## H1 Case Study Question 1

## Marking Scheme

- (a)(i) Obesity rate for both men and women increased over the period. (1)The rate of increase for women is faster than for the men. (1)
  - (ii) Figure 2 shows a strong relationship between obesity prevalence and occupation-based social class for women. Obesity prevails among the poor and less-educated mentioned in extract 1. Since it is likely that a higher proportion of women fall in the lower social class status, it may account for a higher obesity rate compared to men. (2)

Marks should be awarded for using data to support reason.

## (b) (i)

- Explain how subsidies leads to an increase in supply and affects equilibrium price and quantity in the fruits and vegetables market, with the use of a diagram
- As demand for fruits and vegetables is likely to be price elastic (justify), total expenditure on fruits and vegetables will increase
- Explain how this increase in expenditure on fruits and vegetable will impact the market for unhealthy food, using a diagram to illustrate.
- The subsidies will cause consumers to change their diet towards consuming more fruits and vegetables and away from unhealthy foods.

Full credits to be awarded for clear use of diagrams to show the relationship between healthy and unhealthy foods and the impact of subsidies on the 2 goods. (Implicit assumption is that they are substitutes). – 6 marks Marks are to be deducted for not using diagrams as required by the question.

- (b) (ii) Prices of healthy foods such as fresh fruits and vegetables increase at an increasing rate over the years while prices of unhealthy food such as soda, beer increases at a falling rate. Hence, based on economic theory, quantity demanded for healthy foods will increase if relative prices are brought down through subsidies.
- (c) (i) Higher healthcare costs for the government/ Higher food prices in the global market/ Lower productivity which increase firms' unit costs. (Any one of these factors found in the extract.)

\*Student must demonstrate understanding that the impact is on third parties.

(ii) Rising obesity raises healthcare costs for the government. Governments will have to allocate resources away from other productive uses towards financing rising health care costs, which could adversely impact on long term economic growth.

Moreover, for governments in the UK and US who already facing the problem of a budget deficit and rising public debt, the increased expenditure on healthcare will worsen the fiscal deficit. Taxes would be raised which could discourage investment and savings, which in turn could have an adverse impact on long term economic growth.

Rising prevalence of obesity could also lead to lower labour productivity. This could also have a negative impact on long term economic growth.

- d) Explain the efficiency of the working of the price mechanism
  Explain that if a perceived bias against obese individual exists, there is a greater chance that obese population would be working in areas where their talents are not optimally suited for and hence distort the working of the price mechanism in the labour markets.
  Comment that this is just a perception and may not hold true. (3 marks)
- e) Explain the various options that the UK government can adopt to reduce rising obesity:
  - Taxes on consumption of fatty foods
  - Public campaigns and health education in schools
  - Legislation on food labelling
  - Ban advertising of unhealthy foods

Analyse the pros and cons of the options. Make a recommendation and justify choice of option(s).

E2	A reasoned conclusion is reached about the choice of option(s) with	3 - 4
	justification.	
E1	Merely making a recommendation	1 - 2
L2	Options are analysed in relation to the problem of rising obesity, with	3 - 4
	attempt at comparing the relative merits/demerits of the options	
L1	Weak explanation of the options to reduce rising obesity	1 - 2