

INTERNATIONAL A-LEVEL

ECONOMICS

Unit 3 The Economics of Business Behaviour and the Distribution of Income

Source Booklet

Extract A: Research and development (R&D) and number of annual patent applications, 2016 to 2021

Extract B: Different prices to different customers

Extract C: Inequality in European Union countries

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Extract A: Research and development (R&D) and number of annual patent applications, 2016 to 2021

Year	R&D spending (as % of global GDP)	Number of global patent applications
2016	2.17	12 178 300
2017	2.16	13 082 800
2018	2.24	13 948 600
2019	2.31	14 928 800
2020	2.49	15 873 500
2021	2.71	16 545 000

Extract B: Different prices to different customers

Some firms charge different prices to different customers for the same product. For example, residents of Venice can buy tickets for the city's transport system at lower prices than tourists. 1

The Spanish airline Iberia offers customers cheaper tickets between Spanish islands and other airports, if they live on the islands. Other European airlines charge different prices based on when consumers buy their tickets. People buying early can receive large savings. These tickets are then in the name of a specific person and can be expensive to change. 5

Many customers, both young and old, are used to showing an identity card to prove their age, to qualify for cheaper entrance to cinemas and sporting events. Students may benefit from discounts in some restaurants and shops if they can show that they qualify to receive them. Large groups may also benefit from lower prices when they book together. 10

In many countries, prices for branded food products in petrol stations and in small stores are higher than in larger supermarkets. Firms in the leisure industry often charge higher prices at certain times of the week or year. This helps them to increase revenue or to match demand to the available supply. 15

Extract C: Inequality in European Union countries

The European Union (EU) is a political and economic organisation with 27 member countries. Average EU incomes are much higher than in many other parts of the world. However, there is significant inequality between different member countries and also within countries. 1

One of the biggest influences on incomes is wage levels. In 2021, in Bulgaria, the average wage was €10 345 per year compared to €72 247 in Luxembourg. However, Bulgaria's Gini coefficient for the distribution of income was 40.5 compared to 34.4 in Luxembourg. This difference in income inequality is also reflected in the two countries' wealth distributions. In the same year, Bulgaria's Gini coefficient for wealth was 39.7 compared to 29.6 in Luxembourg. 5
10

A key objective for the EU is to increase living standards and one way is to improve standards of health and education. The EU provides funding for health projects across its member states and also manages the response to any serious health threats. For example, during the recent global pandemic, the EU purchased supplies of Covid vaccines to try to make sure they were distributed fairly between member countries. 15

Many economists believe that education can improve equality of opportunity, which allows people to improve their economic situation. The EU sets objectives and measures progress for developing skills and the number of students completing higher education across different social groups. In contrast, children living in low-income countries in other parts of the world often only receive a very basic education, unless their families can afford to pay for it. 20

The EU's population is significantly older than the global average. The median age in EU countries is about 44 years compared to the global median age of 31 years. This is a challenge for EU governments that provide pensions for older people who no longer work. This is one reason why many EU countries have higher average levels of government spending and taxation than countries in other parts of the world. 25

END OF EXTRACTS

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