

Please check the examination details below before entering your candidate information

Candidate surname

Other names

Centre Number

Candidate Number

Pearson Edexcel International Advanced Level

Thursday 10 October 2024

Afternoon (Time: 1 hour 45 minutes)

Paper
reference

WEC11/01

Economics

International Advanced Subsidiary

UNIT 1: Markets in action

You must have:

Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- Answer **ALL** questions in Sections A, B and C.
- Answer **ONE** question in Section D.
- Answer the questions in the spaces provided
– *there may be more space than you need.*

Information

- The total mark for this paper is 80.
- The marks for **each** question are shown in brackets
– *use this as a guide as to how much time to spend on each question.*
- Calculators may be used.

Advice

- Read each question carefully before you start to answer it.
- Check your answers if you have time at the end.

Turn over ►

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SECTION A

Answer ALL questions in this section.

Questions must be answered with a cross in a box ☒. If you change your mind, put a line through the box ☒ and then mark your new answer with a cross ☒.

- 1 Which **one** of the following combinations best summarises how resources are allocated in a mixed economy?

	Price mechanism	Government intervention
<input type="checkbox"/> A	Yes	No
<input type="checkbox"/> B	Yes	Yes
<input type="checkbox"/> C	No	Yes
<input type="checkbox"/> D	No	No

(Total for Question 1 = 1 mark)

- 2 Which **one** of the following is an example of government failure?

- A The non-provision of public goods by private sector firms
- B External costs of production in the manufacture of Tesla cars
- C Asymmetric information between a private dental practice and its patients
- D Excessive administrative costs in the provision of state-owned services

(Total for Question 2 = 1 mark)

- 3 Forward markets are available at one-month, three-month and one-year intervals.

Which **one** of the following is most likely to have a forward market?

- A Furniture
- B Currencies
- C Smartphones
- D Clothing

(Total for Question 3 = 1 mark)

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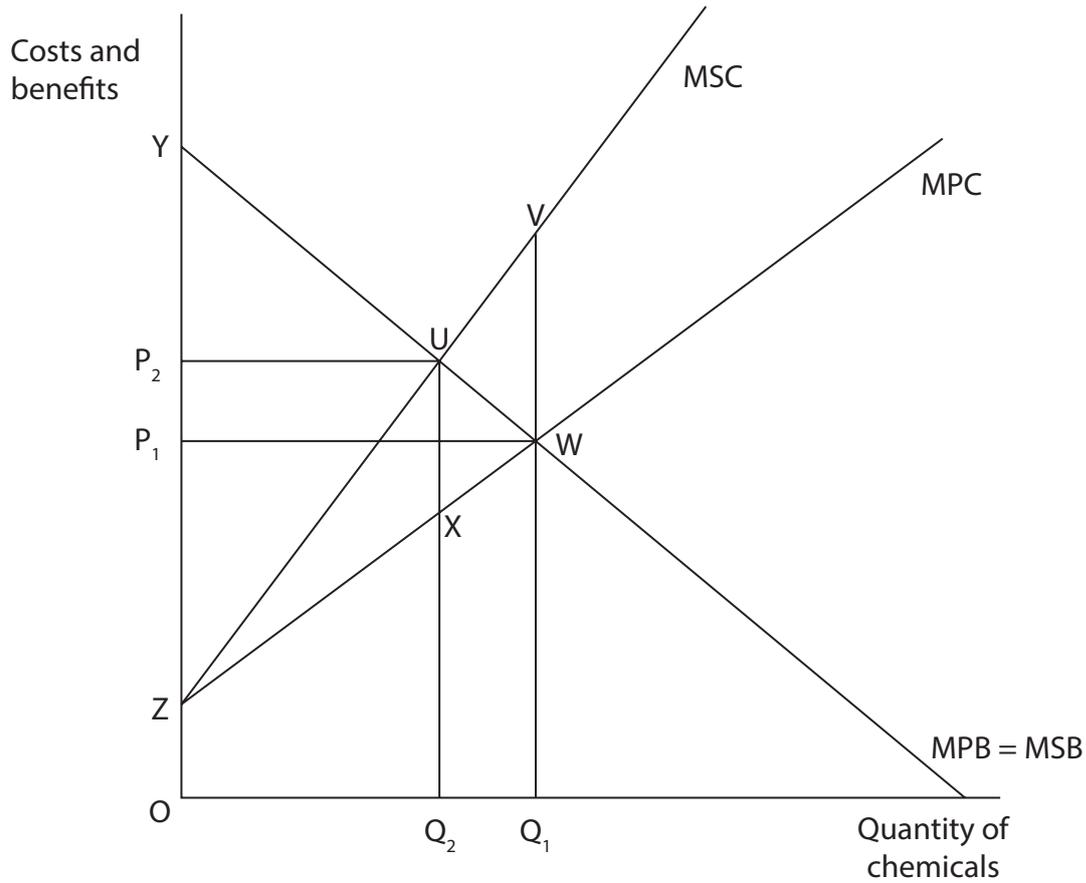


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4 The diagram shows an externalities diagram for the production of chemicals.



Which **one** of the following shows the area of welfare loss?

- A UVW
- B UWX
- C ZP₁W
- D ZP₂U

(Total for Question 4 = 1 mark)



5 In the USA the average price of an all-you-can-eat buffet is \$20.

The table shows the marginal utility gained from consuming each plate of food from the buffet for a typical consumer.

Plate	Marginal utility
1st	6
2nd	4
3rd	2
4th	1
5th	-2

At which **one** of the following would total utility be maximised?

- A 2nd plate
- B 3rd plate
- C 4th plate
- D 5th plate

(Total for Question 5 = 1 mark)



- 6 The table shows the estimated cross elasticity of demand for selected drinks with respect to a change in the price of soft drinks in Chile.

Drink	Cross elasticity of demand
Milk	+0.25
Coffee	+0.10
Water	+0.63

Which **one** of the following can be deduced from this information?

- A All three goods are complements of soft drinks
- B All three goods are substitutes for soft drinks
- C All three goods are normal goods
- D All three goods are luxury goods

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS



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SECTION C STARTS ON NEXT PAGE



SECTION C

Study Figure 1 and Extracts A, B and C in the Source Booklet before answering Question 12.

Write your answers in the space provided on the following pages.

- 12 (a) Define the term 'speculation'. (Extract A, line 7) (2)
- (b) With reference to Figure 1 and Extract A, analyse **one** demand factor and **one** supply factor that caused the price of uranium to more than double between January 2020 and September 2023. (6)
- Illustrate your answer with a supply and demand diagram.
- (c) With reference to Extract B, explain whether the supply of nuclear reactors is price elastic or price inelastic. (4)
- (d) With reference to Extract C, examine **two** microeconomic effects of the introduction of an indirect tax on the production of coal. (8)
- (e) With reference to Extract B, discuss the likely effects of subsidies paid to the nuclear power industry on consumers **and** governments. (14)
- Illustrate your answer with an appropriate diagram.

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12 (a) Define the term 'speculation'. (Extract A, line 7)

(2)

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(b) With reference to Figure 1 and Extract A, analyse **one** demand factor and **one** supply factor that caused the price of uranium to more than double between January 2020 and September 2023.

Illustrate your answer with a supply and demand diagram.

(6)

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P 7 8 3 8 0 A 0 1 5 2 8

(c) With reference to Extract B, explain whether the supply of nuclear reactors is price elastic or price inelastic.

(4)

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(d) With reference to Extract C, examine **two** microeconomic effects of the introduction of an indirect tax on the production of coal.

(8)

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(e) With reference to Extract B, discuss the likely effects of subsidies paid to the nuclear power industry on consumers **and** governments.

Illustrate your answer with an appropriate diagram.

(14)

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(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS



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SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In 2022 consumers in the UK who did not switch suppliers for different services at the end of their contracts were paying a total of £1.3 billion more than those consumers who chose to switch suppliers. It is estimated that this applied to:

- 630 000 consumers with mortgages
- 1.5 million consumers with mobile phone contracts
- 7 million broadband consumers.

Evaluate possible reasons why consumers did not switch suppliers for these services.

(Total for Question 13 = 20 marks)

OR

14 The division of labour applies to many types of production and occupation, including:

- in the textile industry, workers are responsible for specific parts of the production process
- in healthcare, workers have different roles including doctors, nurses, cleaners and administrators.

Evaluate the advantages of the division of labour for businesses **and** workers. Refer to an industry of your choice in your answer.

(Total for Question 14 = 20 marks)

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TOTAL FOR SECTION D = 20 MARKS
TOTAL FOR PAPER = 80 MARKS



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Source Booklet

Do not return this Booklet with the question paper.

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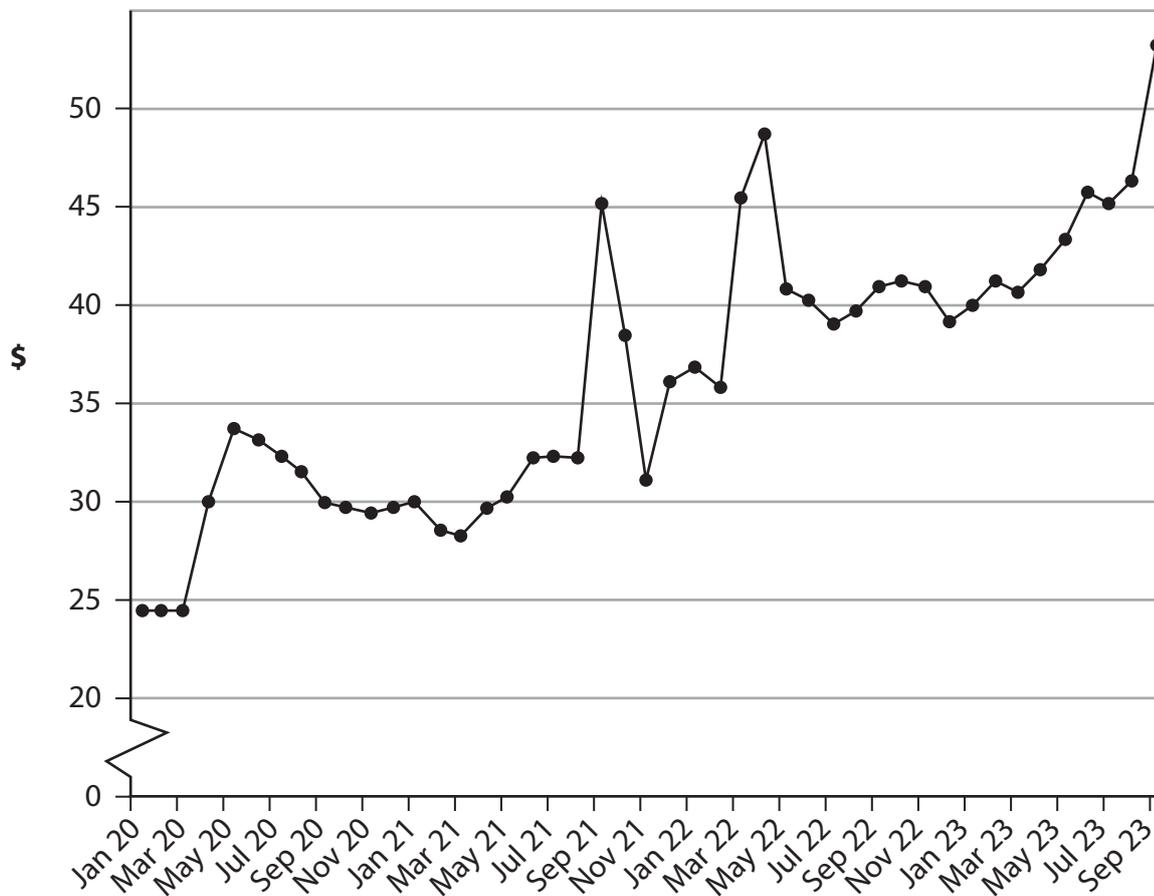


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Sources for use with Section C.

Sources of energy generation

Figure 1: World price of uranium, dollars per pound (lb), January 2020 to September 2023



Extract A Price of uranium

Between January 2020 and September 2023 the price of uranium more than doubled.

Uranium is used to generate nuclear power. Many countries have been increasing nuclear power generation for two significant reasons:

- in response to the unstable supply of gas and the rise in its price
- the need to meet international agreements on reducing carbon emissions.

5

This increase in nuclear power generation led to speculation in the market for uranium. Speculators bought significant amounts of uranium accounting for 25% of annual demand.

Over the same period, the production of uranium was affected by various factors:

10

- In France production was disrupted by a lack of critical chemicals
- Kazakhstan, the world's largest supplier, had problems with shipping its uranium out of the country
- Canada had problems at two mines that reduced its production by 9%.



Extract B Nuclear reactors

In August 2023 there were 441 nuclear power reactors operating in 33 countries. They jointly generated 10% of the world's electricity. By 2050 nuclear capacity is expected to increase by 43%, when an additional 60 nuclear reactors will have become active. The replacement of coal and gas-fired power stations with nuclear power will contribute to a 13% reduction in carbon emissions by 2050. It took, on average, 7.5 years to construct each of the 441 nuclear reactors. However, one reactor in Argentina took 33 years to construct.

5

Many governments are subsidising the nuclear power industry. For example:

- In 2021 the UK Government provided subsidies of £1.7 billion
- In 2023 the Government of China provided \$17 billion in subsidies for the building of six new reactors
- The Government of South Korea will spend \$515 million subsidising the nuclear industry.

10

Extract C Coal tax in Indonesia

The Government of Indonesia plans to introduce an indirect tax on the production of coal. In 2018 coal accounted for 40% of the energy generated in the country and caused 95 155 premature deaths. By taxing coal, the Government can use the revenue to compensate those who are negatively affected. It will also create an incentive for electricity generators to switch from coal to renewable sources of energy. This tax is expected to raise \$3.6 billion per year. In 2019 there were 1.96 million people employed in coal mining and coal exports earned \$19 billion per year.

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Acknowledgements

Figure 1 adapted from:
<https://www.statista.com/statistics/260005/monthly-uranium-price/>

Extract A adapted from:
'Rod stewards', *The Economist*, 23 September 2023

Extract B adapted from:
<https://www.world-nuclear.org/information-library/current-and-future-generation/nuclear-power-in-the-world-today.aspx>

'How long does it take to build a nuclear power plant?', *Energy Matters*, July 2016, <https://euanmearns.com/how-long-does-it-take-to-build-a-nuclear-power-plant/>

'Government pledges £1.7bn of public money to new nuclear plant', *Jillian Ambrose, The Guardian*, 27 Oct 2021, <https://www.theguardian.com/environment/2021/oct/27/government-pledges-17bn-of-public-money-to-new-nuclear-plant>

'South Korea to spend \$515 million on the nuclear energy sector' *Megha Besuccess, Korean Tech Today*, April 2023. <https://www.koreatechtoday.com/south-korea-to-spend-515-million-on-the-nuclear-energy-sector/>

Extract C adapted from:
'Taxing Goal to Hit the Goals' *Theresia Betty Sumarno, Tara Laan, International Institute for Sustainable Development*, August 2021, <https://www.iisd.org/system/files/2021-08/taxing-coal-indonesia-reduce-carbon-emissions.pdf>

