www.dynamicpapers.com

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 ▶

P72460A

©2023 Pearson Education Ltd.
J:1/1/1/1/1

P 7 2 4 6 0 A 0 1 2 8

Pearson

www.dynamicpapers.com

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 a role of financial markets?

- ☒ **A** To collect tax revenues
- ☒ **B** To enable consumers to minimise their utility
- ☒ **C** To make funds available for individuals and businesses
- ☒ **D** To provide public goods

(Total for Question 1 = 1 mark)

2 In the UK, new consumers paid an average of £130 for home insurance in 2020. Consumers who had remained with the same insurance company since 2015 paid £238 for the same annual home insurance cover. Despite this, many consumers stay loyal to their insurance company.

Which **one** of the following is the most likely reason why consumers stay loyal to their insurance company?

- ☒ **A** Consumers feel undervalued
- ☒ **B** Consumers have good computational skills
- ☒ **C** The free-rider problem
- ☒ **D** Habitual behaviour

(Total for Question 2 = 1 mark)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

3 The table shows the estimated price elasticity of demand for railway tickets for use on underground trains in selected Mexican cities in 2020.

City	Price elasticity of demand
Guadalajara	–0.32
Mexico City	–0.25
Monterrey	–0.23

(Source adapted from: https://www.nber.org/system/files/working_papers/w28244/w28244.pdf)

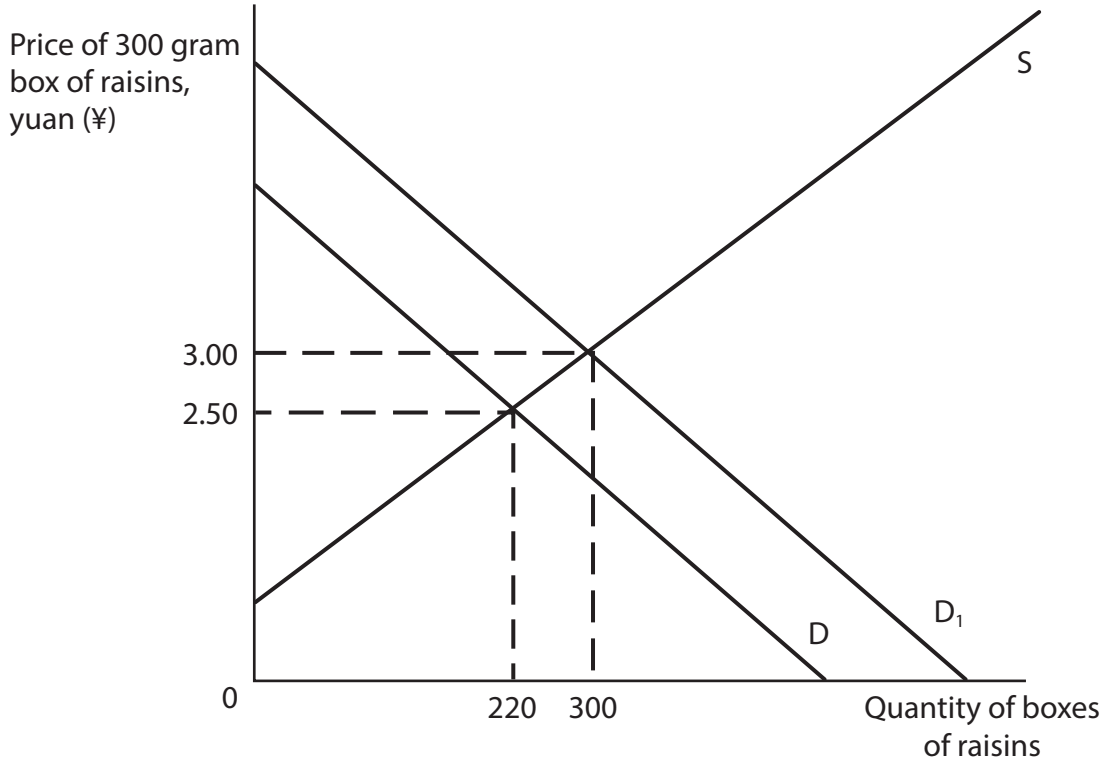
Which **one** of the following can be deduced from the table?

- ☒ **A** The demand for railway tickets in Guadalajara is price elastic
- ☒ **B** A decrease in the price of railway tickets in Mexico City will decrease total revenue
- ☒ **C** An increase in the price of railway tickets in Monterrey will decrease total revenue
- ☒ **D** The demand for the railway tickets in all three cities will decrease in response to an increase in income

(Total for Question 3 = 1 mark)

www.dynamicpapers.com

4 The diagram shows the market for 300 gram boxes of raisins in China.



Which **one** of the following is the price elasticity of supply for boxes of raisins when the demand curve shifts from D to D_1?

☒ **A** –1.82

☒ **B** –0.55

☒ **C** +0.55

☒ **D** +1.82

(Total for Question 4 = 1 mark)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

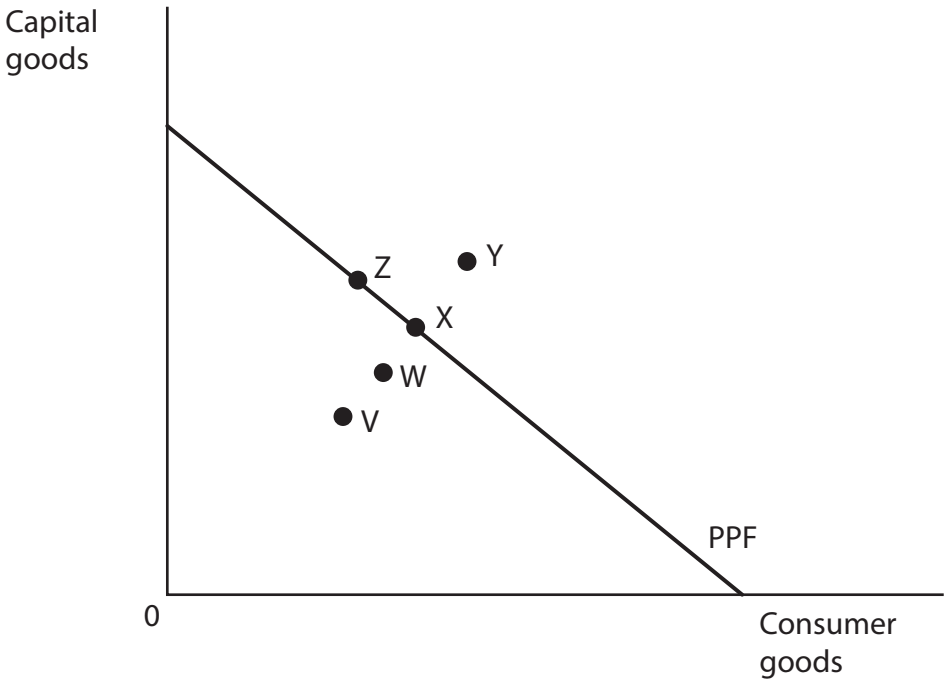
5 A relatively high rate of indirect taxation on fuel in the Philippines leads to the smuggling of fuel from neighbouring countries. This results in the Philippine Government losing $750 million of tax revenue a year.

Smuggling is an example of which **one** of the following concepts?

- ☒ **A** Government failure
- ☒ **B** Market failure
- ☒ **C** Unobtainable production
- ☒ **D** Consumer inertia

(Total for Question 5 = 1 mark)

6 The diagram shows the production possibility frontier (PPF) for a small country.



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

- ☒ **A** The movement from X to Y is obtainable using current available resources
- ☒ **B** The movement from X to Z has an opportunity cost in terms of capital goods
- ☒ **C** The movement from V to W results in an increase in unemployed resources
- ☒ **D** The movement from W to X results from improved efficiency

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

www.dynamicpapers.com

SECTION B

Answer ALL questions in this section in the space provided.

7 In Myanmar the price of rice was 250 000 kyats per tonne in October 2021. However, many rice farmers made a loss because of rising costs of production. In response, the Myanmar Government introduced a minimum price for rice of 270 000 kyats per tonne.

Draw a diagram to illustrate the impact of the introduction of this minimum price for rice.

(Total for Question 7 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

8 In the USA research found that 68% of those without health insurance and 88% of those with health insurance visited a dentist.

With reference to health insurance, explain what is meant by 'moral hazard'.

(Total for Question 8 = 4 marks)

www.dynamicpapers.com

9 Emiliana Lucas owns a farm in Tanzania on which she grows sunflowers. In 2020 Tania, her neighbour, started a honey bee farm. The honey bees pollinated Emiliana's sunflowers. As a result, seed production on Emiliana's farm increased from 300kg in 2019 to 620kg in 2020.

With reference to the information provided, explain the difference between private benefits and external benefits.

(Total for Question 9 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

10 The table shows the average income and car sales in the USA in 2011 and 2021.

	Average income	**Car sales**
2011	$31 024	12 741 800
2021	$44 225	14 926 900

(Sources adapted from: https://www.statista.com/statistics/199983/us-vehicle-sales-since-1951/ and https://dqydj.com/individual-income-by-year/#:~:text=Average%20Individual%20Income%20by%20Year%20%20%20Year,%20%20%2463%2C214.03%20%2056%20more%20rows%20)

Ceteris paribus, calculate the income elasticity of demand for cars between 2011 and 2021. Show your working.

(Total for Question 10 = 4 marks)

www.dynamicpapers.com

11 The cross elasticity of demand of milk with respect to sugar-sweetened drinks is +0.25.

Explain the likely impact of a 5% increase in the price of sugar-sweetened drinks on the market for milk.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

SECTION C BEGINS ON THE NEXT PAGE.

www.dynamicpapers.com

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 'market failure' (Extract A, line 14).

(2)

(b) With reference to paragraph 1 of Extract A, analyse **two** reasons why house prices increased between March 2020 and March 2021.

Illustrate your answer with a supply and demand diagram.

(6)

(c) With reference to Extract B, explain why the supply of new houses is likely to be price inelastic.

(4)

(d) With reference to Extract C, examine whether national parks in New Zealand are public goods.

(8)

(e) With reference to Figure 1, Extract A and Extract B, discuss the likely microeconomic effects of a housing market bubble in New Zealand.

(14)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

12 (a) Define the term 'market failure' (Extract A, line 14).

(2)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(b) With reference to paragraph 1 of Extract A, analyse **two** reasons why house prices increased between March 2020 and March 2021.

Illustrate your answer with a supply and demand diagram.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(c) With reference to Extract B, explain why the supply of new houses is likely to be price inelastic.

(4)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(d) With reference to Extract C, examine whether national parks in New Zealand are public goods.

(8)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

(e) With reference to Figure 1, Extract A and Extract B, discuss the likely microeconomic effects of a housing market bubble in New Zealand.

(14)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

www.dynamicpapers.com

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In January 2022 average energy prices increased by 28.6% in the eurozone area. In response:

- the German Government provided subsidies to energy producers
- the Spanish Government reduced indirect taxes on energy bills
- the French Government introduced a maximum price on energy bills.

Evaluate **two** possible measures that could be introduced to reduce the price that consumers pay for energy.

Include at least one diagram in your answer.

(Total for Question 13 = 20 marks)

OR

14 Fertiliser is used by farmers to increase the output of crops per acre of farmland. In 2021 farmers experienced a 400% increase in the cost of fertiliser. Between March 2021 and March 2022 the global food price index increased by 38%.

Evaluate the impact of the 400% increase in the cost of fertiliser on farmers and households.

Include one diagram to show the impact on farmers in your answer.

(Total for Question 14 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

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:

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

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

www.dynamicpapers.com

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

www.dynamicpapers.com

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.

Turn over ▶

P72460A

©2023 Pearson Education Ltd.

J:1/1/1/1

P 7 2 4 6 0 A

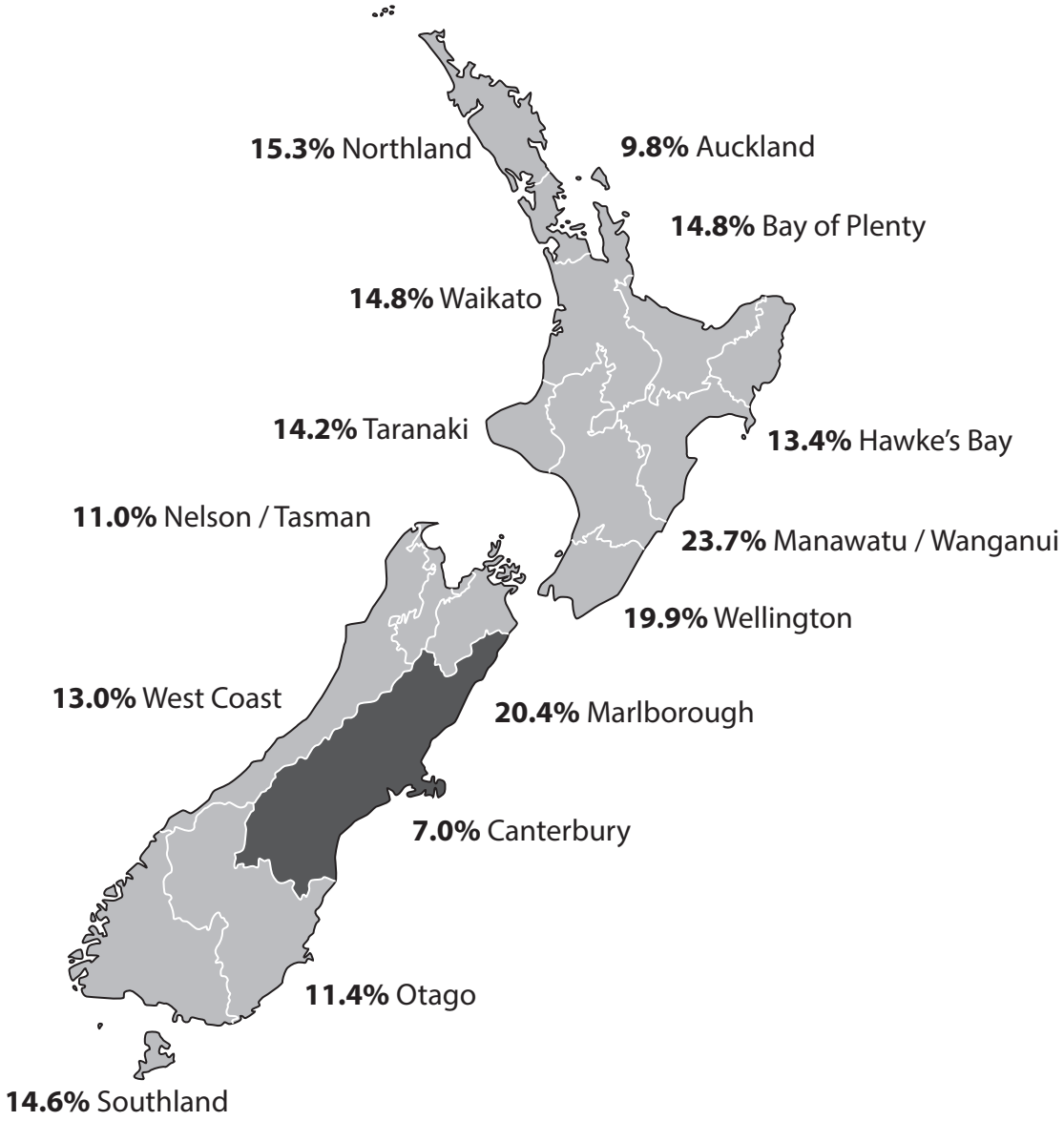
Pearson

www.dynamicpapers.com

Sources for use with Section C

New Zealand's housing market and national parks

Figure 1 Percentage change in house prices between March 2020 and March 2021, by region



www.dynamicpapers.com

Extract A Rapid increase in house prices

House prices in New Zealand increased by 15.7% between March 2020 and March 2021. The average house price had risen to NZ$925 000. This increase in house prices was caused by increasing real incomes, low interest rates and a rise in immigration following the global health crisis. Real incomes increased as a result of an above average rate of economic growth. Between March 2020 and March 2021 the base interest rate in New Zealand was just 0.25%, making it relatively cheap to borrow to purchase houses.

Research showed that house prices in New Zealand were about 40% overvalued relative to income. House prices were rising faster than real incomes and were 8.6 times median income in 2020 and 10 times median income in 2021. In Auckland, the average property price increased to NZ$1.4 million in 2021. This was 35 times median income.

According to New Zealand's Prime Minister, Jacinda Ardern, many buyers are speculators. In 2020 approximately 15 000 people buying houses owned five or more. She is worried that the speculators could cause a dangerous housing bubble and market failure. She is also concerned that 1% of the population are homeless, the highest rate of homelessness amongst developed countries.

Between 2000 and 2021 house prices increased by 256% in New Zealand. By comparison, house prices in the USA increased by 68% and in the UK by 110%.

Extract B House building in New Zealand

In 2017 the Government promised to build 100 000 new homes. Between June 2018 and July 2020 the Government built just 6 000 homes. It is expensive to build houses and there is much paperwork needed to obtain planning permission. Many local authorities limit the land on which houses can be built in order to protect the environment. There is a shortage of over 55 000 construction workers.

Between 2011 and 2020 the average annual growth rate in housebuilding was 13%. However, in 2021, the significant increase in house prices created an incentive to build new houses. Consequently, the number of new houses under construction increased by 26%.

Extract C New Zealand's national parks

New Zealand has 13 national parks covering 30 000 km^2 that the public can explore on foot, by boat, car or air. For much of the year there is so much space that an individual will rarely meet another person. However, in the summer season the national parks are very popular. This means that the national parks become more crowded and car parking spaces are hard to find.

Some activities within the national parks, such as skiing and kayaking, have to be paid for. However, individuals can walk, run or cycle across the national parks without charge.

www.dynamicpapers.com

BLANK PAGE

Acknowledgements

Figure 1 adapted from: https://wiseplanning.co.nz/market-and-economic-update-may-2021/

Extract A adapted from:

https://www.globalpropertyguide.com/Pacific/New-Zealand/Price-History

https://www.bloomberg.com/news/articles/2021-03-22/new-zealand-targets-speculators-in-new-assault-on-house-prices

https://www.economist.com/asia/2022/02/12/new-zealands-housing-crisis-is-worsening

Extract B adapted from:

https://www.reuters.com/article/newzealand-election-housing-idUSKBN26M471

https://www.emigrationnewzealand.com/construction-workers-new-zealand/#:~:text=Stuff%20New%20Zealand%20recently%20reported%20that%20there%20will,workers%20could%20hamper%20efforts%20to%20build%20more%20houses

Extract C adapted from: https://www.newzealand.com/int/national-parks/