Examiners' Report
Principal Examiner Feedback

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Pearson Edexcel International Advanced Level
In Economics (WEC11)
Unit 1: Markets in Action

Introduction

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

In Section A, the multiple-choice section, Q1 asked learners to identify how resources are allocated in a mixed economy. Most could identify that the price mechanism and government both allocated resources. This was the multiple question that saw students perform best.

Q2 required the identification of the example of the government failure. Most could identify that excessive administration costs in the provision of state owned services. However many identified one of the incorrect answers, all of which related to market failure where the market results in an inefficient allocation of resources.

The next question was challenging for many. Q3 needed students to identify the market most likely to have a forward market. The majority did identify currencies but many also identified markets that do not have a forward markets.

Q4, gave students a diagram to show external costs. The students needed to identify the area of the welfare loss. The question had the second highest score in the multiple choice section with most able to identify the correct area. When the question was incorrect they selected the area UWX which points to the market equilibrium and not the social optimum.

Students performed least well on Q5. Whilst the majority could identify that the total utility was maximised at the 4th plate. Many struggled and identified an incorrect response.

Q6 saw students perform well with most able to identify that all three goods, coffee, milk and water were substitutes as the XED was positive.

In Section B, Q7 asked learners to draw a diagram to illustrate the impact of Artificial Intelligence (AI) on China's production possibility frontier (PPF). Most gained the first mark by drawing the PPF as a straight line or curve accurately. Most then drew a PPF to the right to show economic growth caused by AI. The students were asked to include an arrow on the diagram and the vast majority did this. The final mark was awarded for the correctly labelled axes. Whilst most used capital goods and consumer goods as labels was fine to use their combinations such as Good A and Good B, goods and services or agricultural items and manufactured goods. Unfortunately a significant number autopiloted to price and quantity and this response would only gain 1 mark maximum overall.

Q8 explored price elasticity of demand (PED). The table included gave the price elasticity of demand for energy in four countries. Students were asked to explain one factor that is likely to influence the PED for energy. Most defined PED or gave the formula for the Knowledge mark. Students needed to explicitly use the data in their response. Most explained that all 4 countries were price inelastic but some selected a country and explained that it was price inelastic. The influences commonly explained included it making up a small proportion of income, being a necessity and having few substitutes available. Commonly the final mark was missed off which needed them to explain how the factor influenced the elasticity.

Q9 asked students to explain the difference between normative statements and positive statements. Most could define positive statements most commonly making reference to being based on facts. Many could then identify that statement 1 was a positive statement. The definition or normative statement was less strong but the best responses identifying it as being based on a value judgment. Most could correctly identify that statement 2 was normative.

Q10 required students to use data on the income elasticity of demand and the percentage change in real income to calculate the change in quantity demanded in developed and developing countries. Most could rearrange the YED formula to calculate the percentage change in quantity demanded. However, they needed to calculate the difference between these two values. Many did not even attempt this. For developed countries the percentage change was 3.75% and in developing countries was 6.8%. the difference between these two numbers is 3.05. This is not a

percentage change but percentage point change. This question tests QS2 Calculate use and understand percentages, percentage change and percentage point change so understanding how these are different is important. Only 4% of candidates were able to access all available marks on this question.

Q11 The final question in Section B looked at the likely impact on excess supply of an increase in the minimum price. A minimum price diagram was requested. Many still fail to gain the knowledge mark by defining a minimum price. Most drew the diagram with the minimum price above the equilibrium price. Fewer drew the original minimum price and new higher minimum price above the equilibrium price. The students were required to identify the original and new excess supply and most could do this accurately.

Section C, the Data Response section.

Section C focused on the materials in the source booklet that related to sources of energy generation.

Q12a required a definition of 'speculation'. The most common answers focused on people making a purchase in the hope that the price rose in order to make a profit. Others focused on it creating a market failure. There was surprisingly some misunderstanding with some defining specialisation.

Q12b required an analysis of one demand factor and one supply factor that caused the price of uranium to more than double. Many included a statement about prices doubling but his was not rewarded as this was in the question. Those that explicitly used data on the precise price changes could gain credit. Students often identified a number of demand or supply factors but only one of each was awarded. For demand reasons many identified the rising price of gas rising seeing substitution to nuclear power. There were also many referring to needing to meet international agreements. Less common was reference to speculators. The supply factors included issues in France where there was a lack of critical chemicals, Kazakhstan having shipping problems and Canada having problems at two mines reducing production 9%. 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 on the same diagram. 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 on January 2020 and September 2023. Close to 50% of candidates achieved full marks which was pleasing.

Q12c required an explanation as to whether the supply of nuclear reactors was price elastic or price inelastic. There were two marks available for either definitions of price elasticity of supply, price elastic or price inelastic supply. Most attempted to define price elasticity of supply or to provide the formula. Others defined price elastic or price inelastic. The first data reference was to the 7.5 years average time to build nuclear reactors. The other data reference was to the 33 years it took to build a

reactor in Argentina. With the significant time delay the final mark was allocated to identifying it as price inelastic. Some attempted to reference that there would be a 43% increases in nuclear capacity but this is by 2050 which is by no way price elastic.

Q12d was an examine question and focused on the effects of the introduction of an indirect tax on the production of coal. Many drew a diagram and showed the impact on price and quantity. Others focused on the negative impact on producer or consumer surplus. Others looked at the effect on the government in terms of earning government revenue. It is important to identify the effect and then offer development. There is also then a requirement to apply to Extract C and coal. The final two marks are allocated to evaluation. Many made reference to the importance of the price elasticity of demand and others considered the impact on employment within the coal sector or the boost to renewables as the tax creates an incentive to shift how they generate electricity.

The final question in section C, Q12e required a discussion of the likely effects of subsidies paid to nuclear power industry. They were asked to focus on the effects on consumers and governments. Many looked at the impact on producers which was not rewarded. The questions also required a diagram. Many correctly drew a supply and demand diagram and shifted supply to the right. Most defined subsidy, linked to lower costs to production and the better responses used their diagram to work through effect of reducing the price, increasing the consumer surplus and many referred to the consumer subsidy. They also made reference to the government spending with reference to the area on the diagram. Evaluation was needed and many made reference to opportunity costs of this spending. Others made reference to the fact that it was not easy to increase supply of nuclear reactors due to the inelasticity of supply. Many considered the difficulty in removing the subsidies or the magnitude of spending by different countries.

Section D had a choice of two essays. Q14 was by far the most popular question on evaluating the advantages of the division of labour for business and workers. Students needed to link this to an industry. Q13 was far less popular and required an evaluation of the possible reasons why consumers did not switch suppliers for mortgages, mobile phone contracts and broadband consumers. The mean score on Q14 was higher than for Q13.

Q13's stem identified that consumers not switching at the end of their contracts were paying £1.3 billion more than those consumers who switch suppliers in the mortgage, mobile and broadband markets. Pleasingly most did focus the response to these industries. Many could identify reasons why consumers do not switch including habitual behaviour, inertia, poor computational skills, influence of others behaviour (herding) and need to feel valued. Many could then offer some chain of reasoning as to how this results in decisions that do not maximise utility. However, many struggled to offer a developed chain. Better response often achieved this in the way that they applied to the industries. For example, the complicated mobile bills not being well understood making it hard to make the calculation to see what deal would be best so as to know if they should switch. The question needed evaluation and once again this was often done through via reference to informtion gaps being filled by business and regulation. A common thread was that in fact not switching may be rational with reasons as to why this is the case. Others made reference to comparison websites that help customers resolve weakness at computation.

Q14 made reference to the division of labour in the textile industry and healthcare sector. The learners then needed to evaluate the advantages of the division of labour focused on businesses and workers. This needed to relate to an industry of their choice, with most choosing those given to them in the stem. Most defined the division of labour and went on to apply how this happens in their selected industry. Those doing healthcare focused on doctors specialising in different areas of medicine and those doing textile focused on those doing different processes, cutting, sewing , dyeing etc. Advantages tended to focus on increased output, improved productivity, higher output per worker and lower costs per unit. Most linked these which helped the develop longer chains of reasoning. In evaluation most talked about disadvantages to businesses and workers. Nearly all talked about monotony and the resulting boredom. Better responses linked this to a lack of motivation and productivity. Other linked this to poor staff retention and having to recruit and train staff. Many focused on how workers may be deskilled and struggle to find alternative work elsewhere and how the production process is interdependent and a persons absence can result in production halting.

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 most students able to access marks on most questions.

Q7 required the drawing of a diagram to illustrate the impact of Artificial Intelligence (AI) on China's production possibility frontier (PPF). When price and quantity were used on the axis for a PPF diagram the maximum they could be awarded was one mark even if all other aspects were present. The majority labelled the axis capital good and consumer goods. Others commonly referred to good and services or Good A and Good B or similar. The original PPF was drawn as either a straight line or curve. Most correctly shifted this PPF out. Students were asked to include an arrow to show the direction of the shift and most did this. Some shifted the PPF inwards which was incorrect, the stem clearly identifies that output is likely to rise by $7 trillion, so the PPF needed to shift out. Remember that all marks are allocated to the diagram on draw questions, so there is no reward for offering extended prose to support the answer.

Q8 required an explanation of the factors that might influence price elasticity of demand (PED). Most used data in the table to include the price elasticity of demand for energy in one of the four countries or explained that all had an inelastic demand. Most defined PED accurately for the Knowledge mark. Some instead defined price elastic demand which relates to the more than proportionate change in quantity demanded in response to a change in price. This was not rewarded. For the influences most talked about spending on energy making up a small proportion of income, being a necessity and having few substitutes available. Commonly the final mark was missed off which needed them to explain how the factor influenced the elasticity. Better responses would develop this. For example, if energy is a necessity, when it increases in price the demand has a less than proportionate decrease.

Q9 saw the second highest performance and explored positive and normative statements. Most could define positive statements with many making reference to it being based on facts. Others defined with reference to it being value-free or

objective. Many could then identify that statement 1 was a positive statement. They only needed to identify this although many explained why but no marks were awarded to the explanation. The definition or normative statement was less well done. Most that achieved this second Knowledge mark focused on it being based on a value judgment. Most could correctly identify that statement 2 was normative. Many explained that the word should made it normative although explaining why it was normative carried no marks.

Q10 required students to calculate the difference between the percentage change in quantity demanded for flights within developed countries and the percentage change in quantity demanded for flights within developing countries. Most included the definition or formula for YED to gain the knowledge mark. Many could rearrange the YED formula to calculate the percentage change in quantity demanded for both developed countries and developing countries. For developed countries the percentage change was 3.75% and in developing countries was 6.8%. 6.8-3.75=3.05. Many added a percentage sign after this which was technically wrong. Only 3.05 or 3.05 percentage points were awarded. Understanding when to use percentage and percentage point is critical to demonstrate Quantitative Skill (QS)2 and needs exploring with learners.

Q11 saw students draw a supply and demand diagram and then include a minimum price above the equilibrium. The question though tested the impact of an increase in the minimum price so needed a second higher minimum price. THis was needed to gain the application mark. The two analysis marks required the original and new excess supply and most identified this by showing this increasing on the diagram. Some did not but gained a mark when they said excess supply increased. The Knowledge mark was commonly missed off, a minimum price definition was required.

Section C focused on the materials in the source booklet that related to sources of energy generation.

Q12a asked students to define 'speculation'. Students typically focussed on speculators making a purchase of a good at a low price in the hope that the price increases so the good can be sold for profit. Some referred to speculation being a market failure which is clearly identified in the specification. A number incorrectly

defined specialisation. Another way students accessed marks was to make reference to speculators buying uranium resulting in its price rising 25%.

Q12b Most started by drawing the diagram. It is important to show the original supply, demand and equilibrium. This accessed the first mark. Most could identify supply had fallen and shifted it to the left. Most could also appreciate that demand is increasing and shifted demand to the right. There was a mark awarded for the final equilibrium. Intermediate equilibria are not needed. The diagram could gain up to four marks. Where learners drew the supply and demand shifts on separate diagrams they could gain up to 3 marks maximum for the diagram. The written explanation is where the two analysis marks are awarded. This essentially needs students to pick out the factors from the Extract. Only one mark was awarded for demand factors and one mark for supply factors so there was need to give two of each. For demand reasons many identified the rising price of gas rising seeing substitution to nuclear power. There were also many referring to needing to meet international agreements. Less common was reference to speculators. The supply factors included issues in France where there was a lack of critical chemicals, Kazakhstan having shipping problems and Canada having problems at two mines reducing production 9%.

Q12c saw most able to access the Knowledge marks. Most defined or included the formula for price elasticity of supply. Most then defined price elastic or price inelastic. It was most common to include the values, that is price inelastic supply is between 0 and 1 and price elastic between 1 and infinity. A common error was to refer to price elasticity of demand and this gained no credit. For application most picked out the slow average time to build reactors either referring to the 7.5 year average or 33 year for Argentinian reactor. This gained the first application mark. The second application mark was given for identifying the likely elasticity. With time taken between the price rising and the new reactor coming on board is long and therefore supply is price inelastic. Many argued it was price elastic as there will be a 43% increase in the number of reactors but this is by 2050 and thus the response is slow and inelastic.

Q12d awarded two marks for Knowledge, Analysis, Application and Evaluation.
The knowledge marks were awarded for the effect of the indirect tax. Most referred to the price increase, quantity decrease, consumer surplus decrease, producer

surplus decrease and the government raising revenue. For analysis a linked expansion was required. For Application it required explicit reference to data from within Extract C . Two out of the following are needed. Most referred to coal making up 40% of energy generated, coal causing 95 155 premature deaths, ta raising $3.6 bn and coal mining employing 1.96 million.

The final two marks were allocated to evaluation. Many made reference to the importance of the price elasticity of demand and others considered the impact on employment within the coal sector or the boost to renewables as the tax creates an incentive to shift how they generate electricity.

Q12e needed a discussion of the effects of subsidies paid to the nuclear power industry on consumers and governments. Most defined subsidy, linked to lower costs and increased supply. The questions needed a diagram. Most drew a supply and demand diagram and shifted supply to the right. Better responses used their diagram to show the effect of reducing the price, increasing the consumer surplus and many referred to the consumer subsidy. Most referred to the government spending area on the diagram. Many analysed the impact on producer surplus, profit and producer subsidy but none of these were rewarded. Most weaved in reference to the Extract by including the UK Government spending £1.7bn, Chinese Government $17bn and $515m in South Korea. Th best answers focused in on the nuclear and related industries. Evaluation was needed and many focused on opportunity costs of this spending, where the money could not be spent elsewhere. Others made reference to the inelasticity of supply and how nuclear production could not respond quickly. Many considered the difficulty in removing the subsidies or the magnitude of spending so much by different countries. Some focused on the idea that there may need to be more money spent.

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

The first essay Q13 evaluated the possible reasons why consumers do not switch suppliers for a better deal. Many used the stem identifying that by consumers not switching at the end of their contracts they would collectively pay £1.3 billion more than consumers that did switch. Learners related to suppliers in the mortgage, mobile and broadband markets. Many identified reasons consumers do not switch including

habitual behaviour, inertia, poor computational skills, influence of others behaviour (herding) and need to feel valued. Many could then offer a brief chain of reasoning as why they do not switch. However, many struggled to offer a developed chain. Where responses were applied to the industries they tended to offer better analysis by explaining why they did not switch within that market. For example, the complexity of the broadband bills meaning consumers find it difficult to complete calculations of the best deal. The question needed evaluation and once again this was often done through via reference to informtion gaps being filled by business and regulation. Many argued that not switching may be rational offering reasons as to why this is the case. Others focused on how the benefits of switching made a small proportion of their income so was less important to them.

For Q14 advantages of the division of labour needed evaluating. Most focused on the textile industry and healthcare sector as per the stem but they could select any market they wished. Many opted for car manufacturing when selecting their own industry. Students needed to focus the response on the advantages to the business and workers. Most defined the division of labour and went on to apply how this happens in their selected industry. Responses tended to explain the advantages in the context of the industry. Advantages tended to focus on increased output, improved productivity, higher output per worker and lower costs per unit. Most linked these. Importantly they also explained how the division of labour result sin that advantage. In evaluation most offered disadvantages to businesses and workers. Most looked at monotony and the resulting boredom. Better responses linked this to a lack of motivation and productivity. Other linked this to poor staff retention and having to recruit and train staff. Many focused on how workers may struggle to find work elsewhere as they have a narrow range of skills.

Paper Summary

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

Section A: Multiple Choice Questions

• Forward markets once again proved challenging. Many were unable e to select that currencies were most likely to have a forward market.
• Marginal utility was not well understood and understanding the relationship between marginal utility and total utility would be helpful to learners.

Section B: Short Answer Questions

• For Q9 When asked to explain an influence on price elasticity of demand many struggled. Explicit use of the data in the table is needed, knowledge of PED is needed in terms of definition or formula. The mark most commonly not achieved is why the influence resulted in inelastic demand.
• In Q10, candidates should know when they are calculating a percentage change or a percentage point change.
• On Q11, many failed to define minimum price or did not show the minimum price increasing.

Section C: Data Response

• On Q12(c) many struggled to identify that the slow construction of nuclear reactors means the PES is inelastic.
• On Q12(e) it is important to consider what they are asked to focus on. In this question talking about producers was not awardable as the question asked them to focus on consumers and governments.

Section D: Essay

• When an essays requests a diagram so it is important to include at least one relevant diagram in the answer.

• On Q13 it is important to not just identify why consumers might be irrational but this needs developing as to why it is they behave in this way in the context of the industry considered.