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Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

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 about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

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

- ☒ **A** Overconsumption of sugar that creates external costs
- ☒ **B** Smuggling of petrol resulting from the introduction of an indirect tax
- ☒ **C** An increase in the price of timber that creates an incentive to increase its production
- ☒ **D** Government provision of flood defences to resolve the free rider problem

(Total for Question 1 = 1 mark)

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

- ☒ **A** Gold
- ☒ **B** Housing
- ☒ **C** Higher education
- ☒ **D** Street lighting

(Total for Question 2 = 1 mark)

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3 The table shows the estimated cross elasticity of demand in Indonesia for four goods with respect to a change in the price of rice.

Goods	Cross elasticity of demand
Vegetables	–0.05
Meat	–0.19
Fish	+0.40
Maize	+1.25

(Source adapted from https://econbeh.blogspot.com/2019/05/some-estimates-of-cross-price-elasticity.html)

Which **one** of the following can be deduced from the table?

☒ **A** Vegetables and rice are normal goods

☒ **B** Meat and rice are inferior goods

☒ **C** Fish is a complement for rice

☒ **D** Maize is a substitute for rice

(Total for Question 3 = 1 mark)

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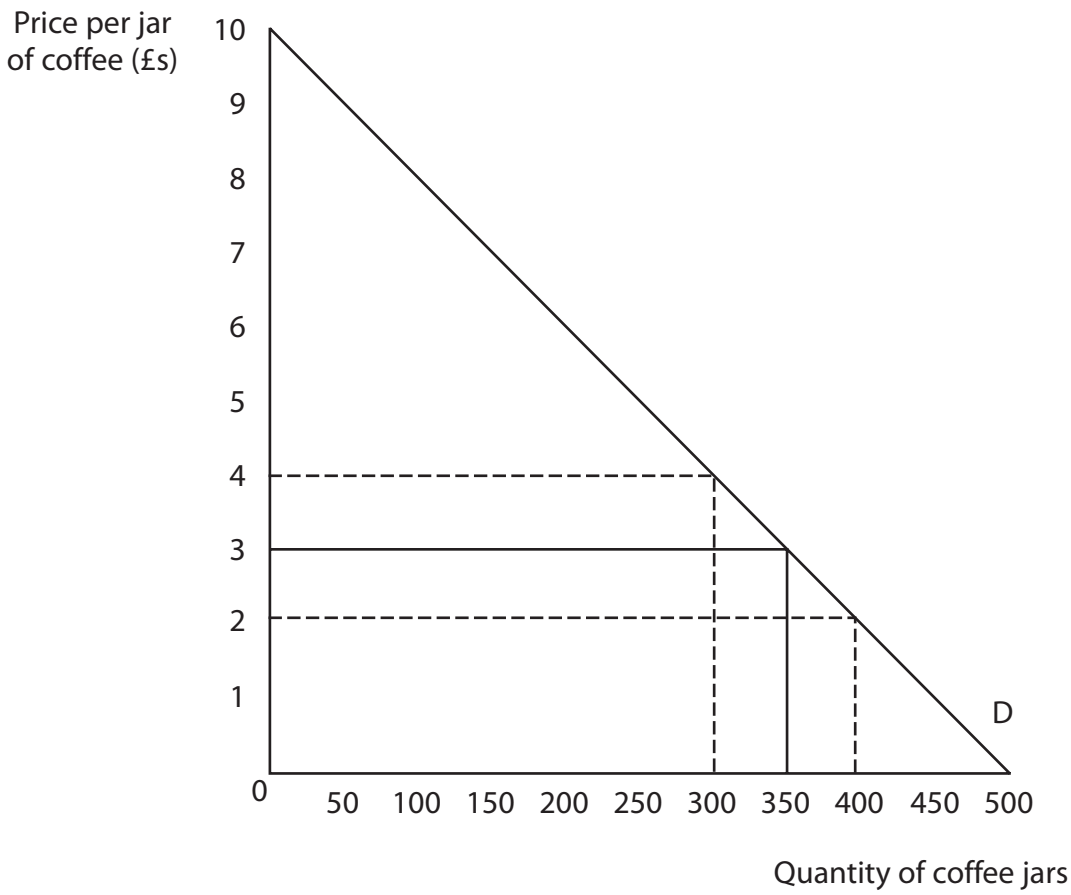
4 The diagram shows the demand curve for a 500 g jar of coffee. The price is currently £3 and 350 jars are sold.



Which **one** of the following can be deduced from the diagram?

- ☒ **A** The demand for coffee is income inelastic
- ☒ **B** The supply of coffee is price elastic
- ☒ **C** An increase in the price of a jar of coffee by £1 will increase total revenue
- ☒ **D** A decrease in the price of a jar of coffee by £1 will increase total revenue

(Total for Question 4 = 1 mark)

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5 In April 2020 electricity prices increased on average by 10% in the UK. In the same month, a record number of 668 371 consumers switched to cheaper electricity suppliers.

Which **one** of the following can explain the behaviour of those consumers who switched to cheaper electricity suppliers?

- ☒ **A** Consumers experienced habitual behaviour
- ☒ **B** Consumers aimed to maximise their utility
- ☒ **C** Consumers had poor computational skills
- ☒ **D** Consumers aimed to minimise their utility

(Total for Question 5 = 1 mark)

6 In a particular year, a 4% rise in real incomes caused the demand for cinema tickets to increase from 250 000 to 290 000.

Which **one** of the following shows the value of income elasticity of demand?

- ☒ **A** –4.00
- ☒ **B** –0.25
- ☒ **C** +0.25
- ☒ **D** +4.00

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

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SECTION B

Answer ALL questions in this section in the space provided.

7 In 2018 there were 1.59 million immigrants arriving in Germany and 1.19 million emigrants leaving Germany.

Draw a diagram to illustrate the likely impact of this population change on Germany's production possibility frontier.

Include an arrow to show the direction of the shift.

(Total for Question 7 = 4 marks)

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8 Between 2018 and 2019 investment expenditure on capital goods in China fell from 47% of GDP to 43% of GDP. Over the same period, consumer expenditure increased from 38.7% of GDP to 38.8% of GDP.

With reference to China, explain the difference between 'capital goods' and 'consumer goods'.

(Total for Question 8 = 4 marks)

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9 Between 2017 and 2022 the Singapore Government replaced 95 000 streetlights along its roads.

Explain **one** microeconomic reason why the Singapore Government provides streetlights.

(Total for Question 9 = 4 marks)

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10 The table shows the average world price of wheat per metric tonne and the quantity of wheat supplied globally in 2019 and 2020.

	Average wheat price per metric tonne	**Quantity of wheat supplied, metric tonnes**
2019	$152.97	732 million
2020	$176.48	777 million

Ceteris paribus, calculate the price elasticity of supply of wheat. Show your workings.

(Total for Question 10 = 4 marks)

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11 Eating too much salt is associated with a higher risk of heart disease and stomach cancer. Every year 1.5 million deaths are attributed to excess salt in food. In the UK, the National Food Strategy recommended that an indirect tax of £6 per kg is introduced on salt added to food by manufacturers.

Explain the impact of the introduction of this indirect tax on the market for food products containing salt added by manufacturers.

Illustrate your answer with an appropriate diagram.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C BEGINS ON THE NEXT PAGE.

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SECTION C

Study Figure 1, Extract A, Figure 2 and Extract B in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'external costs' (Extract B, line 3).

(2)

(b) With reference to Figure 2, explain the difference between 'renewable resources' and 'non renewable resources'.

(4)

(c) With reference to Figure 1 and Extract A, analyse **two** reasons why 'the world price of copper increased significantly' between May and December 2020.

Illustrate your answer with a supply and demand diagram.

(6)

(d) With reference to Extract A, examine **two** likely effects of an increase in the price of copper on plumbing firms that replace water pipes in customers' homes.

(8)

(e) With reference to Extract B and your own knowledge, discuss the possible effects of a subsidy paid to manufacturers of battery electric buses (BEBs).

Illustrate your answer with an appropriate diagram.

(14)

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12 (a) Define the term 'external costs' (Extract B, line 3).

(2)

(b) With reference to Figure 2, explain the difference between 'renewable resources' and 'non renewable resources'.

(4)

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(c) With reference to Figure 1 and Extract A, analyse **two** reasons why 'the world price of copper increased significantly' between May and December 2020.

Illustrate your answer with a supply and demand diagram.

(6)

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(d) With reference to Extract A, examine **two** likely effects of an increase in the price of copper on plumbing firms that replace water pipes in customers' homes.

(8)

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(e) With reference to Extract B and your own knowledge, discuss the possible effects of a subsidy paid to manufacturers of battery electric buses (BEBs).

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 BEGINS ON THE NEXT PAGE.

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SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In November 2020 the Government of Sri Lanka introduced a maximum price of Rs 80 per kilogram for white rice. This price was below the market price.

Evaluate the impact of imposing this maximum price on the market for white rice in Sri Lanka.

(Total for Question 13 = 20 marks)

OR

14 In 2019 the proportion of 25 to 34-year-old people who had received university education was 70% in South Korea. In contrast it was 50% in the USA and only 28% in Italy.

Evaluate possible microeconomic reasons why education might be underconsumed.

(Total for Question 14 = 20 marks)

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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:

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

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Pearson Edexcel International Advanced Level

Time 1 hour 45 minutes

Paper reference **WEC11/01**

Economics

International Advanced Subsidiary
UNIT 1: Markets in action

Source Booklet

Do not return this Booklet with the question paper.

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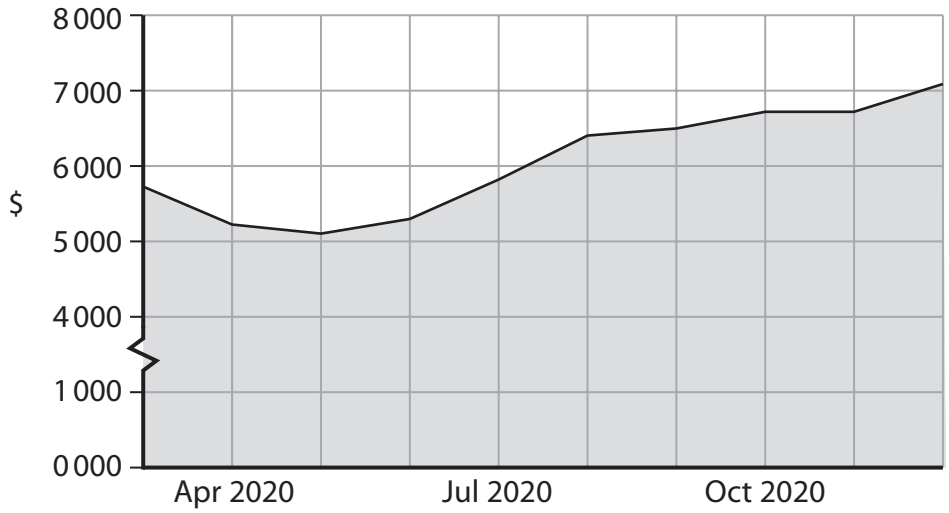
Sources for use with Section C

The markets for copper, electricity and battery electric buses (BEBs)

Figure 1 World price of copper, $ per metric tonne, March 2020 to December 2020



Extract A Copper prices rise

Between May and December 2020 the world price of copper increased significantly. Speculators expected the global rate of economic growth to recover from the global health crisis and started to buy more copper. In addition, the Chinese Government made a substantial investment in infrastructure that required copper. Output of electric vehicles also increased. Each vehicle requires approximately 59 kg of copper in its production.

Most plumbers prefer to use copper pipes rather than plastic pipes. With the increased demand for copper for other purposes, it is likely that the price of copper pipes will increase significantly in the future.

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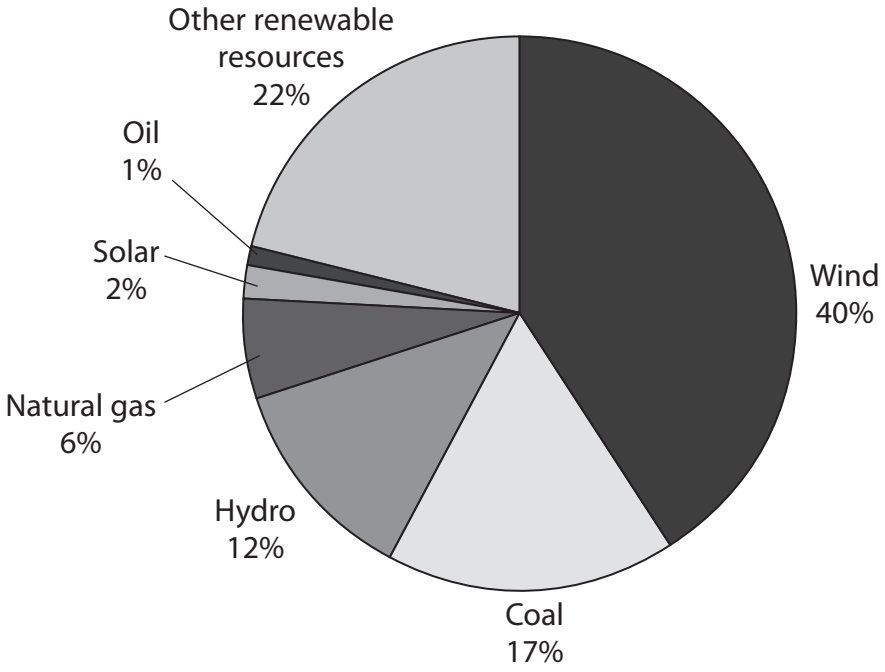
Figure 2 Electricity generation by different sources in Denmark, 2018



Extract B Battery electric buses (BEBs)

Diesel buses are used in city locations with large concentrations of people. They create external costs, including reducing air quality. Children who ride the bus to school are more likely to develop respiratory diseases, such as asthma, and to have higher rates of cancer.

BEBs are powered by electric batteries that run an electric motor. Bus batteries are recharged using the national electricity grid. BEBs do not have engines that use fossil fuels. Therefore, BEBs help to reduce greenhouse gas emissions and pollution in city centres. They also produce much less noise pollution than diesel buses.

In 2018 the price of a diesel bus was $480 000, whereas the price of a BEB was $887 000. This price difference has started to decrease. For a transport company, it is 2.5 times cheaper to run a BEB than a diesel bus. The maintenance costs are also far lower for a BEB as there are fewer component parts within the motor. On average, a BEB can travel 150 miles on a fully charged battery, whereas a diesel bus can travel 690 miles on a full tank of diesel.

In 2018 there were 386 000 BEBs globally. 99% of these were in China and 0.09% were in the USA. In response, the US Government allocated $979 million of subsidies to increase the number of BEBs.

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Acknowledgements

Figure 1 based on data taken from https://www.indexmundi.com/commodities/?commodity=copper&months=60

Extract A adapted from 'Copper price forecast 2020 and beyond: will the market recover from Covid-19 disruptions?', Nicole Willing, Capital.com, 14 May 2020, https://capital.com/copper-price-forecast-2020#:~:text=The%20world%E2%80%99s%20largest%20copper%20consumer%2C%20China%20is%20expected,far%20more%20copper%20wiring%20than%20fossil%20fuel-based%20systems.

Figure 2 adapted from https://cleantechnica.com/2019/05/20/in-the-danish-elections-everybody-is-fighting-about-who-is-greener-but-does-it-matter/

Extract B adapted from 'Battery Electric Buses: Benefits Outweigh Costs' Environmental and Energy Study Institute, October 2018 https://www.eesi.org/files/FactSheet_Electric_Bus_Benefits_Outweigh_Costs_1018.pdf and https://afdc.energy.gov/files/u/publication/financial_analysis_be_transit_buses.pdf