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Examiners' Report

Principal Examiner Feedback

Summer 2024

Pearson Edexcel Advanced Subsidiary

In Economics A (8EC0)

Paper 01 Introduction to markets and market
failure

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Introduction

This was the eighth sitting of this paper (8ECO_01) from the specification that was launched in 2015. It also was the third paper following the resumption of exams. The focus, as with previous examination series, of 8ECO_01 is to test candidates understanding of the topics covered within Theme 1 of the specification content.

The structure of the paper comprised of two sections. Section A included five short questions, broken down into smaller parts, based on a spread of specification elements in Theme 1 (totaling 20 marks). Candidates were advised to spend 25 minutes on this section; Section B focused primarily on the use of plastic by consumers and producers, including a focus on issues such as the use of taxation to reduce their usage, along with a range of other measures designed to moderate their subsequent private and external impacts.

Section B comprised of one data response question broken down into a number of parts, including a choice of extended open-response questions. Candidates selected one essay from a choice of two. The total time available for this paper was one and a half hours and there were a small number of students who did not complete the examination due to time constraints. Overall, the paper seemed very accessible for candidates and gave opportunities for differentiation of grades across the various questions.

In Section A, each short question was broken down into non-supported multiple-choice questions, using option boxes which were answered clearly overall, plus a short answer question worth one, two or three marks. The various three-mark responses were answered with substantial variation, with some responses impressive with good subject knowledge (K), often starting with a definition, analysis (An) and application (Ap) where required. Most of the 3-mark questions were very well answered, however the question targeting education and its wider consumption benefits was a clear differentiator and some students found this quite challenging.

In Section B, there was a clear showcasing of how important the use of application is across different data response questions. As per previous examination series, this was highlighted with the five-mark response where the use of the extract and inclusion of key contextual information and reference to unintended consequences helped achieve the full mark award.

Another key summary observation was that students were able to secure high marks/full marks on questions with a limited number of well developed, applied and analysed points, for example two substantial points each evaluated in depth to allow access to the top Level 4 marks. There was, as in the 2023 paper, still some evidence of candidates struggling with evaluation with it either missing or at Level 1 evaluation, which is often generic and not developed. It is very important to ensure full papers are practiced using the Sample Assessment Materials and the now extensive body of live papers under timed conditions to strengthen examination skills in preparation for this paper to be sat. Across the paper, well-drawn diagrams would be beneficial in some cases, with more precision in labelling as well as a careful explanation. Diagrams were again, weak in places and not well integrated or 'dynamic' in terms of ensuring they are well linked into the candidates written work. Candidates should be encouraged to 'interact' with the diagrams to maximize marks. The performance on individual questions is considered in the next section of the report. Centres may wish to further encourage candidates to evaluate what they have already written as their substantial point and to critically evaluate the knowledge, chains of reasoning, and data as a means of developing their evaluation. This will also help them to access top level essay evaluation (L3) in the essays where 'sustained judgement' is required. Candidates would benefit from attempting to weigh up theory and the sufficiency of the data as they write, to offer clear and sustained judgement.

With the essays, there are still a small number of candidates that did not indicate clearly which essay (6(f) or 6(g)) they were answering by marking a cross in the box available, although their written responses did make it clear which they were responding to.

Section A:

Multiple-choice and short-answer questions

A high number of candidates were very well prepared and demonstrated an excellent understanding of the specification and the techniques involved in answering the questions. The multiple-choice questions format provided an accessible format for candidates to select their chosen option. Candidates are mostly confident in using definitions, annotating, or drawing diagrams and calculations. As discussed previously, the three-mark questions were the weakest part of most candidates' performance within Section A, due to the requirement to contextualise being the additional skill.

Section B:

Data response questions

Responses to 6(a) focused on unintended consequences provided generally very good use of the extract, however limited further understanding of the specifics of the distortion caused. The income elasticity of demand question was a well answered question on the paper with the majority of candidates obtaining close to, if not, full marks. Evidence of candidates mastering some of the challenging aspects of the specification were clear in response to 6(e) relating to private and external costs, although many students struggled with the application of private costs for the firm in the question. There was a substantial weighting for evaluation marks (sixteen out of forty-five marks) in the level-based responses.

A ten-mark question comprises four evaluation marks, a fifteen-mark question comprises six evaluation marks and a twenty-mark question similarly comprises six evaluation marks. Consequently, it is vital that candidates make in-depth applied evaluative comments when required by the question, as well as offer judgement using positive economics throughout in order to avoid disappointment.

Candidates have grasped the need to avoid generic evaluation comments and provided significant depth of explanation and application in their evaluation. To achieve the highest levels within the twenty-mark essays, the maximum evaluative marks, needs to show evidence of a substantiated judgement. This was often missing or left to a conclusion, which summarised the points and made a generic judgement call. Both essay questions were accessible to candidates though question 6(g) (methods of government intervention) proved to be significantly more popular than question 6(f) (impacts of the introduction of a tax). Policy response questions are typically more popular on this paper based on the previous examination series so far.

Question 1 (a)

This question on renewable energy and non-renewable energy was answered very well by a high proportion of candidates and therefore was a good introductory question, whilst still appropriately staying within the confines of the specification. Using the extract was the only way that any candidates lost marks within their responses.

Question 2 (c)

This question was diagrammatical and targeted the production of a new equilibrium point, given a shift in supply to the left. In addition, with a subsequent increase in price and fall in quantity demanded. Students that lost marks did not label the axes, show the change in price or quantity, or shifted the demand curve instead.

Question 3(b)

This question on the benefits of education being provided by the government did allow stronger candidates to score higher. As indicated above, many answers centered incorrectly around education being non-rivalrous and non-excludable, and therefore explaining that education is a public good. The under provision of education within a free market due to the lack of awareness and consideration of its external benefits was the key missing element of many answers, leading to 3(b) scoring lower than many of the other questions in Section A.

Question 4 (b)

This question was well answered, with the definition of opportunity cost very well understood by almost all candidates. Limited development of this with application to the example of Finland, alongside further analysis and without reference to scarcity/ limited resources is where candidates lost marks.

Question 5 (a) Many students performed very well on the price elasticity of demand question and produced an elasticity coefficient between -1.5 and -1.54. As within previous series, students did struggle to find the change in price, as a percentage. The formula appeared very well recalled by the majority of candidates.

Question 5 (b) Ceteris paribus as a term was very well recalled and understood, however those where the marks were not awarded, did not use the correct language to explain the concept clearly enough.

Question 6 (a) This question required candidates to consider what could be some of the unintended consequences of the introduction of charges and taxation within the market for plastic. Candidates in the majority of answers did understand and introduce examples from the text and the primarily negative implications of the interventions, however many did not score full marks as did not produce effective definitions of the actual concept required within the 5-mark question.

Question 6 (b) This question was a ten-mark question based on irrational behaviour associated with the purchase of plastic carrier bags. The use of the case study/ extracts was excellent in this answer, however the question was not well evaluated with students not consistently providing both the irrational/ and rational perspectives.

Question 6 (c) This question was posed relating to the topic of income elasticity of demand and the analysis of its coefficient. Many students identified the normal/ luxury good and its figure needing to be greater than 0, however only the strongest

candidates were able to reference the extract and the impact of income changes upon sales of refillable cleaning products.

Question 6 (d) This was another elasticity question, however discussing cross price elasticity of demand. The use of the extract was really strong, with clear references to the use of substitutes being provided, however the analysis and more detailed explanation of the rationale and reasoning for the change in demand was answered more weakly. Stronger candidates could clearly identify that a positive XED coefficient meant that the products were substitutes, whereas this was not the case for all responses.

Question 6 (e) This fifteen-mark question was a strong test of a candidate's ability to link textbook knowledge of external and private costs of production. Examples within the extract featured reference to the levels of waste produced by chains of coffee shops and cafes. Students were very clear on the negative external costs impacting third parties, however much less clear on private costs to individual firms. This limited the potential marks awarded in the question, as Level 3 KAA was awarded for analysis of both private and external costs being discussed.

Question 6 (g) This was a highly accessible question considering the methods that could be used to reduce the market failure associated with plastic waste.

There are numerous possibilities that candidates could explore, and the vast majority talked about subsidies, taxation or minimum prices being introduced. This essay requires a clear exercise of critical analysis, and good candidates would be expected to have developed a clear appreciation of the method of government intervention to correct the market failure. Sophisticated responses recognised that some forms of government intervention would be more effective than others. Good use of diagrams was showcased throughout the candidates' responses, most commonly, an indirect tax diagram. To access evaluation marks candidates could explore the various strengths and weaknesses of each method proposed and use the prompts in the extracts to consider how effective the policy might be. Another line of development considered how some combination of policies might be necessary to effectively tackle the problem of environmental damage. The best responses would work by proposing realistic solutions to the problem of excess demand and then evaluating the most effective in the context of the real- world

situation, in this case limiting the implications of too much consumption or production of plastic.

Question 6 (f) The second of the essay questions, this question was the least popular by a significant margin. Candidates also performed substantially worse on this response than they did on 6(g). The question allows candidates to demonstrate their understanding of what the likely impact would be of a tax upon plastic food packaging. The best candidates showcased the reduction in deadweight loss through the implementation of a tax, with some discussing the incidence in terms of evaluation.

Strong candidates made a good attempt to substantiate points diagrammatically and could show the tax limiting the size of the DWL.

Many recognised the issues relating to the products that the tax would be applied to being particularly important, and the details of the % of recycled element ensuring less impact. Top level KAA marks required at least one 'impact', very well analysed, and developed relating to the implementation of a tax. Evaluation marks could be achieved by counterbalancing the point(s) made and arguing why/ why not the tax could be successful in its design.

Paper summary

Based on their performance on this paper, candidates are offered the following advice:

Section A: short-answer questions and multiple choice

- Define accurately the key economic term(s) used in each question.
- Candidates should not spend too much time on definitions only.
- Be prepared to annotate diagrams when relevant to the question, and make sure these are properly labelled and explained in the text.
- Always refer to the information provided explicitly, it is better to refer to specific numbers and information from the context, for example the data in Extract B relating to 6(b) and (c) on elasticities
- Know the difference between private and public goods
- Ensure candidates practice calculating cross price elasticity of demand, price elasticity of demand etc. and their use of this information/ their influences
- It is important to emphasise that the stem is used specifically to gain application marks.

Section B: data response • Similar to 2023, a need to focus on developing economic analysis in the high mark questions.

A number of candidates again this series, moved from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in fifteen- and twenty-mark questions and limited for the potential development of more higher scoring analysis chains. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome. The weighting on a twenty-mark question is 14 KAA and 6 Eval. If the KAA is not sufficiently developed there is little chance of accessing L4.

- Where diagrams are requested, these should be drawn as they will be well rewarded. It is essential, however, that they are drawn accurately. Various forms of government intervention were required in 6g in terms of reducing market failure and diagrams would be needed to secure both KAA and Eval marks.
- Where diagrams are not requested but it helps with your analysis then they should be encouraged. Diagrams that add detail such as referring to welfare loss, incidence, revenue or producer/consumer surpluses were able to access the higher

levels on a number of question. Diagrams completed best were when integrated into the analysis and the points on the diagram were explicitly referred to.

- Having identified externalities from extracts, it is important to explain which parties are specifically impacted – also private costs to firms, poorly detailed by candidates.
- When drawing indirect tax diagrams, it is important to show not just the left shift of the supply curve but the overall incidence of the tax and how it is shared between producers and consumers, as this helps generally with the awarding of evaluation marks, regarding the success of the intervention
- Public services such as education were again confused with public goods that are nonrival and non-excludable. Education has positive externalities in consumption and is under-provided in a free market. It is often called a 'merit good', a term not used on the specification, but which teachers often use. Public goods may not be provided at all in a free market.

