Mark Scheme (Results)

Summer 2025

Pearson Edexcel GCE

In Economics A (8EC0)

Paper 1 Introduction to Markets and Market Failure

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

Summer 2025
Question Paper Log Number P72018A
Publications Code 8EC0_01_2506_MS

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1(a)	**The only correct answer is A** ***B*** *is not correct because savings are money, which is not a capital good* ***C*** *is not correct because shares in a company are another form of saving* ***D*** *is not correct because oil reserves are an example of natural resources or 'land'.*	**(1)**

Question Number	Answer	Mark
1(b)	**Knowledge 1 Application 1 Analysis 1** **Knowledge** 1 mark for defining either renewable or non-renewable resources **Application** 1 mark for a relevant example e.g. coal, oil, natural gas are non-renewable **Analysis** 1 mark for linked development of the distinction e.g. non-renewable are scarce/ finite	**(3)**

Question Number	Answer	Mark
2(a)	Knowledge 1, Application 2 **Knowledge/Understanding** 1 mark for identifying formula for PED (this understanding may be implicit) **Application** 1 mark for calculating percentage change in quantity demanded (-4%). -0.2 = x/+20 1 mark for 4% of 2.5m is 100000 sausage rolls Award 3 marks for correct answer of 2.4m	**(3)**

	0.05/ 1.2 = 4% change in price 20% price change PED -0.2 -0.2 = x /+20 0.2 = -4/+20 NB Maximum of 2 marks if correct answer is not given	

Question Number	Answer	Mark
2 (b)	**The only correct answer is C** ***A*** *is incorrect as is perfectly inelastic and would mean the coefficient would be 0* ***B*** *is not correct as the coefficient would be greater than 1* ***D*** *is not correct because the coefficient would be 1 with the same proportionate change in quantity demanded as price*	**(1)**

Question Number	Answer	Mark
3(a)	**Knowledge 1** **Knowledge/understanding** 1 mark for definition, e.g. • A **free market** is a system of buying and selling goods and services without government intervention.	**(1)**

Question Number	Answer	Mark
3(b)	**The only correct answer is C** ***A*** *is not correct because public good provision free of charge would help achieve a social optimum* ***B*** *is not correct as an overproduction of good with external benefits would be in the public's interest and optimum* ***D*** *is not correct because an underproduction of these goods would be beneficial to society*	**(1)**

Question Number	Answer	Mark
3(c)	**Knowledge 2** **Knowledge/Understanding** 1 mark for reason and 1 mark for linked development. Possible answers include: • The private sector is profit driven (1) therefore only producing those goods that will be able to sold for a profit (1) • Public goods with external benefits are under-produced (1) therefore requiring government intervention (1) • Characteristics of public goods such as non-rivalry and non-excludability (1) mean that there is no incentive to pay for these goods (1)	**(2)**

Question Number	Answer	Mark
4(a)	**The only correct answer is B** ***A*** *is not correct because a decrease in demand would cause a left shift in the demand curve* ***C*** *is not correct because a tax on the product would cause a left shift of the supply curve* ***D*** *is not correct because an increase in the cost of production would cause a shift in the supply curve to the left*	**(1)**

Question Number	Answer	Mark
4(b)	**Knowledge 1, Application 1, Analysis 1** **Knowledge/understanding** 1 mark for correct understanding of market forces and resultant contraction in supply and extension in demand (1) **Application** 1 mark for, e.g. Reference to the fall in price to its market clearing level as firms reduce in order to sell excess (1) **Analysis** 1 mark for linked development e.g. the combination of a contraction in supply and increase in demand at lower price level to cause the market to reach equilibrium (1).	**(3)**

Question Number	Answer	Mark
5(a)	**The only correct answer is A** **B** *is not correct because a rise in costs would lead to a left shift of the supply curve* ***C*** *is not correct because an introduction of indirect taxes would shift the supply curve to the left* ***D*** *is not correct because a subsidy on producers will cause a right shift of the supply curve*	**(1)**

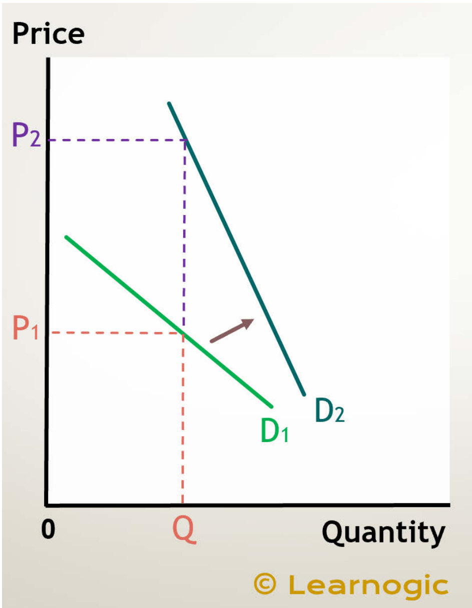
Question Number	Answer	Mark
5(b)	**Knowledge 1 Application 2** **Knowledge/ Understanding** 1 mark for understanding of a base year, within the calculation of an index number (understanding my be implicit) **Application** 400000-28725/ 400000 X 100 = 28.04 **NB award 3 marks for the correct answer of 71.96** **NB award maximum of 2 marks if final step not completed and answer given as 28.04**	**(3)**

<table>
<tr><th>Question Number</th><th>Answer</th><th>Mark</th></tr>
<tr><td>6(a)</td><td>
Knowledge 1, Application 2, Analysis 2

Knowledge
1 mark for discussing inelastic demand of the meat substitute products. This may be illustrated on a diagram as seen below

Application
2 marks for using source data to explain increased revenue from meat-substitute products.

• Despite high prices (1) demand continues to rise for these products (1)
• Nestle buying Sweet Earth leading to its ‘meat-free business hitting $1bn by 2029’ (1)

Analysis
Accurate diagram – showing change in gradient/slope of the demand (1) and higher price marked on axes (1) e.g.


</td><td>(5)</td></tr>
</table>

Question Number	Indicative content	Mark
6(b)	**Knowledge 2, Application 2, Analysis 2** • Shows or demonstrates understanding of rational behaviour as economic agents maximising utility and or profits. • Reasons why meat-substitute consumption may be rational. • Reference to a plant-based diet lowering emissions (Extract A). • Reference to health. 8.1 million deaths could be avoided if we went plant based. • Reference to $700bn-$1trn per year in terms of savings on healthcare costs and lost working days'. **NB KAA can be treated as Evaluation and vice versa**	**(6)**

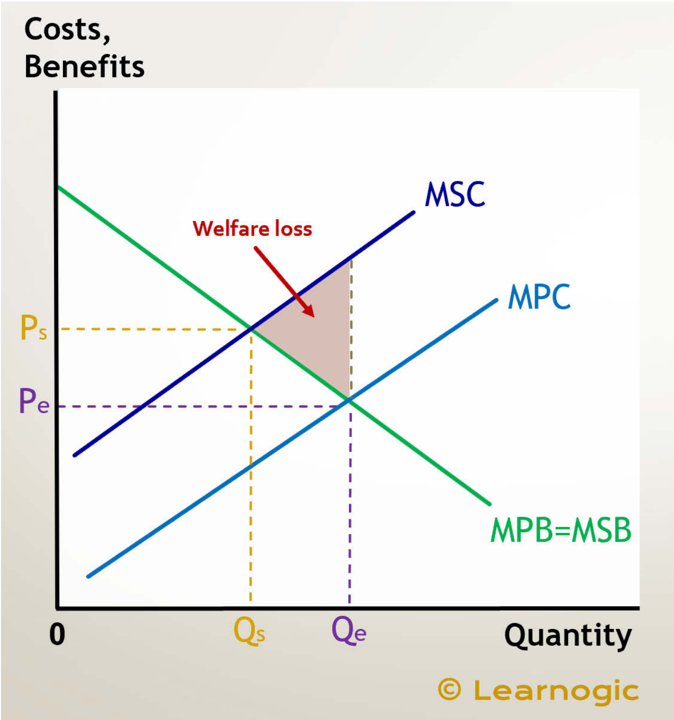
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or the answer may lack balance.
Level 3	5–6	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are applied appropriately to the broad elements of the question.

Question Number	Indicative content	Mark
6(b) continued	**Evaluation 4** Reasons why switching to meat-free diets is not rational: • Meat-substitutes a trend/ fad against poor dietary habits. Herd behaviour and the 'marketing greenwash to beat all others'. • Large companies exploiting the shift towards non-meat products e.g. Nestle, Unilever, Kelloggs. • Recognition that processed meat substitute products will 'do more for food company profits than for the planet or your health.'.	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/ reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by chains of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Answer	Mark
6(c)	**Knowledge 1, Application 1 Analysis 1** **Award up to 3 marks for each factor**: **Knowledge/understanding** • Identification of two separate reasons: number of producers, spare capacity, how easily switch from other products, storage ease, length of time to produce (all 1 mark) **Application** 1 mark for, e.g. • Reference to goji berries. (1) • Reference to oyster mushrooms (1) **Analysis** Linked development of how these agricultural goods supply will be affected by a range of factors **e.g.** • The time it would take to grow these new products and to harvest them would affect their PES (1)	**(6)**

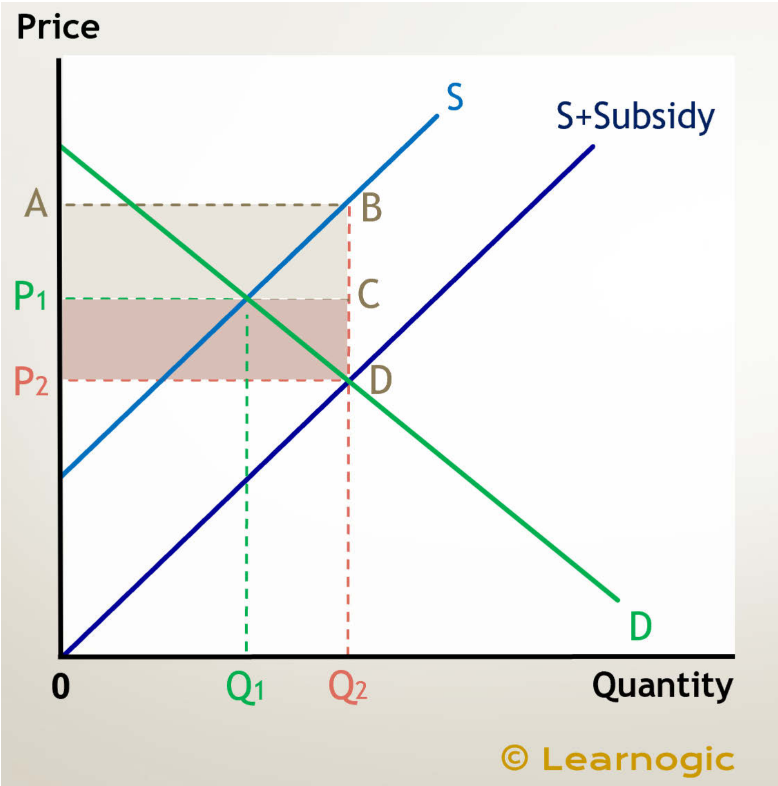
Question Number	Answer	Mark
6(d)	**Knowledge 2, Application 2** **Knowledge/understanding** 2 marks defining both positive (1) and normative statements Positive – based on fact/ evidence and can be tested/ hypothesised Normative – involve value judgements and personal opinions **Application** 2 marks for giving examples of both types of statements Eating a diet high in meat will cost 7.2kg CO_2 emissions a day This might benefit shareholders (high prices) but is it doing any good for the rest of us?	**(4)**

Question Number	Indicative content	Mark
6(e)	**Knowledge 3, Application 3, Analysis 3** • Understanding of private and external costs in production  **NB Level 3 responses must consider the effects on both consumers and producers.** **NB If no valid diagram then the maximum of Level 2 may be awarded**	**(9)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	7–9	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(e) continued	**Evaluation 6** Details of the benefits of meat farming including; - Revenue/ profits to farmers - More sustainable farming methods limiting negative impacts - The ability to fund and support benefits to the environment including increased hedgerows and rewilding - Extent to which costs can be further mitigated	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Indicative content	Mark
6(f)	**Knowledge 4, Application 4, Analysis 6** Various microeconomic impacts of a reduction in the subsidy provided for supporting farming/ agriculture Use of subsidy diagram to highlight the impact upon price and quantity supplied  Diagram(s) accurately drawn – with clearly labelled change in equilibrium and market price - Missing markets – farmers/ businesses/ producers of animal products may leave markets if profits/ revenue fall due to higher prices - Increased price due to contraction in supply **NB KAA can be treated as Evaluation and vice versa** **NB If there is no Diagram, max Level 3**	**(14)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	7–10	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	11–14	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(f) continued	**Evaluation 6** • Depends upon the incidence of the subsidy • Other factors affecting cost(s) of production could be of greater or less importance • Depends on the proportion of income a subsidy makes up – this is different for the various different types of farming	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.

Question Number	Indicative content	Mark
6(g)	**Knowledge 4, Application 4, Analysis 6** - The effect of a tax will shift the supply curve to the left and raise the price of the product. - The tax should reduce the consumption of animal products towards the social optimum. - Impact upon consumer surplus due to impact upon the market - Price paid for animal products will rise and quantity reduced - Extract A – tax introduced to reflect the cost of	

	externalities - $35 billion tax revenues into the EU - $15 billion being directed to farmers **NB KAA can be treated as Evaluation and vice versa** **NB If there is no Diagram, max Level 3**	**(14)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response or superficial, two stage chains of reasoning only.
Level 3	7–10	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	11–14	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
6(g) continued	**Evaluation 6** • It depends on whether the tax is high enough to internalise the external cost. • It depends on the PES of animal products. • It depends on the PED for animal products. • Comment on the costs to consumers – loss of consumer surplus. • Comment on the impact on producers – job losses in the industry, reduce investment. Government failure e.g. distortion of price signals, unintended consequences	**(6)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.

Pearson Education Limited. Registered company number 872828
with its registered office at 80 Strand, London WC2R 0RL, United Kingdom