

Examiners' Report

June 2025

Int Advanced Level Economics WEC11 01

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Introduction

The standard of work seen in this series for the Markets in Action unit has been impressive. In Section A, the multiple choice section, candidates performed best on the questions on market failure, rational decision making, calculating the total revenue and price elasticity of demand. Candidates struggled more on the questions on increasing maximum prices and mixed economies. Section B, the short answer section, saw some mixed performance on questions. For Question 7, the diagram saw most able to draw an external cost diagram. The common omission was the social optimum quantity and price. On Question 8 most could define division of labour or specialisation and identify advantages but few were able to apply effectively. Rather than listing the job roles they needed to consider tasks that might be undertaken by someone in one of the roles. Question 9, on substitute and complementary goods, saw most able to define each. But many identified cold drinks as substitutes and biscuits as complements but these have to be related to hot drinks to gain credit. Question 10 saw most able to calculate the price elasticity of supply accurately. Question 11 saw most able to draw the correct diagram and show economic growth on a production possibility frontier although many missed the definition mark. Section C, the data response section is based on information provided in the Source Booklet, in this paper on the container shipping. Candidates could typically access both marks on question 12(a) to show knowledge of public goods. Question 12(b) saw most candidates able to correctly draw the diagram to show supply decreasing. They often missed the application marks by referring to the price change. Most gave two correct reasons for the price rise, linked to reduced supply. Question 12 (c) saw many able to correctly define price elastic and price inelastic supply. Many missed the mark for the elastic supply linked to only using 65% capacity. On Question 12(d), it is important to explicitly explain third-party effects of external costs associated with container shipping. Definitions and diagrams were common but not rewarded. On Question 12(e), candidates looked at the impact of a subsidy, most were able to define this and draw the diagram accurately and many looked at the impact on two or three economic agents. Those able to achieve a higher score used their diagram in the analysis. Section D, the essay section, offered candidates the opportunity to choose between two questions. Candidates tended to attempt Question 14 and typically performed better on this question on the introduction of an indirect tax on plastic packaging. Question 13 on increased demand for electric vehicles was less popular and had a slightly lower mean score. In both cases, the knowledge of the Economics was sound but candidates struggled in applying it to the context of the question. Another challenge was the level of analysis. Candidates often struggled to fully develop the chain of reasoning. Evaluative comments were often made and whilst some offered supporting evidence and linked to the context, many were unable to offer a logical chain of reasoning. Diagrammatic analysis on the work from the stronger candidates was accurate and was integrated with their written analysis. They would not only draw the diagram accurately, but talk about what they learnt from it in their written explanation. This enabled them to consistently achieve within the top level. Most candidates were able to complete the paper in the time available. We did, however, see several unfinished or very brief essays suggesting that some candidates had not planned their time well. The performance on individual questions is considered in the next section of the report. The feedback on questions shows how questions were well answered and also how to improve further.

Question 7

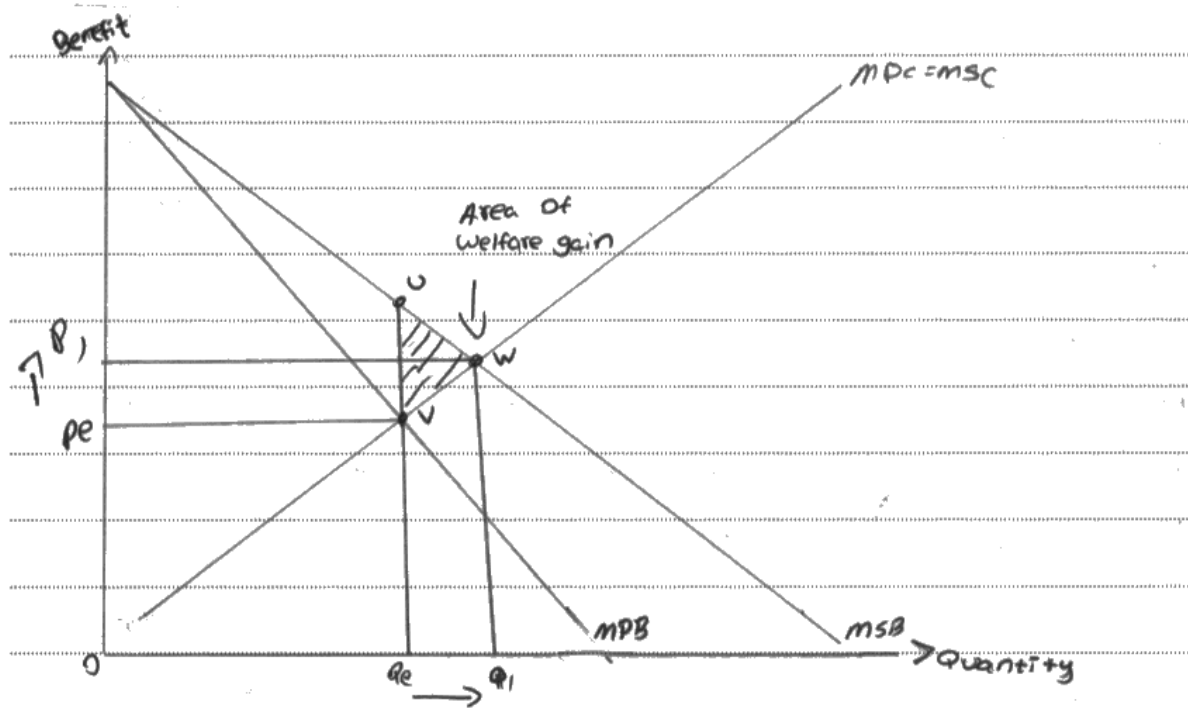
It is important that candidates realise that all marks are awarded to the diagram and no written response is required or rewarded. In this instance candidates were asked to draw a diagram to illustrate the external benefits of online education. In essence students were required to draw an external benefits of consumption diagram. A significant number failed to do this with numerous examples of supply and demand, production possibility frontier and external costs of production diagrams offered. It was also common to mistakenly draw marginal private benefit (MPB) and marginal social benefit (MSB) upward sloping or to draw MPB above MSB. When the latter was done it was still possible to gain credit for the initial equilibrium quantity and price on the axis where MPB intersected MPC.

The vast majority were able to draw MSB above MPB and show the market equilibrium. This was rewarded as long as a quantity and price were indicated on the axis. There was no requirement to state market equilibrium, although many did put P_m , P_e , etc. However, the mark most commonly not achieved was for the social optimum. It needed to be clear that this was the social optimum. Some explicitly labelled the intersection social optimum, others added 'so', 'opt', 'o', 's' or similar to identify this and gain the mark. It was very common for candidates to pick up the final mark for identifying something extra on the diagram. Commonly this was for the welfare loss/welfare gain area. Others identified the underconsumption for this same mark.

The response here scored 3 marks and this was common. In essence dropping one mark for not explicitly identifying the social optimal output and price. Just putting P_1 and Q_1 was not sufficient.

- 7 In 2021 the number of citizens taking online education courses in the Philippines was 1 300 000.

Draw a diagram to illustrate the likely external benefits resulting from online education in the Philippines.



The first mark was awarded for drawing MSB above MPB. The second mark was awarded for identifying the market equilibrium price and quantity. The third mark was awarded for drawing the area of welfare gain. Candidate scores 3/4 marks.

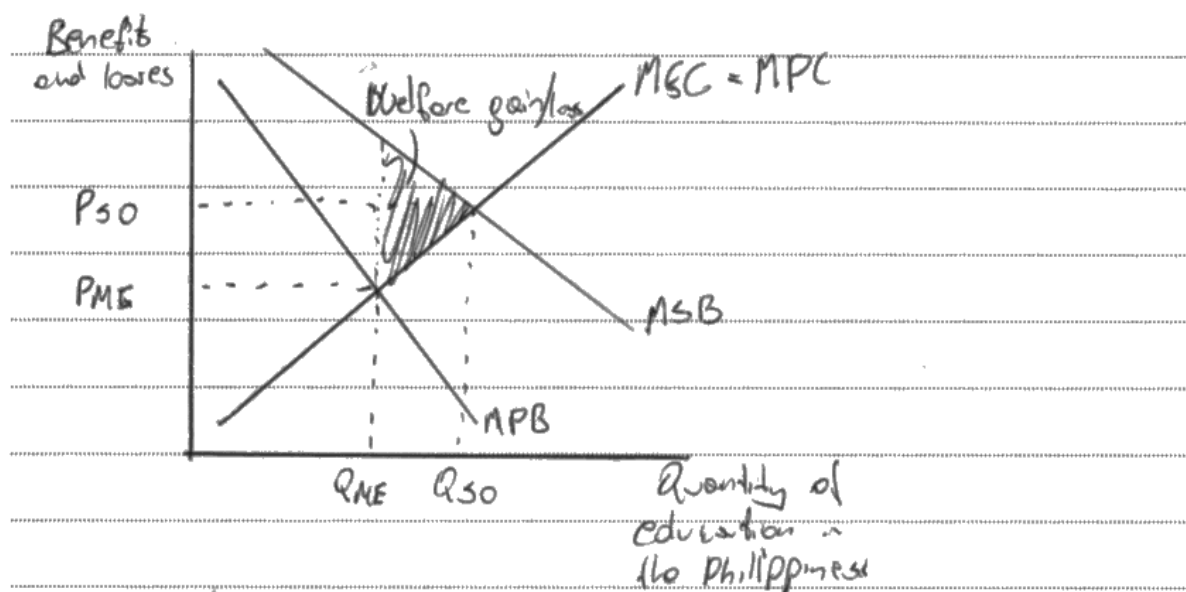


It is useful to explicitly label the market equilibrium price and quantity and the social optimum price and quantity.

This candidate has been awarded full marks. They achieve this by labelling the price and quantity with explicit identification of the market equilibrium, ME and social optimum, SO.

- 7 In 2021 the number of citizens taking online education courses in the Philippines was 1 300 000.

Draw a diagram to illustrate the likely external benefits resulting from online education in the Philippines.



The online education would contribute to welfare gain of the shaded region



The first mark is awarded for MSB above MPB. The second mark for the market equilibrium price and quantity. The third mark for the social optimum price and quantity. The final mark is awarded for the welfare gain area shaded.



The welfare gain area always points to the social optimum; too many drew it pointing the the market equilibrium.

Question 8

The question required candidates to explain one advantage of specialisation in house construction. Many gained a mark for defining either the division of labour or specialisation. Most could also identify an advantage and then offer expansion. Where candidates struggled was in accessing the application mark. Just listing the occupations from the stem was insufficient. The candidate needed to explain a role that that person would take up in the process. For example, the electrician would focus on completing wiring and the carpenter would complete woodwork.

Very typical response with only the application mark missing as they only copy the list of jobs.

8 The construction of a house requires many different types of worker. These include:

- bricklayers
- carpenters
- plasterers
- electricians
- painters and decorators.

Explain **one** advantage of specialisation in house construction.

The division of labour occurs when the work is divided into many smaller tasks and each worker specializes in a specific task. One advantage is that the construction of the house becomes much faster since electricians, painters and decorators are all specializing in a particular task and time is not wasted from switching from one task to another.



The candidate achieves the first mark for an accurate definition of the division of labour. The second mark is for identifying the advantage - the construction becomes much faster. The expansion mark is awarded for time is not wasted from switching from one task to another.



Copying the bullets was not enough as the job role needed linking to its contribution of house building.

Knowledge of division of labour and specialisation were well understood, as were the advantages and many could offer expansion. But very few could effectively apply, with too many only copying the bullets. Here though they have effectively considered at least one task undertaken by those in the job roles.

8 The construction of a house requires many different types of worker. These include:

- bricklayers
- carpenters
- plasterers
- electricians
- painters and decorators.

Explain **one** advantage of specialisation in house construction.

specialisation is the process by which an individual focuses on what they can do best. It is evident that the construction of houses require many different types of workers. an advantage of specialisation in house construction would mean ^{they would} ~~electricians~~ choose ~~bricklayers~~ what they can do best from bricklayers, carpenters, plasterers, electricians, painters and decorators as a result they would get better at it and produce more output at a less time than before such as painting, decorating, fixing wires, fixing bricks faster thus the overall production of house construction would be fast and houses would be done quickly and ^{would be} ~~they~~ even of better quality ^{due to} repetition.



The definition mark is awarded for showing understanding of division of labour. They then list the jobs and this alone gains no credit. Another mark is awarded for work getting better at it and producing more output. They then offer an explanation of the roles taken by the different people such as fixing wires. The expansion links to building houses faster/quicker. 4/4 marks awarded.



For application try to link the job roles with the tasks they would complete.

Question 9

This question gave the cross elasticity of demand for two products with respect to hot drinks. Learners needed to identify that the negative value for biscuits meant it was a complement to hot drinks and the positive value for cold soft drinks made it a substitute for hot drinks. Many failed to pick up the application point by saying cold drinks were substitutes and biscuits complements without making reference to hot drinks for which they are substitutes and complements for respectively.

A common issue here, in that they understand what a substitute and complement are but fail to link to what the goods are substitutes are for.

- 9 The table shows the cross elasticity of demand for biscuits and cold soft drinks with respect to a change in the price of hot drinks.

	Cross elasticity of demand with respect to a change in the price of hot drinks
Biscuits	-0.47
Cold soft drinks	+0.43

With reference to the information given, explain the difference between substitutes and complements.

Substitutes are two goods have same function. The price of one good increase, demand of another good increase, for example, KFC and McDonald's. Cold soft drinks' cross elasticity of demand is -0.47 + 0.43 which is greater than 0. So it is substitute.

Complements are two goods consumed together. The price of one good increase, demand for another decrease, for example, table and chairs. Biscuits cross elasticity of demand is -0.47 which is less than 0. So it is complements.



The first mark is awarded for defining a substitute; they explain that the two goods have the same function. They then explain that as the price of one good increases demand for its substitute will increase. The second mark is awarded for the definition of complements, making reference to them being consumed together, the price of one good increases the demand for the other subject will increase. They correctly identify that cold soft drinks are substitutes and biscuits are complements but fail to reference the hot drinks so gain no credit for these.



When looking at substitutes and complements it is important to identify what it is a complement and substitute for. In this instance this needed relating to hot drinks.

This candidate gains full marks. Two for definitions and two for examples.

- 9 The table shows the cross elasticity of demand for biscuits and cold soft drinks with respect to a change in the price of hot drinks.

	Cross elasticity of demand with respect to a change in the price of hot drinks
Biscuits	-0.47
Cold soft drinks	+0.43

With reference to the information given, explain the difference between substitutes and complements.

Substitutes are goods that can be replaced by one other, ~~and~~ serve the same need and have a positive X_{ED} , for example cold soft drinks and hot drinks which have a positive cross elasticity of demand of +0.43, meaning that they are substitutes for one other. ~~As~~
Complements are goods that are used or consumed together and have a negative cross elasticity of demand. ~~Biscuits~~ Biscuits and hot drinks are complements as the cross elasticity of demand is -0.47 which is negative.



The candidate defines substitutes in a number of ways: serve the same need and positive XED. Both alone would have gained the credit. The candidate then lists cold drinks and hot drinks as substitutes to gain the second mark. The third mark is awarded for complements are consumed together and have a negative XED. Again both individually are creditworthy. The final mark is awarded for biscuits and hot drinks are complements.



Many offered multiple ways to explain what substitutes and complements were but only one for each was needed.

Question 10

The question required the calculation of the price elasticity of supply. As soon as the correct answer is seen full marks are awarded. If not seen any stage of the calculation is rewarded, such as the accurate formula or definition to gain one mark. The calculations of the percentage change in quantity supplied and percentage change in price are both awarded one mark each.

Whilst the correct answer 2.74 is found in the response the candidate has incorrectly added the percentage sign. This gains three marks.

- 10 The table shows the average price of green coffee beans and the global output of green coffee beans in February 2023 and in February 2024.

	Price of green coffee beans per lb	Output of green coffee beans (tonnes)
February 2023	\$1.61	8 510 000
February 2024	\$1.82	11 550 000

Ceteris paribus, calculate the price elasticity of supply for green coffee beans.

Show your workings.

$$PES = \frac{\% \text{ change in quantity supplied}}{\% \text{ change in price}}$$

$$= \frac{35.72\%}{13.04\%}$$

$$= 2.74\%$$

$$\frac{(Q_2 - Q_1) \times 100}{Q_1} = \frac{(11\,550\,000 - 8\,510\,000) \times 100}{8\,510\,000}$$

$$= \frac{3\,040\,000}{8\,510\,000} \times 100 = \frac{0.21}{1.61} \times 100$$

$$= 35.72\%$$

$$= 13.04\%$$



The correct answer with an error gains three marks. In this instance they added a % sign.



When calculating the elasticity only the intermediate stage where the percentage change in quantity supplied and percentage change in price require a percentage sign. The final answer for PES does not require a % sign.

This candidate has included the correct formula, correct calculation of each % change in quantity supplied and price before putting the two together to find the correct value of Price Elasticity of Supply.

- 10 The table shows the average price of green coffee beans and the global output of green coffee beans in February 2023 and in February 2024.

	Price of green coffee beans per lb	Output of green coffee beans (tonnes)
February 2023	\$1.61	8 510 000
February 2024	\$1.82	11 550 000

Ceteris paribus, calculate the price elasticity of supply for green coffee beans.

Show your workings.

$$PES = \frac{\Delta \% Q_s}{\Delta \% P} = \frac{\text{new} - \text{old}}{\text{old}} \times 100$$

$$Q_s = \frac{11\,550\,000 - 8\,510\,000}{8\,510\,000} \times 100 \quad P = \frac{1.82 - 1.61}{1.61} \times 100$$

$$Q_s = 35.72\% \quad P = 13.04\%$$

$$PES = \frac{35.72\%}{13.04\%}$$

$$PES = 2.74$$



As soon as 2.74 is seen it is awarded the full four marks.



Writing each stage of the calculation is helpful in case the answer is wrong so candidates can be rewarded for all they do get right.

Question 11

The question explored the impact of positive net migration on the production possibility frontier for the USA. To gain the first mark a definition of the production possibility frontier was needed. This second mark was for drawing the shift in the production possibility frontier out to the right. The third mark was typically awarded for explaining how the migration increases the available factors of production or labour. The final mark was for explaining that the output of goods and services increases or that this is called economic growth.

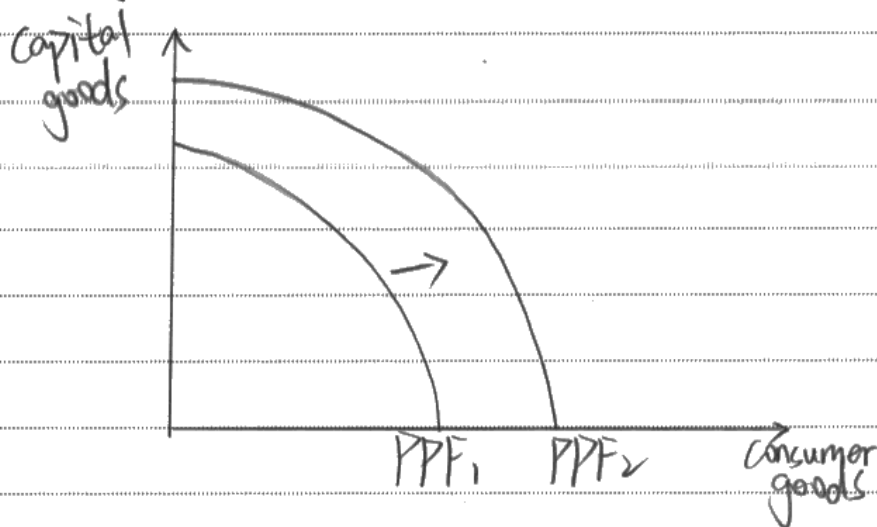
Most could access marks but many missed the definition. Others did not use the diagram to explain the impact.

- 11 In 2023 there were 999 700 more immigrants who entered the USA than emigrants who left the country.

Explain the likely impact on the USA's production possibility frontier (PPF) of this change in migration.

Illustrate your answer with a fully labelled PPF diagram.

production possibility frontier is the curve shows the maximum potential level of output of one good is given the level of output for all other goods in economy.



The definition of production possibility frontier is awardable for the first mark. The diagram clearly shows an increase in the PPF for the second mark, 2/4 marks.



The question asks to explain the likely impact so it is important to explain why and how the PPF is impacted. Too many candidates just drew the diagram. However, this is an "explain"

not "draw" question.

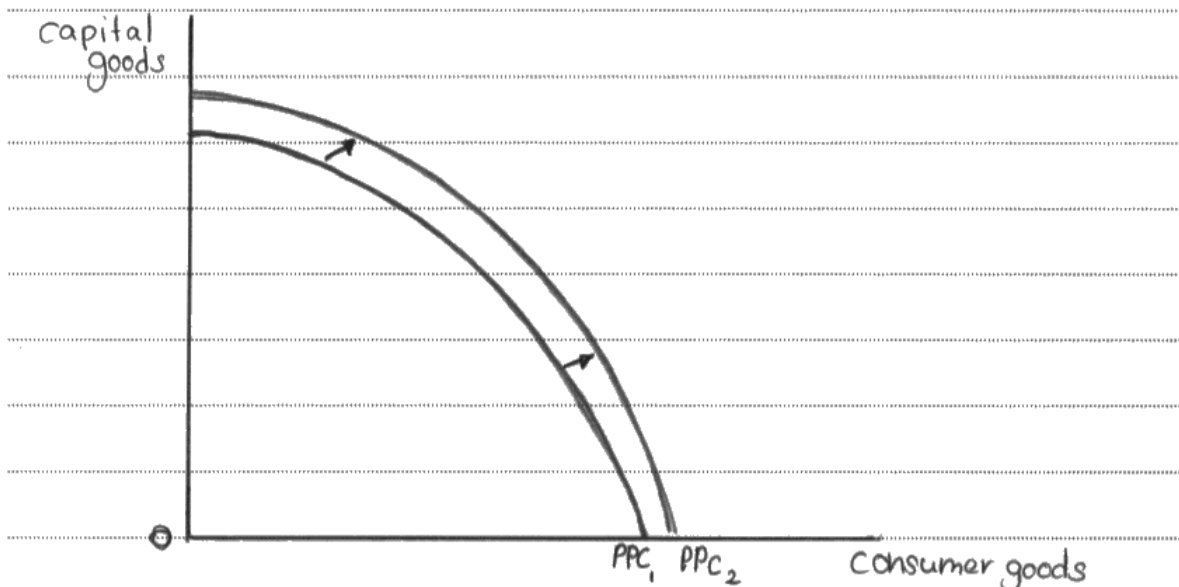
It was rare for candidates to define PPF, draw the correct diagram, explain how it increases factors of production or the amount of labour and refer to the resultant economic growth. But this candidate does this effectively.

11 In 2023 there were 999 700 more immigrants who entered the USA than emigrants who left the country.

Explain the likely impact on the USA's production possibility frontier (PPF) of this change in migration.

Illustrate your answer with a fully labelled PPF diagram.

Production possibility frontier (PPF) shows the combination of two goods that an economy can produce with its available resources. The two goods are consumer goods and capital goods.



There is an outward shift on the USA's PPF as there are 999 700 immigrants in the country, which means that there are more employs available for business. As a result of that production will increase result in growth in the economy as well.



Full marks are awarded here. One for the definition of PPF. One for the correct diagram shifting the PPF right. One for the reference to more employees and one mark for production will increase result in growth in economy. Full marks - 4/4.



When drawing a PPF diagram it is important to choose two types of goods or services. Too many wrote price and quantity or similar and gained no credit.

Question 12(a)

Part a) of question 12 asked for a definition of a public good. Where the definition made reference to both non-excludable and non-rival it accessed full marks. A partial definition including one of these aspects or making reference to the examples from the Extract gained a maximum of one mark.

Here we have a perfect definition including the attributes of non-excludability and non-rivalry to gain full marks. They have also made reference to lighthouses but had already secured two marks.

12 (a) Define the term 'public good'. (Extract A, line 13)

(2)

Public goods refers to goods which have attributes of non-rivalry and non excludability, an example may be lighthouses which the South African government provides.



Awarded marks after non-rivalry and non-excludability.



Part a) on this paper rewards a relevant example from the data, in this case lighthouses.

The candidate seems to offer more of a definition of public sector than public goods. This is a common mistake.

12 (a) Define the term 'public good'. (Extract A, line 13)

(2)

Public good is the goods or services that is provided by the government and is for all general people of the country to use. For example, The Government of South Africa provides a lighthouses as a public good. Another example is streetlights which is also a public good.



The only mark is awarded for the lighthouse reference.



The examples when offered will only be rewarded when explicitly in the Extract. So here making reference to lighthouses is rewarded as this is in the Extract and streetlights are not rewarded as not in the Extract.

Question 12(b)

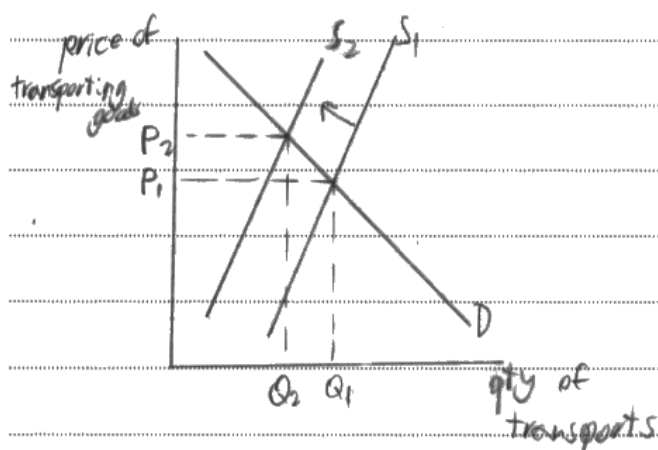
Candidates were provided data regards a rapid rise in the price of shipping containers in Figure 1. Extract A made reference to three main themes and students needed to identify two: firstly, the issues causing shipping containers to travel around Africa and the extra fuel costs associated. Any point referring to this gained up to one mark. The other points related to rising wages of workers in the industry and higher interest rates.

An accurate diagram gained up to three marks: one for knowledge of the original equilibrium price and quantity, the second for the correct shift of the supply curve to the left. The final mark was awarded for the new equilibrium price and quantity. Two marks were awarded for the reasons the price increased, gaining the analysis marks. The final mark was for reference to the original and new price or the percentage change in price.

- (b) With reference to Figure 1 and Extract A, analyse **two** factors that caused the average world price of transporting goods in shipping containers to rise rapidly.

Illustrate your answer with a supply and demand diagram.

(6)



Since ships were attacked when transporting goods due to the blockade in the red sea, they had to divert to a longer route. This might have led to the travel times increasing significantly, leading ~~the~~ to a left shift in supply, therefore increasing the price by \$1239 from March 2023 to March 2024.

Another factor was the rise in labour costs. Since ~~the~~ labour is a factor of production, an increase in wages would shift supply to the left, causing the aforementioned increase in prices.



The full three marks are awarded to the diagram. The ships being attacked and having to divert gains the first analysis mark. The final analysis is for rising labour costs. The final application mark is for reference to the data on container ship prices.



When making reference to the data it is good practice to include the correct currency.

Question 12(c)

Part c) of question 12 asked candidates to explain the difference between price elastic and price inelastic supply. The data had an example for each.

It was common for candidates to start with a definition of price elasticity of supply but this was not rewarded. However, they go on to accumulate all other available marks.

(c) With reference to Extract B, explain the difference between price inelastic supply and price elastic supply.

(4)

Price elasticity of supply ^(PES) is the responsiveness of the supply of a good to a change in price. Price inelastic supply are goods with a PES value between 0 and 1, and have a smaller change in supply than the change in price, such as the supply of container ships, having low PES values due to the time taken to produce the good being 12-16 months, and thus being unable to respond to price changes, ~~and thus the time taken to increase supply.~~

Price elastic supply are goods with PES values greater than 1, and have a large increase in supply compared to a change in price, ~~which~~ can be caused by having spare capacity to increase supply of those goods, such as the supply of storage and transport on container ships, having ^{only} 65% of capacity used, leaving a 35% spare capacity.



The definition of price inelastic focuses on a mathematical approach in terms of a value between 0 and 1 to gain the first mark. They then give the example of waiting 12-16 months for the second mark. The definition of price elastic makes reference to the value being greater than 1. The reference to 65% capacity and having spare capacity gains the second application mark. Full marks awarded.



Many candidates say that the PES is below 1 for price inelastic. It is technically more accurate to say a value between 0 and 1.

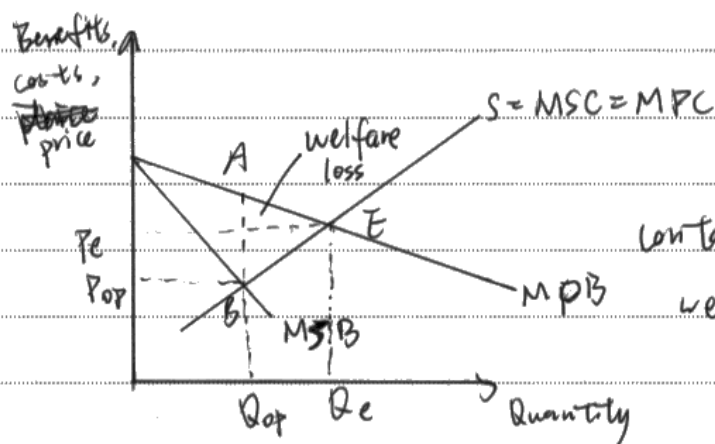
Question 12(d)

Candidates needed to examine two external costs associated with container ships. There were a number of examples to choose from within Extract C. Pleasingly most used the extract to gain the two application marks. In fact often candidates went well beyond two external costs but could only gain marks for their best two answers. Most defined external costs and the knowledge marks were therefore for the external costs. A substantial number drew an external cost diagram which was not rewarded. Key to gaining the knowledge and application marks was linking in back to the human costs. For example, the 2% CO₂ emissions gained the application mark. Most linked this to global warming for the knowledge mark and then the rising sea levels causing flooding and damage to homes along the coast to achieve the analysis mark.

It was common to draw the diagram as done by the candidate here. This was not rewarded.

(d) With reference to Extract C, examine **two** external costs associated with container ships.

(8)



The transportation by container ships caused a welfare loss ABE.

One of the external costs is the greenhouse gas emissions. 2% of global CO_2 emissions come from container ships. This can lead to global warming, and so the risk of wildfire will increase due to ^{the} increasing temperature. This may destroy people's homes.

Another one is the water pollution. Those ships produce oil spills, sewage and chemical waste. This may be harmful to the animals in the oceans, leading to a biodiversity loss and it will ^{also} increase the risk of getting sick. This may ~~as~~ need an increase in government spending on healthcare and protections of environments.

However, the transportation creates ^{many} ~~the~~ work opportunities for ^{unemployed} people, which can ~~increase~~ ~~their~~ provide them with stable wages so their living

standard may increase.



2% of CO₂ emissions gained the application mark. This can lead to global warming gains the knowledge mark. Wildfires destroying people's homes is the analysis. Oil spills, sewage and chemical waste gains the application mark. Harmful to animals and biodiversity is the knowledge mark. Increase in spending by government on healthcare and protecting environment gains the analysis mark. Work opportunities gains an evaluation mark.



For evaluation you can either expand one point or offer two evaluative comments.

Question 12(e)

Part e) of question 12 explored the likely benefits of subsidies. It is important to note that anything positive was rewarded as knowledge, application and analysis, and any problems, cost or disadvantages as evaluation. A diagram was required for this question. Those that shifted supply to the left and showed additional aspects on the diagram such as the cost of the subsidy to the government, consumer surplus or producer surplus gained more credit. Many looked at the impact on the environment and the consumers and producers as the benefits and focused on government costs and opportunity costs in evaluation. It was pleasing to see such extensive use of the data to support the answers. It was also pleasing that candidates explicitly made reference to areas of the diagram in the response.

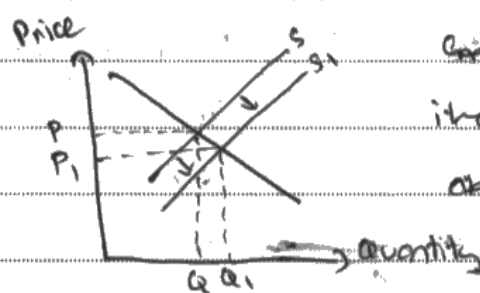
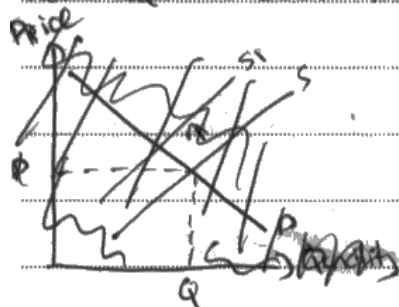
This candidate defines subsidies accurately. This is then linked to the impact on costs of production, which is then linked to increasing production, but also reducing fuel consumption and emissions. The diagram only shows the shift in supply and impact on price and quantity and is not used to show the impact on other aspects. The likelihood of expansion of wind sail companies is discussed. They also linked further to lower environmental damage. In evaluation they explore opportunity costs. This does become less focused starting to talk about impacts on education and employment. They explore dependency or reliance on the subsidy which may result in efficiency.

(e) With reference to Extract C and your own knowledge, discuss the likely benefits of subsidies paid to the manufacturers of wind sails.

Illustrate your answer with a supply and demand diagram.

(14)

Subsidies is a financial grant given to business by the government to increase production. By the government giving out a subsidy to manufacturers of wind sails it could result in a fall in cost of production for the ^{wind} sail businesses. As a result this could ^{lead} to the business being able to increase production due to lower costs. When more wind sails are produced it could result in reducing the consumption of fuel. As a result this could lead to lower amount of carbon emissions. ~~when the carbon~~



~~Emissions are lower~~
it could lead to less
changes

Another point is that by the government giving out a subsidy it could lead to lower cost to the ^{company} business. As a result the wind sail companies may decide to expand in the future. When the company expands it could result in an increase in job opportunities. As a result this could lead to people in the country having jobs. As a result this could result in them having a higher income so their consumption ^{may} increase resulting in an increase in demand for goods and services. Additionally, As a result producer surplus in the country could increase.

~~However by the government giving out a subsidy it could result~~

Additionally, by the government giving the subsidies to wind sail business it could lead to removing 450 cars from the roads.

As a result this could result in less environment pollution due to less toxic gases being produced. As a result this could result in lower pollution in the country.

However, by the government giving out a subsidy it could result in there being an opportunity cost. As a result this could lead to the government not being able to improve the educational sector in the government. This could result in the people living in the country not getting a good education as a result this could lead to people not having jobs. As a result there could be an increase in the country so the innocent people's lives may be at risk. Another point is that the businesses may overly depend on the government subsidy. As a result they may act ~~inefficiently~~ inefficiently ~~resulting in higher~~. As they know that they won't face any cost. Due to this the subsidy may be ineffective. Furthermore, so by the government providing the subsidy they could fall into debt as well.



The KAA has been awarded top of level 2 and 6 marks. There is accurate knowledge demonstrated, clear application to context and chain of reasoning that is developed. The evaluation is awarded at the top of level 2 — 4 marks. The score for this response is 10/14 marks.



Identifying areas on the diagram such as the consumer surplus, producer surplus and government spending and then making reference to the areas in the written analysis strengthen a response.

Question 13

Candidates were presented with a table with global sales of electrical vehicles. They had to consider the microeconomic benefits of this increase in demand for electric vehicles. The candidates were asked to include a supply and demand diagram in their answer. Whilst most drew correctly demand shifting to the right, very few added details to the diagram such as producer surplus or consumer surplus which would have enhanced performance. Much analysis was focused on the environmental benefits compared to petrol and diesel alternatives. Others focused on generating profit to fund innovation. The evaluation often centred on possible external costs of production in making batteries for electric vehicles and the likelihood of higher prices. Many focused on the magnitude of such a large change in demand. Of the two essays this one was much less popular than the other.

The essay starts with data reference before drawing the diagram with supporting written analysis, accessing Level 2.

The candidate goes on to talk about the environmental benefits and reduced risk of health issues.

A passing comment is made about producer and consumer surplus, although on the second page of the response they pick up on higher profits to fund research and development and helping with efficiency. A link is made to workers benefiting from higher pay and being more productive as a result.

The candidate consider the benefits to employment within the electric car industry.

The candidate offers evaluation, considers more electric vehicles causing congestion which is linked to poverty. The need for charging and electricity and lithium (a non-renewable resource) is also considered.

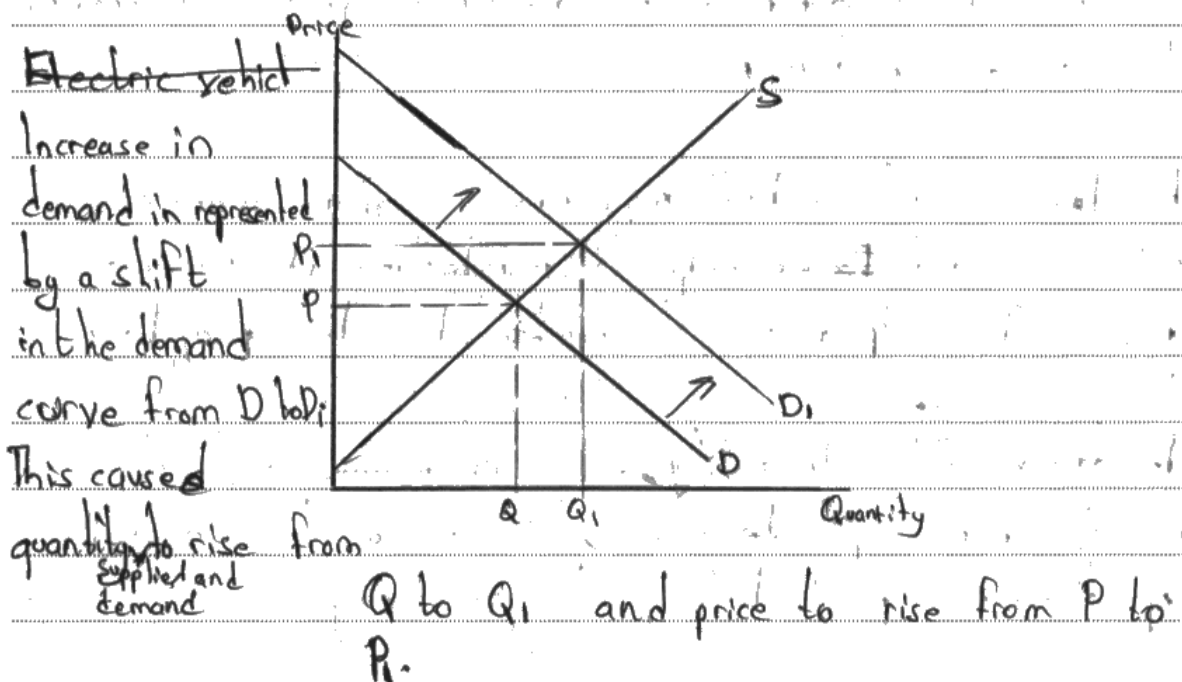
The final evaluation point focuses on the fact that many will still prefer fuel vehicles and there still being a lot of pollution.

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☒ and then indicate your new question with a cross ☒.

Chosen question number: Question 13 ☒ Question 14 ☒

Write your answer here:

Sales of electric vehicles rose from 11 800 000 in 2017 to 13 800 000 in 2023. This shows demand for these vehicles rose between the two years.



Electric vehicles pollute less than fueled cars, hence there will be a reduction in pollution within the country's economy. Hence people and animals will be less likely to suffer from illness related to pollution. Electric vehicles are cheaper than fuel cars hence more consumers will be able to afford them.

More demand resulted in a higher producer surplus as well as consumer surplus.

Companies producing these electric vehicles can earn more profit due to the lower prices, this can help them re-invest into the company in terms of research and development to help ~~but~~ make the business more efficient. Wages of their employees can also rise which ~~gives~~ ~~workers~~ acts as an incentive for workers to be more productive knowing they can get paid more.

Employment in these firms may rise as more workers will be needed ~~to help with manufacturing~~ if demand rises. This helps reduce the number of jobless people in the economy.

In addition to the affordability, ~~consumer income~~ consumer will now have more disposable income, this can boost their overall spending which positively helps the economy.

~~However there are~~

However, there are some ~~drawbacks~~ drawbacks as well. Firstly, road congestion increases. With higher demand for electric vehicles, there will be more of them on the road causing traffic congestion. People will take more time to get to work, deliveries take longer to arrive. Both of these contribute to lower productivity.

~~So~~ Another drawback, electric vehicles need to be charged meaning the government will have to spend more on charging stations country-wide which is quite costly, as well as ~~need~~ electricity for those stations. In addition, ~~electric~~ cars use batteries made of material such as lithium. This means ~~that~~ non-renewable resources will be used to make these batteries, ~~so electric vehicles~~.

Finally, not everyone may switch to electric cars, some may prefer to stick with their regular fuel vehicle ~~so~~ there will ~~be~~ still be a significant amount of pollution within the economy. There are both benefits and drawback to electric vehicles however in the long run, it is more beneficial to the economy as a whole.



The knowledge, application and analysis is awarded Level 3 and 9 marks. The evaluation is awarded Level 2 and 6 marks. The total for this response is 15 marks.



Many candidates referred to magnitude in this question. Given the increase from 1.18 million to 13.8 million, this was a sensible line of argument. It makes sense to use these numbers explicitly in the response to justify that the magnitude of the benefits may be substantial.

Question 14

Question 14 explained that the UK, Spain and Italy had introduced a tax on plastic packaging with a table identifying the rates charged in each country. Candidates were asked to evaluate the microeconomic benefits of introducing a tax on plastic packaging. Key was that any benefits had to be awarded as knowledge, application and analysis (KAA) and any problems or costs needed to be evaluation. For many they presented work as KAA but it was a negative aspect so was rewarded as evaluation. For example, many talked about reduced consumer and producer surplus with the diagram but this had to be treated as evaluation. Diagrams were typically better for this question as additional elements were added such as the area of tax, incidence and consumer and producer surplus. Most benefits focused on the environment, government in terms of tax revenue and the impact on alternative packaging to plastic.

The candidate provides an accurate definition of indirect tax. An accurate diagram is included. Although the data points to a specific tax the question does not require this, so the ad valorem tax diagram drawn is fine. The diagram includes other aspects including the areas of the tax and the incidences. The paragraph that follows has a well developed chain of reasoning focused around external costs.

This is followed by evaluation linked to government failure which is again developed and in context. They then look at the tax revenues, referring to the area on the diagram. They consider how this could be used. Evaluation follows looking at unintended consequences.

This is followed by considering the benefits to alternative packaging, going on to consider how this will help with employment within that sector.

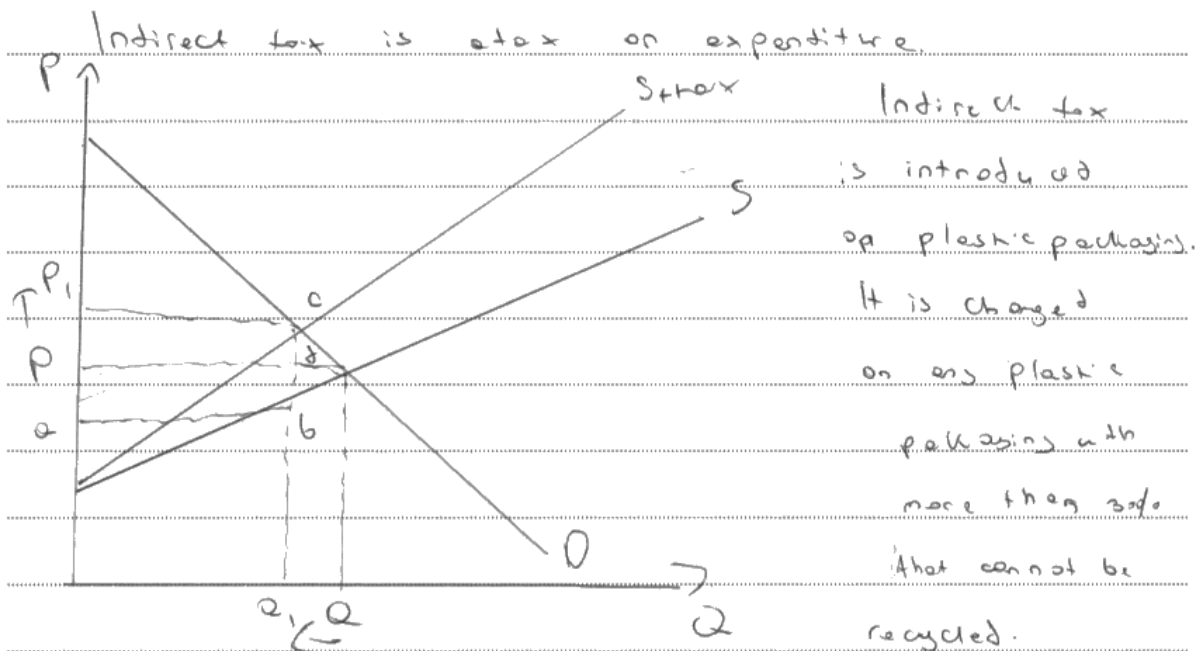
The regressive nature of such taxes and the difficulty in setting the correct rate are considered. The conclusion summarises the argument and offers a little more in terms of identifying the need to monitor the tax.

Indicate which question you are answering by marking a cross in the box ☒. If you change your mind, put a line through the box ☐ and then indicate your new question with a cross ☒.

Chosen question number: Question 13 ☒

Question 14 ☐

Write your answer here:



One benefit of introducing a tax on plastic packaging is that the government can discourage the use of plastic packaging that causes external costs to the environment (water pollution) and people (stomach diseases). With indirect tax, producers will find it more expensive to supply plastic packaging which shifts S to the left as they may pass on the costs to consumers via higher prices. ~~Less~~ The quantity falls and hence consumption of plastic packaging falls $\Rightarrow$ creating positive benefits with less trash being on the streets, better water quality $\Rightarrow$ other firms will benefit as a result of increased quantity of fishes in rivers. However, such introduction of a tax

may lead to government failure, if for example introducing implementating ^{costs} a tax will exceed the ~~costs~~ of benefits
=> excessive administrative costs. For example, in UK tax per tonne is charged at £50 which may not be as significant if the plastic packaging will still be in demand => leading to less impact.

Another benefit of introducing an indirect tax is that the Government revenue as shown by the area *Picba* can be ~~used~~ ring-fenced by investing in better ^{alternatives} of packaging or better quality of education that will further decrease the consumption of plastic packaging. (de-mat good) In Spain ^{and} Germany the tax per tonne is £45 which means both governments can collect a significant amount of tax revenue and use it further by subsidising eco-friendly packaging manufacturers. However, with this rate of tax unintended consequences may occur. ~~with~~ Firms might producing plastic packaging may relocate to other countries where there is no or low level of tax. Moreover, tax evasion will ~~to~~ cause black markets as people may trade illegally affecting the tax revenue that could have been collected.

Furthermore, introduction of an indirect tax will be beneficial in terms of ~~a~~ ~~more~~ better production of alternatives to plastic packaging, such as wood paper packaging or reusable packages that can be recycled. With higher prices for plastic packaging, people may

switch to alternatives to maximise her utility as the prices may be lower. This will ~~create~~ create a signal to firms who produce substitutes to plastic packaging,

⇒ which creates more job opportunities, hence better

standards of living for people in these sectors. Indirect taxes can be regressive in nature because it may take up a large proportion of income of low-income households which creates inequality in the economy.

Introducing ~~an indirect tax~~ a right rate of indirect tax is hard as the government may not know the ideal rate that would be effective.

Indirect taxes on plastic packaging provides significant benefits to the economy by reducing consumption of such merit good, providing external benefits to different economic agents and increasing tax revenue that could be spent on creating better impact. But, such tax can lead to government failure ^{as black} ~~with~~ markets can be created, and firms producing plastic packaging leaving the market. Therefore, it is essential to ensure that accurate monitoring ~~of~~ an indirect tax is imposed, ~~as well~~.

Subsidies to more environmentally friendly packaging manufacturers ^{may} ~~will~~ create a better impact on ~~decreasing~~ internalizing the costs associated with plastic packaging. By complementing indirect taxes with further regulations set by the government, the ~~tax~~ efficiency will, in a result, increase.



The knowledge, application and analysis is in Level 4 and the evaluation is in Level 3. Overall the candidate scores 18/20 marks.



When asked to draw a relevant diagram in the question it is important to draw one.

Paper Summary

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

Section A: Multiple Choice

Question 2 required candidates to identify the most likely result of an increase in a maximum price and many failed to identify that the excess demand would increase. Candidates may benefit from sketching the diagram out to consider the impact as many failed to select the correct answer.

Question 6 – many struggled here. Venezuela with 85.6% private sector saw many identify it as a free market economy and Sweden with 50.8% government spending saw many identify it as a command economy. In fact both would be described as mixed economies because resources are allocated by the price mechanism and the government.

Section B: Short Answer

Question 7 – When asked to draw a diagram, all marks can be achieved through the diagram and no written explanation is required. A number of candidates supported their response with a written explanation when, in fact, the diagram had achieved full marks.

Question 9 – Whilst most could define substitutes and complements many failed to appreciate that biscuits were complements of hot drinks and cold soft drinks substitutes for hot drinks.

Question 11 saw many not defining a production possibility frontier.

Section C: Data Response

Question 12(c) – when giving the examples of elastic supply it is best to give one example.

Question 12(d) – candidates need to link the external costs to how this impacts the third party negatively.

Section D: Essay

Define the key terms relevant to the question.

Diagrams should be integrated into the analysis.

Grade boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:
<https://qualifications.pearson.com/en/support/support-topics/results-certification/grade-boundaries.html>

