agreement will fail, since the incentives to be a whistleblower are large. In order for this policy to be effective, the fines need to be sizeable relative to the expected revenue or profit from the anti-competitive behaviour; if fines are too large, then it can cause businesses to make markets even more concentrated (a so-called 'governor's dilemma'). In this case, with clear-cut examples such as price fixing cartels, the use of the threat of fines offer a reasonable solution.

Perhaps a more efficient allocation of resources could be achieved if anti-competitive collusion could be avoided in the first place by limiting barriers to entry and promoting contestability. Whistle-blowers may result in economies of scale, it also leads to a more concentrated market and greater monopoly power. Barriers are investigated if they are expected to lead to a substantial reduction in competition. The less concentrated the market, the weaker the incentives and ability to collude. Therefore, preventing mergers can pre-empt the risk of collusion. In reality, though, few mergers have been blocked by the CMA, indeed in the case of the recent Poundland merger, the reasons used by investigators were cited as a reason for the reasonably poor outcome of the merger. A policy of apparent diseconomies of scale might be a policy of increasing market contestability. A contestable market is one where low barriers to entry (including sunk costs) allow new entrants to challenge incumbent firms are earning abnormal profits and the threat of entry leads to profits being closer to normal levels. Greater contestability is sometimes achieved via technological progress (as with the airline industry) or via government de-regulation (as with airlines in the 1980s). It is difficult to see how this would have been possible in the case of furniture manufacturers, but generally the policy of increasing contestability has been successful in reducing collusion.

In conclusion, the furniture market cartel offers an example of a situation where industry fines are the probable best way to tackle collusion in oligopolistic markets. However, there are many actual or potential situations requiring a more complex and sophisticated approach, in part to limit the scope for anti-competitive behaviour and also to recognise that sometimes collusion can be profitable. In some certainty, it may be concluded that industry fines are not the best way to tackle collusion in oligopolistic markets.

essay then that would be useful, but there is not time to do everything in exam conditions.

Good knowledge of the CMA – many students avoid writing about competition authorities in detail.

Excellent up-to-date knowledge of competition policy and whistle-blower amnesty,

for judgement.

There is some alternative thinking here, and not just the usual 'tax, and regulation' approach – this increases the quality of the answer.

Good example

Excellent demonstration of wider economic knowledge, backed up with accurate, technical language

The specific question is answered carefully here, linking with the given context and considering the wider implications

ECONOMICS ESSAYS IN THIS BOOKLET

In January 2016, the makers of Ray-Ban sunglasses, Luxottica, agreed a merger with a rival eye-wear firm, Essilor, worth €46bn. Evaluate the likely advantages and disadvantages for businesses growing in this way.

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The telecoms provider EE was fined £2.7m by the industry regulator Ofcom in July 2017 for overcharging thousands of customers who had used their mobile phones when abroad. Evaluate the view that EE has abused its market power. Evaluate the extent to which the existence of monopolies is always harmful to consumers.

The UK's Post Office continues to be strongly challenged by increasing competition from courier services such as UPS in the parcel sector, and by the increasing popularity of online communications. For example, in December 2016 more people sent electronic Christmas cards than traditional ones through the post. Consequently, the volume of letters sent via Royal Mail was down 10% in 2016. Evaluate the view that increasing contestability in markets is always beneficial to the economy.

Following the UK's vote to leave the European Union and the Single Market, Prime Minister Theresa May has noted that UK businesses will need to be competitive and efficient to compete internationally. Evaluate the extent to which government policies to increase competition are always beneficial to the economy.

In 2016 and 2017, passengers using the Southern Train network have faced significant disruption due to strike action, initiated due to the desire of the train provider to make technological changes so that train doors can be shut automatically, rather than by a train conductor. At the same time, technological developments in driverless cars have the potential to make life easier for drivers. Evaluate the likely impact of technological change on the structure of the transport market.

It was revealed in 2016 that women were paying more for shaver blades and razors than men. Evaluate the advantages and disadvantages of price discrimination.

In 2016, the online estate agent HouseSimple received a £13m injection of capital from a famous entrepreneur to help it compete with Purple Bricks, the dominant online estate agent. It is estimated that using an online estate agent can reduce the fees paid by homeowners by £600 a month. Currently 5% of homes are sold online rather than through traditional estate agents with this figure estimated to increase to 50% by 2020. Evaluate the impact on markets of increased competition from online suppliers.

In 2016, the Indian company Tata Steel announced it would close all of its production facilities in the UK, potentially risking 15,000 jobs. The UK's Minister of Business said at the time, that government support would probably be needed but that he ruled out nationalisation of the UK's steel industry. Evaluate the advantages and disadvantages of nationalisation of industries such as the UK's steel industry.

The Labour Party has accused the UK's Conservative government of having "secret plans" to "privatise the NHS". Evaluate the advantages and disadvantages of the privatisation of organisations such as the NHS.

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