

Candidate 4 evidence

Section 2

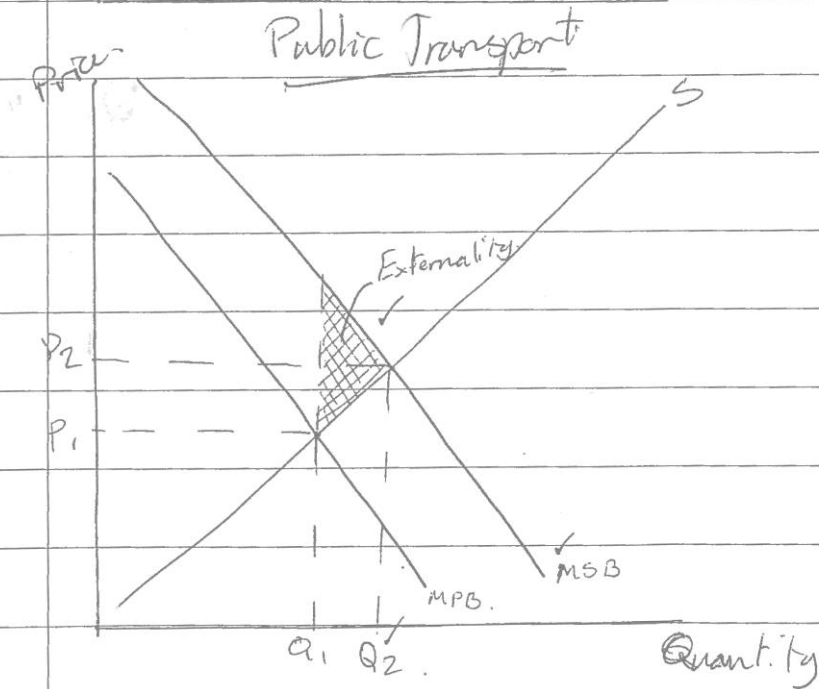
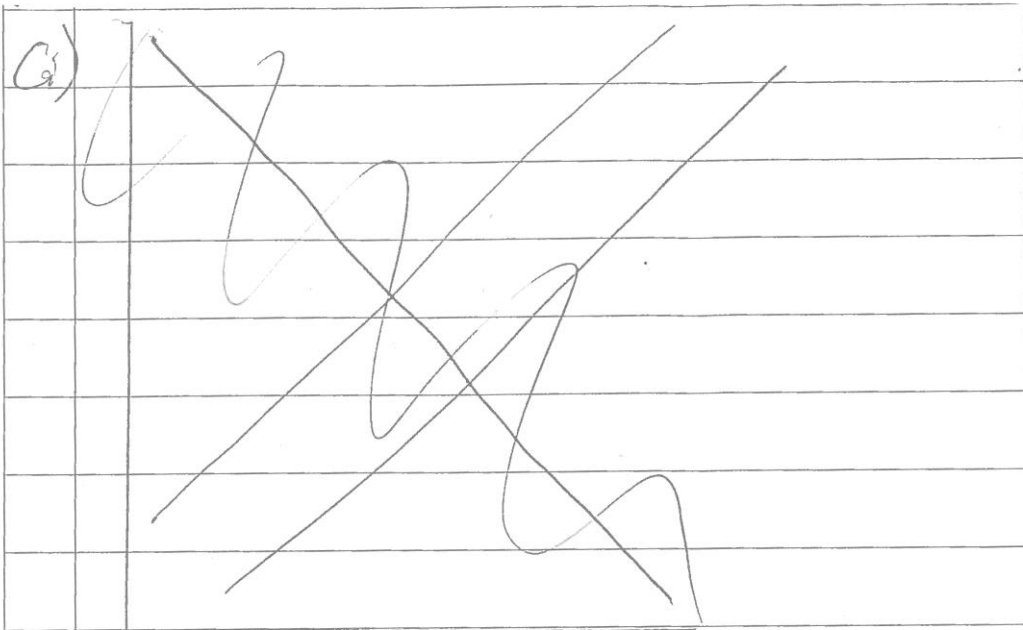
9a) Although Oligopolies ~~the~~ try to avoid price wars, they can sometimes occur. Firstly, this could be due to the breakdown of a cartel, where one firm took the incentive to lower its prices ~~to~~ below everyone else, and thus started a price war as the members of the cartel ~~try~~ and stay competitive. If all of the oligopolistic firms sell at roughly the same price, they all have a roughly similar market share. The incentive here is ~~to lower price~~ for one firm to lower its prices as they know they will gain a lot of customers as every other firm in the oligopoly charges a higher price. This is the incentive that starts

price wars and, although not a perfect example, this can be seen in real life as Aldi & Lidl enter the Supermarket oligopoly & the larger firms now have to compete with new, cheap prices.

• The Oligopoly firms could ~~not~~ also be trying to drive a new competitor out as, because they are such large firms, they can afford to keep their prices so low, smaller firms will struggle and be forced to pull out of the market, allowing the oligopoly to maintain power.

b) Firstly, the consumer will be able to buy more of the product/ have more spending power as ~~the~~ prices decrease. A price war also means there is no more price fixing, where oligopolies collude and decide to sell at a higher price to increase profit, meaning the consumer is getting a fairer price. A cost would be it may result in higher prices once it is over as firms try to recuperate their losses, or could even ~~do~~ put a firm out of business as they were forced to sell at a loss to compete, reducing choice, & giving the remaining firms more power to charge higher prices as there is less of them. Consumers would have to shop around more due to constantly changing prices.

PP.
NC
2PC.
extend



Using Public transport not only reduces pollution in the environment, but also

reduces congestion. A positive ~~ex~~ externality is when a third party uninvolved in the market is benefited by the consumption or production of a good (e.g. going to the gym, reduces pressure on NHS), and this is clearly the case with public transport as people's air is less polluted & roads are clearer, and the more people use the services, the bigger the positive externality. ~~Increased public transport can~~

ii) The government could increase ~~road~~ road tax on cars, which would discourage people from buying them, so they would take the bus. They could also introduce discounts for people who do use the public transport such as a loyalty card system or passes for the elderly. The public transport system could be improved to make it more convenient & easy to use, encouraging more people to use it as it is just as easy, if not easier than using their car. Tolls in cities could be introduced that busses / public transport are exempt from, encouraging people to take public transport to avoid the tax. They could run an advertising campaign to raise public awareness of services.

available to him. The government could also reduce the price of public transport, maybe by providing subsidies etc to encourage people to use public transport as it's so cheap.