Pearson Edexcel

Examiners' Report
Principal Examiner Feedback

January 2024

Pearson Edexcel International Advanced Level In Economics (WEC11)

Unit 1: Markets in action

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Introduction

This series there were more examples of better work seen with learners more likely to be able to achieve he top level on level based questions. Equally there were some learners who struggled to perform consistently across the paper.

In Section A, the multiple-choice section, Q1 involved identifying the characteristic of symmetric information. Just under two-thirds could identify that this was where buyers and sellers had the same level of information. This was the question candidates performed most well on in Section A. Where students did not access the mark they selected the characteristic associated with asymmetric information.

The performance on Q2 was higher than on any other question with most able to identify the correct answer. Students could generally identify that sea defences were a public good. Some incorrectly identified it as a free good but sea defences do have an opportunity cost.

Q3 saw nearly all identify the correct answer. Candidates needed to identify that a positive XED +0.62 made Pepsi Cola and Coca Cola substitutes. Many identified as normal goods but there was no data on income elasticity of demand. Others identified as complements which would of course have a negative XED.

Q4 saw the weakest performance of the multiple choice section. The question required leaners to interpret a diagram. This was a minimum price diagram and they had to deduce information from the diagram. Students accessing he mark were able to identify the correct areas of government spending to support the guaranteed minimum price. This of course has to be paid at the minimum price hence OE but also K-J will be purchased. Thus A was correct as GHJKJ was the area of government spending.

For Q5 candidates were given the sources of electricity generation by Brazil in 2021. The majority could correctly deduce that electricity was mostly generated from renewable resources. Some opted for C and D but the percentages were for the opposite types of resources.

Q6 showed a diagram of the production possibility frontier (PPF) but just over half could deduce that V to W resulted in a decrease in unemployment. Many identified B incorrectly as the movement from Z to X has an opportunity cost in terms of capital goods not consumer goods.

In Section B, Q7 asked learners to draw a diagram to illustrate the external benefits of university education. The first mark was awarded for correctly drawing MSB above MPB. Marks were then awarded for clearly labelling the market equilibrium and social optimum. The latter mark was often missed although most identified the original quantity and price for the original equilibrium. The final mark was for identifying some other aspect on the diagram. Most gained this by identifying an area of welfare gain or welfare loss although many also drew the underconsumption of education. Unfortunately many could not even attempt the diagram with a number leaving the question blank, others drew supply and demand diagrams or production possibility

frontiers and none of these gained credit. This draw question saw a weaker performance than in previous series

Q8 explored rational decision making and required learners to explain this in the context of rising costs and prices at Unilever. Most could define rational decision making with the majority focusing on rational consumers who maximise utility. Fewer looked at firms maximising profit but this was rewardable. There were two application marks available. Most made reference to the rising costs at Unilever of €4.4 billion. Many then made reference to them increasing prices by 13.2%. In both cases explicit reference to the data was needed. The analysis mark was the mark students found most challenging to access. Most just said consumers switched to cheaper alternatives but this was of course the stem and gained no credit. Learners needed to explain how consumers gain utility from switching to cheaper alternatives, for example being able to spend the saved money on other goods and services. Another approach was to say how consumers were avoiding irrationality, that is not being inert, showing habitual behaviour or being able to calculate the savings accurately. Alternatively learners could explain how increasing the price helps Unilever improve profits, although this was rarely attempted.

Q9 asked for candidates to explain the difference between specific tax and ad valorem tax. The students were required to define each and give an example for each. Students were more able to define ad valorem tax with many linking it to being a percentage of the value of the item. Most could identify VAT as the example. Specific tax was less well defined although many could give the example from the two listed. Extra care could be given to being able to define a specific tax.

Q10 required the calculation of the price elasticity of supply. Most did write the price elasticity of supply definition or formula. Many candidates then put the values in the formula without calculating the precentage changes of quantity supplied and price. Some get the answer wrong and because the intermediate steps are not calculated they lose marks, often finishing with one or two marks. The question did still have the highest mean score in Section B. One other common error is to calculate the percentage change in price before calculating the percentage change in quantity supplied. They would then put the precentage change in price divided by the percentage in quantity supplied which gives the wrong answer.

Q11 The final question in Section B looked at the impact of decreasing production costs on the producer surplus in the electric car market. Many drew the supply curve correctly shifting right. Many could correctly draw the original producer surplus and new producer surplus. The mark most likely to missed was for defining the producer surplus for the knowledge mark.

Section C focused on the materials in the source booklet that related to the markets for chicken and fast food.

Q12a required a definition of 'price elasticity of demand'. Many wrote out the formula and were rewarded the two marks for this. Others gave a written definition that included the responsiveness of quantity demanded to a change in price to also gain full marks. A number mistakenly defined price elastic demand rather than price elasticity of demand.

Q12b asked learners to explain whether chicken was a normal or inferior good. The two knowledge marks were for understanding of normal good and inferior goods and it was the latter which was often omitted. The number from Figure 2 was explicitly required to access the first application mark. Identification that this made it a normal or luxury good were then required.

Q12c required an analysis of one demand reason and one supply reason that the price of chicken to increased 147%. Many included this figure in the response but this was not rewarded as was within the question. Candidates often identified a number of demand or supply reasons but only one of each was awarded. For demand reasons many identified chicken becoming more popular as a healthier option. The supply reasons included the 20% increase in the cost of chicken feed, the outbreak of bird flu or the 140 million chickens globally that could not be sold for consumption. Four marks could be achieved for the diagram. Firstly, the original supply, demand and equilibrium. Secondly, the correct shift of demand to the right and thirdly, the correct shift of supply to the left. The final mark was for the final equilibrium having correctly shifted supply and demand. Where only one curve was shifted the final equilibrium mark was not awarded. However, a mark was available for reference to Figure 1 and the price change, although this needed to focus May 2020 and May 2022. Close to 50% of candidates achieved full marks which was pleasing.

12d was an examine question and focused on the external costs associated with chicken production. The question was well answered. Nearly all achieved both application marks by making reference to at least two of the three bullet points within Extract A. To gain the knowledge marks these needed linking to the external costs and then the analysis marks would be for the impact on the third party. For example, application mark would be awarded for '0.7kg of CO_2 released', knowledge mark for contributing to global warming and analysis mark for the impact of those affected by flooding along the coast or by wildfires. This needed doing for two external costs. Two marks were allocated to evaluation. It was the latter element that was a strength in the response with many using the context effectively. For example, making reference to the 50% reduction and to the size of impacts whilst using the data effectively.

The final question in section C, Q12e required a discussion of the impact of introducing an indirect tax. A diagram was requested and most correctly drew the a relevant supply and demand diagram. Most defined indirect taxes and better responses made explicit reference to their diagram to support their analysis of the impact of the indirect tax. Many also effectively incorporated information from Extract B and I particular linked diagrammatic analysis to what happened I the countries were similar taxes were introduced. Evaluation focused

mostly on the likely PED of junk food being inelastic suggesting little impact on output and on the size of the tax being important.

Section D had a choice of two essays. Q14 was by far the most popular question on evaluating the microeconomic effects of subsidies paid to electric vehicle manufacturers. Q13 was far less popular and required an evaluation of the microeconomic effects of an increase in the number of natural disasters. The mean score on Q14 was higher than for Q13.

The stem for Q13 identified that the number of natural disasters increased, from 400 in 1990 to 820 in 2019. The response needed a focus on the likely impact of this. Most focused on reduced production possibilities and often drew the PPF diagram in their answer with an inward shift. Many also drew supply curves shifting inwards as production possibilities fall. Students found it more difficult to access Level 4 as response often lacked analysis. Better responses used their diagrams in their analysis. Evaluation was often not well developed and those that did focused on the size of the disasters being important and that some sectors may benefit, for example emergency tent manufacturers.

Q14 The stem identified that General Motors received a $1 billion subsidy for two new electric vehicle factories in the USA. They were also told that 4 000 jobs were created. Students needed to evaluate the microeconomic effects of subsidies paid to electric vehicle manufacturers. Most defined subsidy accurately and used their diagram with better responses using the diagram in the write up to analyse the effects. Better responses considered the effects on different economic agents for example, consumers, producers, workers or government. Most evaluation focused on the magnitude of the subsidy, the likely impact on complacency, opportunity costs and unemployment in the non-electric vehicle market.

Most learners were able to complete the paper in the time available. We did however see several unfinished or very brief essays suggesting that some students had not planned their time well.

The performance on individual questions is considered in the next section of the report. the feedback on each question shows how they were well answered and also how to improve further.

Section B, the short answer section, saw students able to access marks on most questions.

Q7, the external benefit diagram related to university education. It was disappointing that a significant number made no attempt to draw an external costs diagram, there were a large number of blanks, supply and demand diagrams and PPFs drawn. A number drew MPB and MSB upward sloping. Whilst a significant number did score many achieved 2 or 3 marks. Most could draw MSB above MPB and then either draw the area of welfare loss/ gain or the market equilibrium quantity. The social optimum quantity and price were commonly omitted. Less than 25% achieved full marks. The students need to explicitly identify that it is the social optimum. Care in centres needs paying to this diagram and ensuring that they mark on explicitly market equilibrium and social optimum as well as drawing the welfare gain areas that points to the social optimum.

Q8, nearly all could define rational decision making with both consumers maximising utility or firms maximising profit being accepted. Most were also able to use the stem to gain the two application marks. Students should be encouraged to use the data explicitly. For example the actual increase in costs rather than just costs rose. It was the final mark that students struggled with. Most failed to explain how utility increases when consumers more to cheaper alternatives. For example, by buying a cheaper alternative this leaves funds to buy others goods and services to gain further utility from. Another approach was to say how this avoided irrational behaviour such as habitual behaviour, inertia or showed consumers being good at computation to calculate the savings.

Q9, the question required students to define ad valorem and specific taxes and to give an example from the stem of each. The majority could define ad valorem, most identifying that it was a percentage of the value. Most could identify VAT as the example of ad valorem. Many could identify the example of specific tax, for which there were two in the stem, smartphones and energy drinks. But students often struggled to define precisely specific taxes. The best responses were clear that this was a set amount added to the price of the items. Another successful strategy was to draw the diagrams for each which would gain two marks although this was relatively rare. It is noted whilst the most common score awarded was 4/4, this only represented just over a third of responses.

Q10, involved calculating price elasticity of supply. Fewer erroneously including a percentage sign or negative sign with their value of price elasticity of supply. One approach now being commonly seen is to write the formula and then to put the intermediate calculations or formula without calculating the value of each stage. This meant the 2 marks for the calculation of the percentage change in quantity supplied and price were frequently not awarded when an incorrect final answer was given. Candidates are asked to include workings so should do so comprehensively. Another common error was to calculate putting the formula the wrong way round. If the formula or definition were correct and the intermediate

stages were correct then three marks could be achieved. Pleasingly, nearly three-quarters got full marks on this question.

Q11, the stem shows that the Tesla's costs had reduced and asked students to look at the impact of this on the producer surplus of electric vehicle manufacturers. The vast majority correctly shifted supply to the right for the first mark. A common mistake was to get producer surplus confused with consumer surplus. Many though could identify the original and new equilibria. Many did not define producer surplus to achieve the knowledge mark.

Section C, the Data Response section.

Q12a, required a definition of price elasticity of demand. Most defined this accurately by either using the formula or offering the written definition. A surprising number define price elastic demand, this was not the question. Where the definition was wrong a number were able to secure a mark by giving the price elasticity of demand at -0.55 from Figure 2.

Q12b, needed students to use the data to explain whether chicken was an inferior or normal good. The knowledge marks were awarded for defining normal and inferior goods. Many missed of the definition of inferior goods. Most included the value explicitly for YED from Figure 2. They then gained the final mark by identifying it as normal. Some mistakenly used the value for PED and concluded that it was inferior. One misconception that was common was that YED above 1 was normal and below 1 was inferior. The value of above +1 is of course a luxury and normal good and above 0 is a normal good.

Q12c, the question required one example of a demand reason and one supply reason from Extract A. Given that it asks for both it is important to note that both curves needed shifting. Too often we see only one curve shifted which means the diagram can score a maximum of 2 marks. Whereas correctly shifting supply and demand and including the original and new equilibria on the same diagram enable the achievement of 4 marks. Most could identify the demand factor, e.g. seen as a healthier option most commonly given and the supply factor most commonly linked to rising costs of animal feed and the number of chickens lost to bird flu. It is useful to advise students to be explicit as to whether the reasons is the demand reason or supply reason.

Q12d, was on external costs. Many students offered both a definition of external costs and the external costs diagram. These did not directly answer the questions about the external costs of production from chicken. However they could pick up to 1 knowledge mark up. It seems a lot of work to draw the complex diagram for one mark especially when the definition may well have already picked up the mark. On this question the best method was to identify the data from the extract for application, e.g. 0.7kg of emissions and then to identify the external costs, e.g. global warming and then to link to the third party impact, e.g. increased risk of wildfires destroying peoples homes. Evaluation was impressive with this question. Many looked at the magnitude of the external costs or on the 50% reduction in environmental impact.

Q12e, when asked to draw a diagram it is important to include one in the response. In this case an indirect tax diagram was needed. When drawing the diagram it is important in the write up to then refer to the areas shown on the diagram. Going beyond impact on supply, price and quantity often enabled students to achieve the higher level. That is looking at the impact on the areas of producer surplus, consumer surplus, incidence of the tax and tax revenue. Where they then used this whilst integrating analysis they were able to perform very well. Evaluation was again impressive for many. Better responses offered two well developed evaluation points in context to access Level 3.

Section D, the essay section offered students the opportunity to choose between two questions. Learners were more likely to attempt Q13 than Q14.

Q13, many were able to draw a PPF and explain that a decreases in productive capacity occurs. Many could also show supply shifting left and the impact of this. Where students struggled in both cases was in analysing why this happens when there is a natural disaster. Evaluation was generally weaker. Where offered effectively many talked about the importance of the size of the natural disaster, a large earthquake and tsunami would have a much greater impact than a mild earthquake or how some countries are well prepared for natural disasters like Japan which would limit the negative effect.

Q14, looked the effect of a subsidy paid to General Motors to support building of an electric car production in the USA. Most drew the correct diagram. Weaker responses focusing only on supply, price and quantity whereas better response looked at the government spending, so consumer and producer surplus. Again the write up including reference to areas on the diagram was important. Better responses contextualised this relevant to the electric car market. Evaluation was best when it linked to context. For example, some weighed the 400 jobs created with likely job losses in the non-electric car market. Others said that the magnitude was important but better responses used the data on the size of the subsidy to good effect. There was also a lot of work around complacency and the electric car manufacturers becoming dependent on the subsidy.

Paper Summary

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

Section A: Multiple Choice Questions

• Interpreting minimum price diagrams and notably the level of government spending when it guarantees the scheme and agrees to buy surpluses.
• Showing unemployment reducing on production possibility frontiers needs some attention in centres

Section B: Short Answer Questions

• When asked to draw a diagram on Q7 all marks are available for the diagram so no accompanying commentary is needed. Students need practice at drawing external cost diagrams.
• In Q8 many struggled to analyse how substituting to cheaper alternatives increases utility.
• On Q9, many struggled to define specific taxation, although most could identify the example.

Section C: Data Response

• On Q12(b) the concept of inferior goods was rarely defined.
• On Q12(c) when asked for a demand factor and supply factor both supply and demand curve will need shifting.
• On Q12(d) when asked to examine it is important to offer evaluation in the response as two marks are available for this.

Section D: Essay

• Both essays requested a diagram so it is important to include at least one relevant diagram in the answer.
• On Q13 few offered evaluation. This is about offering a different perspective such as showing some markets might benefit from natural disasters or how the impact depends on the extent of the natural disaster or the preparedness of the disaster.