



# Mark Scheme (Results)

January 2025

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

## **Edexcel and BTEC Qualifications**

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

## **Pearson: helping people progress, everywhere**

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

January 2025

Question Paper Log Number P78461A

Publications Code WEC11\_01\_2501\_MS

All the material in this publication is copyright

© Pearson Education Ltd 2025

## General Marking Guidance

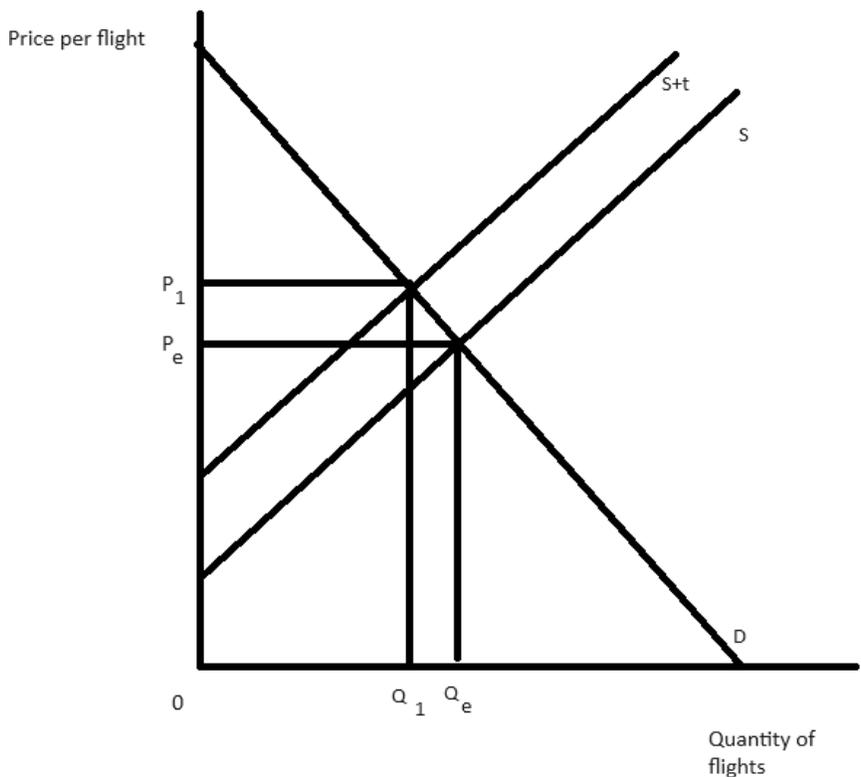
- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should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

## Section A

Question	Quantitative skills assessed	Answer	Mark
1	<p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p>	<p><b>The only correct answer is B</b></p> <p><b>A</b> is not correct because this is an advantage of a free market economy  <b>C</b> is not correct because a free market economy does not have government intervention  <b>D</b> is not correct because a free market economy is likely to result in an unequal distribution of income</p>	(1)
2	<p><b>QS4:</b> Construct and interpret a range of standard graphical forms</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p>	<p><b>The only correct answer is A</b></p> <p><b>B</b> is not correct because the minimum price is above the equilibrium price resulting in excess supply  <b>C</b> is not correct because the increase in price will result in a decrease in consumer surplus  <b>D</b> is not correct because the minimum price is likely to result in an increase in producer surplus</p>	(1)
3	<p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p>	<p><b>The only correct answer is D</b></p> <p><b>A</b> is not correct because moral hazard is a market failure  <b>B</b> is not correct because this is not a function of money  <b>C</b> is not correct because this is a role of the government/central bank</p>	(1)
4	<p><b>QS4:</b> Construct and interpret a range of standard graphical forms</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p>	<p><b>The only correct answer is C</b></p> <p><b>A</b> is not correct because the gain would be 42 consumer goods  <b>B</b> is not correct because the gain would be 30 consumer goods  <b>D</b> is not correct because the gain would be 28 capital goods</p>	(1)
5	<p><b>QS4:</b> Construct and interpret a range of standard graphical forms</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p>	<p><b>The only correct answer is B</b></p> <p><b>A</b> is not correct because renewable resources generated 39% which is less than 50%  <b>C</b> is not correct because non-renewable resources generated 61% of electricity  <b>D</b> is not correct because renewable resources generated 39% of electricity</p>	(1)

<b>6</b>	<b>QS8:</b> Make calculations of elasticity and interpret the result <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms	<b>The only correct answer is D</b> <b>A</b> is not correct because there is no information on the income elasticity of demand <b>B</b> is not correct because there is no information on the income elasticity of demand <b>C</b> is not correct because complements have a negative XED	<b>(1)</b>
----------	---	--	------------

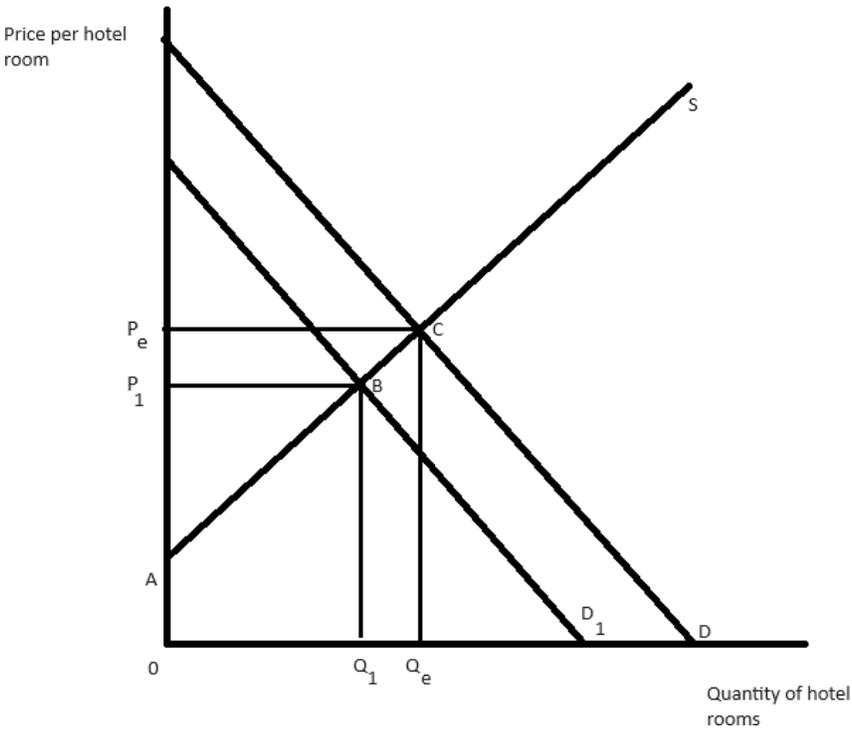
**Section B**

Question	<p>In 2023 the Government of France considered imposing an indirect tax on aviation fuel for those using private jets. This was to be set at a rate of €0.65 per litre. Draw a diagram to illustrate the impact of imposing an indirect tax on aviation fuel for private jets.</p> <p><b>Answer</b></p>	Mark
<p><b>7</b></p>	<p><b>Knowledge 1, Application 3</b> Quantitative skills assessed: <b>QS4:</b> Construct and interpret a range of standard graphical forms <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>1 mark for showing knowledge on diagram</p> <ul style="list-style-type: none"> <li>Original supply and demand and correctly labelled axis <b>(1)</b></li> </ul> <p><b>Application</b></p> <p>Up to 3 marks for the following information included on diagram:</p> <ul style="list-style-type: none"> <li>Original equilibrium price and quantity labelled <b>(1)</b></li> <li>Leftward shift of supply (<b>not</b> pivot) <b>(1)</b></li> <li>New equilibrium following a shift (<b>not</b> pivot) <b>(1)</b></li> </ul>  <p><b>NB Award maximum 2 marks if the supply curve is pivoted</b> <b>Accept other reasonable axis labels</b></p>	<p><b>(4)</b></p>

Question	Explain <b>one</b> reason why there might have been a housing market bubble in Australia in 2021. <b>Answer</b>	Mark
8	<p><b>Knowledge 1, Application 1 Analysis 2</b></p> <p>Quantitative skills assessed:</p> <p><b>QS2:</b> Calculate, use and understand percentages, percentage changes and percentage point changes.</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>1 mark for understanding of 'market bubble':</p> <ul style="list-style-type: none"> <li>• A period where prices rise rapidly/ where prices are above their true/intrinsic value/ an adjustment may lead to rapid price reductions <b>(1)</b></li> </ul> <p><b>Application</b></p> <p>1 mark for reference to data:</p> <ul style="list-style-type: none"> <li>• Prices rising rapidly in 2021 24.5%/ Price fell rapidly 2022 -4.9% <b>(1)</b></li> </ul> <p><b>Analysis</b></p> <p>Up to 2 marks for linked analysis:</p> <ul style="list-style-type: none"> <li>• Speculators <b>(1)</b> buying houses in the hope that their value will increase/ so that they can sell them for profit later <b>(1)</b></li> <li>• Very low interest rates <b>(1)</b> causing more demand/people to purchase houses <b>(1)</b></li> <li>• Consumer exuberance/overconfidence <b>(1)</b> meaning they are willing to pay prices above the value of the house <b>(1)</b></li> <li>• Excess demand for houses <b>(1)</b> as demand far outstrips the supply of housing <b>(1)</b></li> <li>• Shortage of supply of housing <b>(1)</b> resulting in prices being bid up substantially by many buyers <b>(1)</b></li> <li>• Poor lending decisions by bankers/banks <b>(1)</b> may result in borrowers with poor credit history/no deposit adding to demand for housing <b>(1)</b></li> <li>• Large increase in immigration <b>(1)</b> may lead to increased demand for housing <b>(1)</b></li> </ul>	<b>(4)</b>

Question	With reference to the information given, explain the difference between the rationing function and the incentive function of the price mechanism.  <b>Answer</b>	<b>Mark</b>
9	<p><b>Knowledge 2, Application 2</b></p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>1 mark for definition of rationing function e.g.:</p> <ul style="list-style-type: none"> <li>• When a resource is scarce its price rises which discourages demand/ where a price rise will result in a contraction of demand <b>(1K)</b></li> </ul> <p>1 mark for definition of incentive function e.g.</p> <ul style="list-style-type: none"> <li>• A price rise creates an incentive for firms to provide the good/ higher prices generate more profit so firms extend supply <b>(1K)</b></li> </ul> <p><b>Application</b></p> <p>1 mark for applying stem to rationing e.g.:</p> <ul style="list-style-type: none"> <li>• The rising price of cotton results in rationing to those most able to afford <b>(1AP)</b></li> </ul> <p>1 mark for applying stem to incentives e.g.:</p> <ul style="list-style-type: none"> <li>• The rising price of cotton t-shirts would create an incentive to produce more/</li> <li>• Farmers switched to growing wheat for animal feed as there was an incentive for higher profit <b>(1AP)</b></li> </ul>	<b>(4)</b>

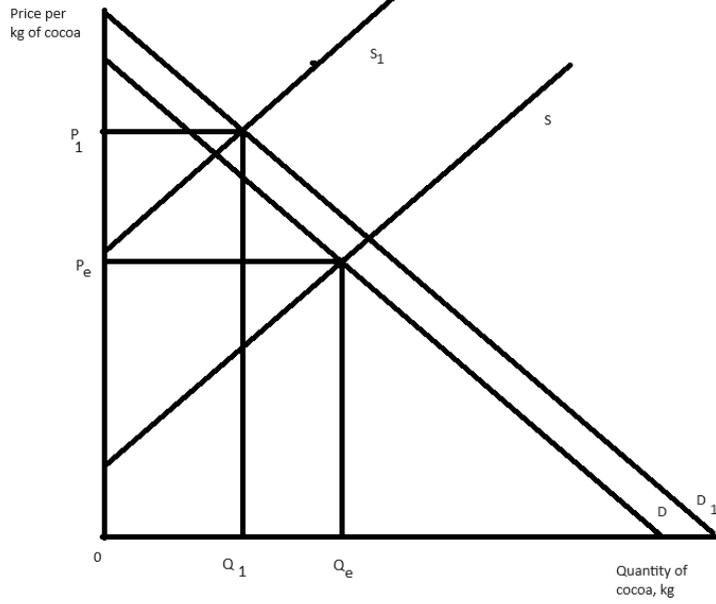
Question	Ceteris paribus, calculate the income elasticity of demand for bus journeys. Show your workings.  <b>Answer</b>	Mark
10	<p><b>Knowledge 1, Application 3</b> Quantitative skills assessed: <b>QS8:</b> Make calculations of elasticity and interpret the result. <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge</b> 1 mark for definition Responsiveness of quantity demanded to a change in income</p> <p>/the formula of income elasticity of demand  <math display="block">\frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}} \quad (1)</math></p> <p><b>Application</b> Up to 3 marks for calculations:</p> <ul style="list-style-type: none"> <li>• % change in number of bus journeys <math>3.4 - 2.9 / 2.9 \times 100 = 17.24137931\% \quad (1)</math></li> <li>• % change in income <math>663 - 626 / 626 \times 100 = 5.91054313\% \quad (1)</math></li> <li>• YED calculation <math>17.24137931\% \div 5.91054313\% = 2.917054986 \quad (1)</math></li> </ul> <p><b>NB: if correct answer (e.g. 2.9/2.92/2.917) is given, award full marks regardless of working.</b>  <b>Accept reasonable rounding from full calculation (e.g. 17/6= 2.833)</b>  <b>Award the mark for 0.172 and 0.0591 where they have not multiplied by 100 for the % change in number of bus journeys or % change in income</b>  <b>Award 3 marks for 2.92%</b></p>	(4)

Question	<p>Between 2019 and 2022 the number of international visitors to Czechia decreased from 6.8 million to 4.5 million. Ceteris paribus, explain the likely impact on the producer surplus in the hotel market in Czechia. Illustrate your answer with a supply and demand diagram.</p> <p><b>Answer</b></p>	Mark
<p><b>11</b></p>	<p><b>Knowledge 1, Application 1, Analysis 2</b></p> <p>Quantitative skills assessed:  <b>QS4:</b> Construct and interpret a range of standard graphical forms  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>1 mark for definition of producer surplus e.g.:</p> <ul style="list-style-type: none"> <li>• Producer surplus is the difference between the amount a producer is willing to sell a good for and the price they actually receive/ shown by the difference between the supply curve and the market equilibrium price <b>(1)</b></li> </ul> <p><b>Application</b></p> <p>1 mark for inwards/leftwards shift of demand <b>(1)</b></p>  <p><b>Analysis</b></p> <p>Up to 2 marks for showing the change in producer surplus</p> <ul style="list-style-type: none"> <li>• Producer surplus decreases <b>(1)</b> by <math>BCPeP_1</math> <b>(1)</b></li> </ul> <p><b>Or</b></p> <ul style="list-style-type: none"> <li>• Original producer surplus <math>ACPe</math> <b>(1)</b> and New producer surplus <math>ABP_1</math> <b>(1)</b></li> </ul>	<p><b>(4)</b></p>

### Section C

Question	Answer	Mark
<b>12 (a)</b>	<p><b>Knowledge 2</b></p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>1 mark for understanding of future price e.g.</p> <ul style="list-style-type: none"><li>• Priced in advance/</li><li>• At a future date/for future delivery <b>(1)</b></li></ul> <p>1 mark for understanding of the following e.g.:</p> <ul style="list-style-type: none"><li>• Buyer and seller set an agreed price/</li><li>• For a commodity/gold/copper/foreign exchange/</li><li>• The forward market price for cocoa for 6 months' time more than doubled <b>(1)</b></li></ul>	<b>(2)</b>

Question	<p>With reference to Figure 1 and Extract A, analyse <b>one</b> supply factor and <b>one</b> demand factor that caused the price of cocoa to increase by approximately 68% between November 2022 and November 2023.</p> <p>Illustrate your answer with a supply and demand diagram.</p> <p><b>Answer</b></p>	Mark
12 (b)	<p><b>Knowledge 2, Application 2, Analysis 2</b></p> <p>Quantitative skills assessed:</p> <p><b>QS4:</b> Construct and interpret a range of standard graphical forms</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge</b></p> <p>Up to 2 marks for the diagram showing:</p> <ul style="list-style-type: none"> <li>• Original supply, demand and equilibrium price and quantity <b>(1)</b></li> <li>• New equilibrium quantity and increased price having shifted both demand and supply <b>(1)</b></li> </ul> <p><b>Analysis</b></p> <p>1 mark for <b>one</b> supply factor from Extract A:</p> <ul style="list-style-type: none"> <li>• Côte d’Ivoire 36.3% decrease in production /</li> <li>• Caused by swollen shoot disease on cocoa farms /</li> <li>• Flooding <b>(1)</b></li> </ul> <p>1 mark for <b>one</b> demand factor from Extract A:</p> <ul style="list-style-type: none"> <li>• More cocoa has been required by the chocolate and drinking chocolate markets /</li> <li>• There is growing evidence of the health benefits of cocoa so chocolate makers and drinking chocolate makers have been increasing the cocoa content in their products <b>(1)</b></li> </ul> <p><b>Application</b></p> <p>Up to 2 marks for diagram or for reference to Figure 1.:</p> <ul style="list-style-type: none"> <li>• Shift supply to the left <b>(1)</b></li> <li>• Shift demand to the right <b>(1)</b></li> <li>• Figure 1- price rises from approximately \$2.40 to \$4.04 per kg between November 2022 and November 2023 <b>(1)</b></li> </ul>	



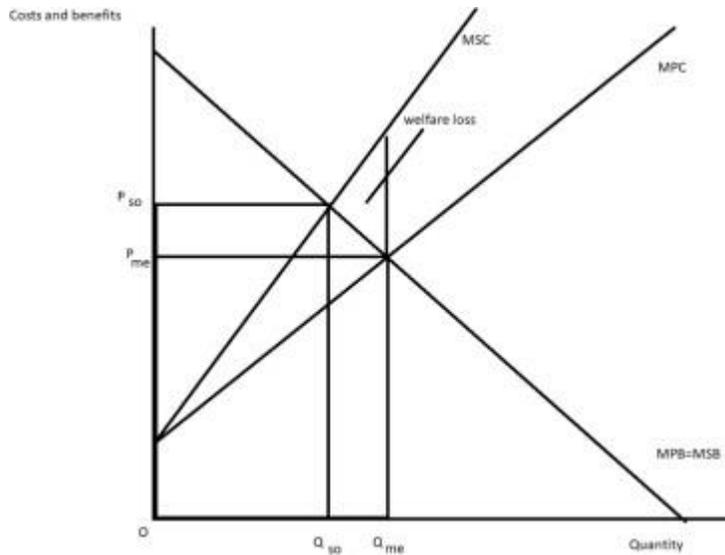
Supply and demand shift size may vary

**(6)**

Question	With reference to Figure 2, explain the term 'price inelastic supply'. Refer to the short-run and the long-run in your answer. Answer	Mark
12 (c)	<p><b>QS8:</b> Make calculations of elasticity and interpret the result.  <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge 2 Application 2</b></p> <p><b>Knowledge</b>  1 mark for understanding of price inelastic supply:</p> <ul style="list-style-type: none"> <li>• where the PES is between 0 and 1/a change in price causes a less than proportionate change in quantity supplied <b>(1)</b></li> </ul> <p>1 mark for understanding PES in the short-run and the long-run:</p> <ul style="list-style-type: none"> <li>• More inelastic in the short-run/less inelastic in the long-run/ becomes more elastic over time/ inelastic in both the short-run and long-run <b>(1)</b></li> </ul> <p><b>Application</b>  Up to 2 marks for application:</p> <ul style="list-style-type: none"> <li>• Short-run PES +0.07 <b>(1)</b></li> <li>• Long-run PES +0.57 <b>(1)</b></li> </ul>	<b>(4)</b>

Question	With reference to Extract C, examine <b>two</b> effects of the Government of Ghana's decision to end the subsidies paid to cocoa farmers. <b>Answer</b>	Mark
12(d)	<p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge 2, Application 2, Analysis 2, Evaluation 2</b></p> <p><b>Knowledge and Analysis</b> Up to 2 marks for identifying two effects and up to 2 marks for linked explanations, e.g.:</p> <ul style="list-style-type: none"> <li>• Farmers will be discouraged from growing cocoa <b>(1K)</b> as the removal of the subsidy increases costs of production <b>(1AN)</b></li> <li>• Decreased cocoa output <b>(1K)</b> may result in decreased employment in the sector <b>(1AN)</b></li> <li>• Reduces use of fertiliser as output decreases <b>(1K)</b> helping to reduce external costs <b>(1AN)</b></li> <li>• Higher cocoa prices <b>(1K)</b> will result in decreased consumer surplus <b>(1AN)</b></li> <li>• Diagram showing the correct leftward shift in supply <b>(1K)</b> and the impact of removing the subsidy on equilibrium price/quantity <b>(1AN)</b></li> <li>• Farmers will reduce investment <b>(1K)</b> as less funds available for research and development <b>(1AN)</b></li> <li>• Reduced opportunity cost <b>(1K)</b> as the funds can be used to pay for e.g. healthcare or education <b>(1AN)</b></li> </ul> <p><b>Application</b> Up to 2 marks for application to Extract C</p> <ul style="list-style-type: none"> <li>• Spent \$200 million in 2019/ \$400 million in 2020 <b>(1AP)</b></li> <li>• To allow farmers to purchase fertiliser <b>(1AP)</b></li> <li>• To ensure that farmers' incomes are not too low <b>(1AP)</b></li> <li>• The Government found it difficult to fund these payments <b>(1AP)</b></li> </ul> <p><b>Evaluation</b> Up to 2 marks for evaluative comments (2+0 or 1+1), e.g.:</p> <ul style="list-style-type: none"> <li>• \$400 million subsidy removed could cause a substantial fall in consumer surplus/producer surplus <b>(1+1)</b></li> <li>• Farmers may be dependent on the subsidies resulting in a substantial problem for farmers when their income from the subsidy falls <b>(1+1)</b></li> <li>• Removal of subsidy might promote investment as a means of increasing productivity and reducing costs <b>(1+1)</b></li> <li>• Impact depends on PED for cocoa – if inelastic then price rise will be greater than if elastic <b>(1+1)</b></li> </ul>	<b>(8)</b>

<b>Question</b>	<p>With reference to Extract B, discuss the likely external costs associated with cocoa production. Illustrate your answer with an externalities diagram.</p> <p><b>Indicative content</b></p>
<b>12(e)</b>	<p><b>Indicative content guidance</b></p> <p>Answers must be credited by using the level descriptors (below) in line with the general marking guidance.</p> <p>The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Quantitative skills assessed</b></p> <p><b>QS4:</b> Construct and interpret a range of standard graphical forms</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Knowledge, Application and Analysis (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• External costs- negative impacts on third parties</li> <li>• Cocoa farming has resulted in large areas of rainforest to be lost. Over the last 3 decades 70% of the forests in Ghana and Côte d’Ivoire is attributed to cocoa farming- reducing habitats for animals, reducing biodiversity, reducing amount of CO<sub>2</sub> taken out of the atmosphere resulting in global warming- rising sea levels- flooding</li> <li>• Pesticide use increased 20% between 2014 and 2019 in Ghana and Côte d’Ivoire. The pesticides used are often highly hazardous and may cause cancer. The pesticides often end up in drinking water sources and rivers resulting in additional healthcare costs for the government</li> <li>• Children employed in cocoa farming - increased from 5% to 24% in Ghana and Côte d’Ivoire- negative impacts on the child, their education and life prospects- the economies of Ghana/Ivory Coast will have lower prospects for economic growth</li> </ul> <p>External costs diagram</p>



- Diagram showing MSC above MPC
- $Q_{me}$  above  $Q_{so}$  shows overproduction
- $P_{me}$  below  $P_{so}$  shows price paid is below social optimum
- Welfare loss triangle due to third-party impacts

**NB Diagram required to achieve Level 3**

Level	Mark	Descriptor
	0	No rewardable material
<b>Level 1</b>	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
<b>Level 2</b>	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
<b>Level 3</b>	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p><b>Evaluation (6 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Magnitude- a wide range of significant external costs</li> <li>• 70% of forests lost- a significant impact</li> <li>• Private and external benefits may offset the external costs</li> <li>• Difficult to measure the size/value of external costs</li> </ul>		

		<ul style="list-style-type: none"> <li>• The effects of external costs may not be noticeable in the short-run and only emerge in the long-run</li> <li>• 5% to 24% child labour shows an increasing problem generating larger external costs</li> </ul>
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1-2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	3-4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	5-6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

## Section D

<p><b>Question</b></p>	<p>In 2015 the Government of South Korea introduced a tradeable pollution permit scheme. This scheme applies to 70% of all businesses and includes power generation, manufacturing and domestic aviation.</p> <p>Evaluate the possible benefits of introducing a tradeable pollution permit scheme.</p> <p><b>Indicative content</b></p>	
<p><b>13</b></p>	<p>Quantitative skills assessed</p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Indicative content guidance Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p>Knowledge, application and analysis (12 marks) – indicative content</p> <ul style="list-style-type: none"> <li>• Tradeable pollution permit scheme- selected firms in specific industries are given a limit to the amount of pollution they can produce. These permits can be bought or sold by firms in the scheme</li> <li>• Affects 70% of all businesses, including power generation, manufacturing and domestic aviation</li> <li>• Firms have the incentive to reduce pollution in order to reduce costs</li> <li>• Firms may develop cleaner technologies to be able to reduce pollution so that they can sell surplus permits</li> <li>• Firms that are able to sell permits can increase their revenues and producer surplus/profit</li> <li>• Firms that pollute at above their permitted level have to incur costs as they need to purchase permits</li> <li>• Each year the Government of South Korea can reduce the number of permits available to be able to reduce carbon emissions/pollution</li> <li>• Emissions from power generation, manufacturing and aviation will be reduced</li> <li>• Reducing external costs- global warming, flooding, wildfires</li> <li>• Profits and employment may fall versus companies not involved in the scheme</li> <li>• Increased revenues resulting from more innovation- as businesses develop ways to reduce pollution</li> <li>• It creates an incentive for businesses to change their behaviour to be cleaner to reduce pollution levels</li> </ul> <p><b>N.B. Award a maximum of Level 3 if only one benefit is considered</b></p>	
<p>Level</p>	<p>Mark</p>	<p>Descriptor</p>
	<p>0</p>	<p>No rewardable material.</p>
<p><b>Level 1</b></p>	<p>1–3</p>	<p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models.</p>

		Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
<b>Level 2</b>	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
<b>Level 3</b>	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
<b>Level 4</b>	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
		<p><b>Evaluation (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Does not affect 30% of businesses</li> <li>• 70% of businesses is substantial having large impact</li> <li>• May be no significant impact on profits and employment</li> <li>• Other methods to reduce pollution may be better e.g. An indirect tax might be better as it raises funds for the Government to be able to correct issues caused by pollution</li> <li>• Government failure due to information gaps; if the government does not know the correct number of permits to release</li> <li>• If too many permits are issued, the secondary market price may fall, leading to emissions remaining higher</li> <li>• If too few permits are released businesses may have excessive costs to meet the lower emission levels</li> <li>• Government failure due to high administration costs of the scheme</li> <li>• Government failure due to unintended consequences</li> <li>• Domestic businesses may suffer when competing with foreign businesses</li> <li>• Businesses might look to relocate to countries without tradeable pollution permit schemes</li> </ul>
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context.

		Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

<b>Question</b>	<p>Between 2012 and 2021 government spending on education per person per year in high-income countries increased from \$7 507 to \$8 515. In low-income countries the increase was from \$42 to \$56 per person. Evaluate the microeconomic benefits of increased spending on education.</p> <p><b>Indicative content</b></p>	
<b>14</b>	<p><b>Quantitative skills assessed</b> <b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p><b>Indicative content guidance</b> Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited.</p> <p><b>Knowledge, application and analysis (12 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Increased external benefits- positive impacts on third parties <ul style="list-style-type: none"> <li>○ Individuals become more skilled- able to access better paid jobs, resulting in more spending power that would result in increased demand for goods and services</li> <li>○ More skilled workforce- means output per worker is higher – this will benefit a business in terms of lower costs</li> <li>○ Higher income levels lead to more spending- tax revenue from indirect tax will increase- increasing money available to provide public services/ healthcare</li> </ul> </li> <li>• Increasing production possibilities as each unit of labour is more skilled and becomes more productive- PPF shifts right and the number of capital and consumer goods that can be produced increases. Economic growth- increased productive potential</li> <li>• Businesses are able to produce more with the same amount of inputs so output of firms/supply may increase- shifting supply to the right and creating downward pressure on price</li> <li>• Reduces market failure- where the market leads to an inefficient allocation of resources- the result is greater efficiency as education is consumed at the social optimum level</li> <li>• Closing information gaps- where consumers or producers lack information to make rational decisions</li> <li>• Reducing incidences of asymmetric information- where one economic agent has more knowledge than another- reducing the likelihood of producers exploiting consumers or vice versa</li> <li>• Private benefits achieved by consumers of education, such as developed knowledge, improved skills, better job, higher pay, more utility from being able to buy more/better goods</li> </ul>	
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	<p>Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples.</p>

		Descriptive approach which has no chains of reasoning.
<b>Level 2</b>	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
<b>Level 3</b>	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
<b>Level 4</b>	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context, using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
<p><b>Evaluation (8 marks) – indicative content</b></p> <ul style="list-style-type: none"> <li>• Government failures- where the spending on education results in a net welfare loss</li> <li>• Information gaps mean the areas of education receiving funding are not appropriate</li> <li>• Unintended consequences- education spending may result in an increase in supply of some workers and a decrease in supply in other areas</li> <li>• Excessive administration costs- to implement more education spending more needs to be spent administering it- if these costs exceed the extra funding to schools then it is a government failure</li> <li>• Opportunity costs- the cost of the next best alternative forgone- e.g. reduced funding for healthcare</li> <li>• The impact of education spending takes a long time before it affects businesses as you have to wait for people to finish their education</li> <li>• The increase in spending on education in low-income countries is just \$14 per person which may not have a significant impact/the increase in spending in high-income countries is \$1008 so is likely to have a more significant impact</li> <li>• The increase in spending in low income countries is 33% and high income countries 13%- so more impact in low income countries</li> </ul>		
<b>Level</b>	<b>Mark</b>	<b>Descriptor</b>
	0	No rewardable material.
<b>Level 1</b>	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
<b>Level 2</b>	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context.

		Evaluation is supported by a partially-developed chain of reasoning.
<b>Level 3</b>	7-8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

