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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

Tuesday 9 May 2023

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

1 Which **one** of the following combinations of characteristics best describes private goods?

☒ **A** Rival and excludable

☒ **B** Rival and non-excludable

☒ **C** Non-rival and excludable

☒ **D** Non-rival and non-excludable

(Total for Question 1 = 1 mark)

2 It was estimated that the price elasticity of demand for cereals was –0.6 and for fruit it was –0.7.

Which **one** of the following factors is most likely to cause demand for a product to be price inelastic?

☒ **A** There are legal constraints on manufacturing the product

☒ **B** There are large stocks of the product available

☒ **C** The product has many substitutes

☒ **D** The product lacks substitutes

(Total for Question 2 = 1 mark)

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3 The table shows the average percentage change in the price of tickets for National Basketball Association (NBA) games and the percentage change in the quantity of tickets sold. The data compares the percentage changes between 2021 and 2022.

Average percentage change in the price of tickets for NBA games	+10.2%
Percentage change in the quantity of tickets sold at NBA games	–18.0%

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

☒ **A** Demand for NBA tickets is price inelastic

☒ **B** Demand for NBA tickets is price elastic

☒ **C** Demand for NBA tickets is income elastic

☒ **D** Demand for NBA tickets is income inelastic

(Total for Question 3 = 1 mark)

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4 In South Africa demand for electric blankets increased by 250% in 2022.

Which of the following combinations is the most likely impact on the market for electric blankets?

	Consumer surplus	Price
☒ **A**	Decrease	Decrease
☒ **B**	Decrease	Increase
☒ **C**	Increase	Increase
☒ **D**	Increase	Decrease

(Total for Question 4 = 1 mark)

5 In July 2022 Amazon, the online retailer, announced that it would increase the price of its Amazon Prime subscription service from £79 to £95 per year. This resulted in 590 000 UK consumers cancelling their Amazon Prime subscriptions.

Which **one** of the following is the most likely explanation of this behaviour?

☒ **A** These consumers experienced inertia

☒ **B** These consumers experienced habitual behaviour

☒ **C** These consumers aimed to maximise their utility

☒ **D** These consumers aimed to minimise their utility

(Total for Question 5 = 1 mark)

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6 The table shows the cross elasticities of demand for selected vehicle types with respect to the price of diesel vehicles in Norway.

Vehicles	Cross elasticity of demand
Battery electric	+0.48
Hybrid	+0.32

(Source: adapted from https://etrr.springeropen.com/articles/10.1186/s12544-020-00454-2/figures/6)

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

☒ **A** A 10% increase in the price of diesel vehicles will result in a 4.8% decrease in the quantity of battery electric vehicles demanded

☒ **B** A 10% increase in the price of diesel vehicles will result in a 0.32% increase in the quantity of hybrid vehicles demanded

☒ **C** A 5% increase in the price of diesel vehicles will result in a 3.2% decrease in the quantity of hybrid vehicles demanded

☒ **D** A 5% increase in the price of diesel vehicles will result in a 2.4% increase in the quantity of battery electric vehicles demanded

(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 2021 Spain produced 1.4 million tonnes of olives, accounting for 50% of world production. In 2022 a prolonged heatwave in Spain resulted in its olive production falling to 1.0 million tonnes.

Draw a diagram to illustrate the likely impact of this change on the world market for olives.

(4)

(Total for Question 7 = 4 marks)

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8 Between 1970 and 2020 the Maldives experienced 30 major flood events. One contributing factor was under-investment in flood defences.

Builders of new hotels are required to complete extensive paperwork to show how they plan to minimise flood risk. This results in excessive administrative costs.

With reference to the Maldives, explain the difference between 'market failure' and 'government failure'.

(Total for Question 8 = 4 marks)

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9 In the USA 92% of people had private health insurance in 2021. It is estimated that, in the USA, $200 billion per year is spent on unnecessary operations.

Explain **one** microeconomic reason why people might have unnecessary operations in the USA.

(Total for Question 9 = 4 marks)

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10 The table shows average household income per month in Singapore and the total quantity of cinema tickets purchased by its citizens in 2020 and 2021.

Year	Average household income	Quantity of cinema tickets
2020	S$ 4 022	4.7 million
2021	S$ 4 166	7.6 million

(Source: 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 cinema tickets.
Show your working.

(Total for Question 10 = 4 marks)

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11 In 2019 there were 15.7 million visitors to Legoland's eight theme parks globally. In 2021 this number decreased to 9.4 million.

Ceteris paribus, explain the likely impact of this decrease in visitor numbers on the producer surplus for Legoland.

Illustrate your answer with an appropriate diagram.

(4)

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

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

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

12 (a) Define the term 'supply' (Extract A, line 8).

(2)

(b) With reference to Extract A, explain **one** advantage of Apple using energy produced from renewable resources.

(4)

(c) With reference to Figure 1 and Extract B, analyse **two** reasons why the 'world price of lithium increased by 191%' (Extract B, line 2).

Illustrate your answer with a supply and demand diagram.

(6)

(d) With reference to the last paragraph of Extract C, examine **two** likely effects on smartphone manufacturers of the growth in the market for refurbished smartphones.

(8)

(e) With reference to Extract C, discuss the microeconomic effects of the increase in smartphone manufacturing between 2011 and 2021. Refer to external costs in your answer.

Illustrate your answer with an externalities diagram.

(14)

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(b) With reference to Extract A, explain **one** advantage of Apple using energy produced from renewable resources.

(4)

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(c) With reference to Figure 1 and Extract B, analyse **two** reasons why the 'world price of lithium increased by 191%' (Extract B, line 2).

Illustrate your answer with a supply and demand diagram.

(6)

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(d) With reference to the last paragraph of Extract C, examine **two** likely effects on smartphone manufacturer of the growth in the market for refurbished smartphones.

(8)

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(e) With reference to Extract C, discuss the microeconomic effects of the increase in smartphone manufacturing between 2011 and 2021. Refer to external costs in your answer.

Illustrate your answer with an externalities 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 Commuters in Bursa, Turkey, spent an average of 82 hours in traffic congestion in 2021. This was a 75% increase compared with 2019.

Evaluate possible methods of intervention that the Turkish Government could introduce to reduce traffic congestion.

Include at least one diagram in your answer.

(Total for Question 13 = 20 marks)

OR

14 Between May 2021 and May 2022 some global commodity prices increased significantly. For example:

- fuel prices increased by 83.8%
- food prices increased by 23.6%
- beverage (drink) prices increased by 20.3%.

Evaluate possible methods of intervention that a government might use to limit the impact of increasing commodity prices.

Include at least one diagram in your answer.

(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

Tuesday 9 May 2023

Afternoon (Time: 1 hour 45 minutes)

Paper reference **WEC11/01**

Economics

International Advanced Subsidiary

UNIT 1: Markets in action

Source Booklet

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Sources for use with Section C

Renewables, lithium and smartphones

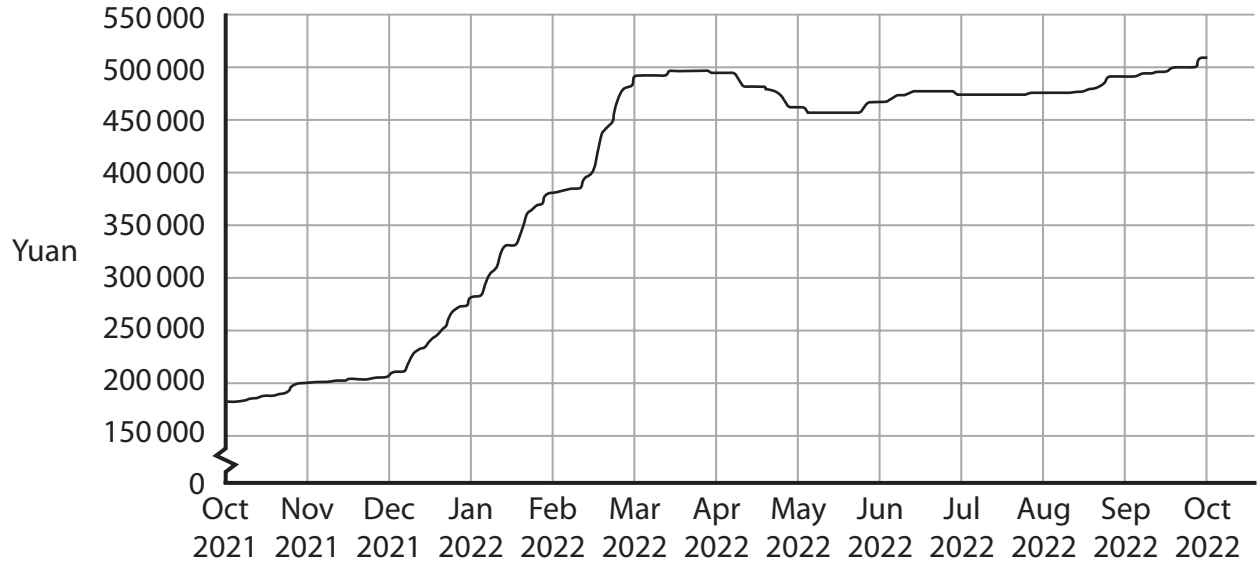
Extract A Apple's renewable commitment

In 2020 100% of the energy used directly by Apple was from renewable resources. In 2022 it announced that 213 of its suppliers had agreed to use only renewable resources to power production. Examples of Apple's commitment to renewable energy include:

- investment in a 2 300 acre solar project in Texas
- a data centre in Denmark powered by a solar park and wind farm
- Apple's supplier, Keiwa, in Japan using renewable energy from a wind farm.

The global supply of energy produced from renewable resources is expected to increase by 8% in 2022.

Figure 1 World price of lithium, yuan per tonne, October 2021 to October 2022



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Extract B Demand for lithium

Between October 2021 and October 2022 the world price of lithium increased by 191%. Lithium production increased by 20% but demand increased by significantly more.

With rising oil prices many consumers switched from petrol and diesel cars to electric cars. These electric vehicles require lithium in the batteries. In 2021 global sales of electric vehicles increased by 108% to 6.75 million and in China sales grew by 157.5%. Sales of smartphones, that also use lithium batteries, increased by 11.4% in 2021 to 1.5 billion.

Extract C Smartphone manufacturing

Between 2011 and 2021 smartphone production increased from 472 million to 1 433 million. Globally 4.5 billion people owned a smartphone by the end of 2022. In 2022 smartphones will produce 146 million tonnes of CO_2 emissions which is 0.5% of global carbon emissions. These emissions are produced in the manufacturing, transportation, usage and recycling of smartphones.

Smartphone devices contain several precious and rare earth metals. The environmental costs of mining these metals can be significant. Extracting iron, aluminium and copper produces huge amounts of liquid and solid waste. For example, in 2015 33 billion litres of waste was spilt from an iron ore mine in Minas Gerais, Brazil. In addition, mining gold is a major cause of deforestation.

Smartphone manufacturers are producing phones which last longer but are more expensive. As a result consumers do not replace their smartphones so frequently. The market for smartphones that have been refurbished* is forecast to be worth $65 billion by 2024. Typically, a consumer can sell a one-year-old smartphone for 50% of its original price. The manufacturer can sell the same refurbished smartphone for 80% of its original price. Unwanted smartphones in developed countries are desired in emerging countries.

* a refurbished smartphone is one that has been repaired and rebuilt.

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Acknowledgements

Extract A adapted from:
https://www.apple.com/uk/newsroom/2022/04/apple-helps-suppliers-rapidly-accelerate-renewable-energy-use-around-the-world/

Figure 1 adapted from:
https://tradingeconomics.com/commodity/lithium

Extract B adapted from:
https://finance.yahoo.com/news/lithium-prices-nearly-doubled-2022-170000490.html
https://www.ev-volumes.com

Extract C adapted from:
https://theconversation.com/three-ways-making-a-smartphone-can-harm-the-environment-102148#:~:text=Ecosystem%20destruction%20Gold%20and%20tin%20are%20common%20in,Peruvian%20Amazon%20to%20the%20tropical%20islands%20of%20Indonesia.
https://www2.deloitte.com/uk/en/insights/industry/technology/technology-media-and-telecom-predictions/2022/environmental-impact-smartphones.html