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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

Thursday 9 May 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 about an answer, put a line through the box ☒ and then mark your new answer with a cross ☒.

1 Which **one** of the following has an opportunity cost of zero?

☒ **A** An economic good

☒ **B** A free good

☒ **C** A public good

☒ **D** A capital good

(Total for Question 1 = 1 mark)

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2 In 2021 the UK's tradeable pollution permits scheme issued 4.4 million permits to airline companies. However, the industry only required 3.3 million permits.

Which **one** of the following is the likely result of supplying this number of permits?

☒ **A** The market price of permits will decrease

☒ **B** The market price of permits will increase

☒ **C** Airline companies will leave the market as a result of increased costs

☒ **D** Airline companies will have more incentive to invest in cleaner technology

(Total for Question 2 = 1 mark)

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3 In North America the cross elasticity of demand for coffee with respect to a change in the price of milk was estimated to be –0.04.

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

☒ **A** Coffee and milk are inferior goods

☒ **B** Coffee and milk are substitute goods

☒ **C** Coffee and milk are unrelated goods

☒ **D** Coffee and milk are complementary goods

(Total for Question 3 = 1 mark)

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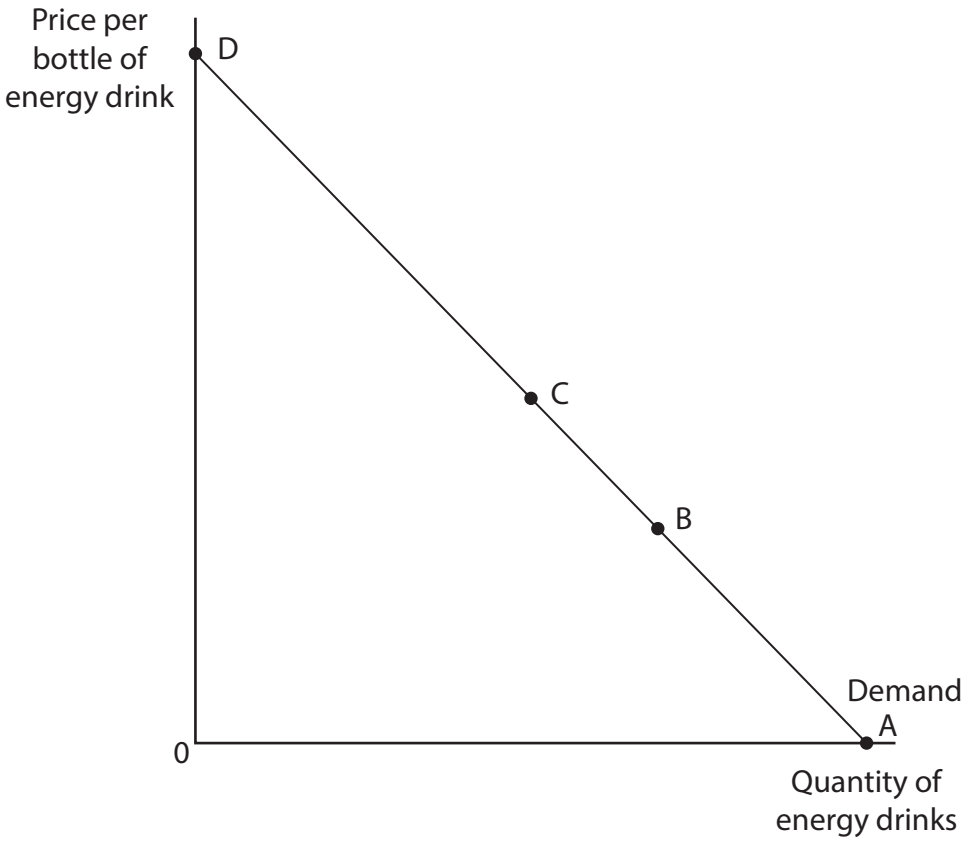
4 The diagram shows the demand curve for bottled energy drinks.



Which **one** of the following points has the value of –1 for price elasticity of demand?

- ☒ **A**
- ☐ B
- ☐ C
- ☐ D

(Total for Question 4 = 1 mark)

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5 The table shows the proportion of electricity generated from different sources for Denmark in 2010 and 2021.

	Coal	Oil	Natural gas	Hydro	Wind	Solar	Other renewables
2010	43.8%	2.0%	20.3%	0.1%	20.1%	0.0%	13.7%
2021	13.2%	0.8%	4.6%	0.0%	48.6%	4.0%	28.8%

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

- ☒ **A** Most electricity was generated by renewable resources in 2010 and by non-renewable resources in 2021
- ☒ **B** Most electricity was generated by non-renewable resources in 2010 and by renewable resources in 2021
- ☒ **C** In 2010 66.1% of electricity was generated using renewable resources
- ☒ **D** In 2021 81.4% of electricity was generated using non-renewable resources

(Total for Question 5 = 1 mark)

6 In 2022 average house prices in China decreased by 2.1%. Research into the housing market in China estimated that the price elasticity of supply for new houses was 2.8.

Ceteris paribus, which **one** of the following can be deduced from this information?

- ☒ **A** The supply of new houses would decrease by 5.88%
- ☒ **B** The supply of new houses would increase by 5.88%
- ☒ **C** The supply of new houses would increase by 1.33%
- ☒ **D** The supply of new houses would decrease by 1.33%

(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 spaces provided.

7 In 2022 the average price of renting a house increased by 14.6% to $480 per week in Brisbane, Australia. There is pressure on the Australian Government to decrease rents by introducing a maximum price.

With reference to the house rental market in Brisbane, draw a diagram to illustrate the introduction of a maximum price for renting a house.

(Total for Question 7 = 4 marks)

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8 Many hotels offer an all-you-can-eat breakfast buffet. 80% of hotel guests go to the breakfast buffet three times for food but only 10% visit five times.

With reference to hotel breakfasts, explain why the above information illustrates 'diminishing marginal utility'.

(Total for Question 8 = 4 marks)

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9 In 2022 there were 24 300 lighthouses globally. Between 2013 and 2022 the number of losses of ships at sea fell from 109 to 38.

With reference to lighthouses, explain the difference between 'non-rivalry' and 'non-excludability'.

(Total for Question 9 = 4 marks)

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10 The table shows the number of new car sales and the average annual earnings per person in China for 2021 and 2022.

Year	Number of new car sales	Average annual earnings per person
2021	21.52 m	¥106 837
2022	23.56 m	¥114 029

Ceteris paribus, calculate the income elasticity of demand for new cars.
Show your workings.

(Total for Question 10 = 4 marks)

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11 Between 2021 and 2022 the production of tomatoes in the EU decreased from 17.9 million tonnes to 15.5 million tonnes. The average price of tomatoes in the EU increased from €143 per tonne to €153 per tonne.

Ceteris paribus, explain the likely impact of this change in supply on consumer surplus in the tomato market.

Illustrate your answer with a supply and demand diagram.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

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SECTION C

Study Figures 1 and 2 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 'capital goods'. (Extract C, line 5)

(2)

(b) With reference to Figure 1 and Extract A, analyse **two** reasons why the price of rice increased between July 2022 and July 2023.

Illustrate your answer with a supply and demand diagram.

(6)

(c) With reference to Figure 2, explain whether demand for **each** of the four selected food groups is price elastic or price inelastic.

(4)

(d) With reference to Extract B, examine **two** external costs associated with rice production.

(8)

(e) With reference to Extract C, discuss the benefits of subsidies paid to rice growers.

Illustrate your answer with an appropriate diagram.

(14)

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12 (a) Define the term 'capital goods'. (Extract C, line 5)

(2)

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(b) With reference to Figure 1 and Extract A, analyse **two** reasons why the price of rice increased between July 2022 and July 2023.

Illustrate your answer with a supply and demand diagram.

(6)

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(c) With reference to Figure 2, explain whether demand for **each** of the four selected food groups is price elastic or price inelastic.

(4)

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(d) With reference to Extract B, examine **two** external costs associated with rice production.

(8)

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(e) With reference to Extract C, discuss the benefits of subsidies paid to rice growers.

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 The table shows predictions about population change produced by the United Nations for selected countries.

Country	2021	2100
United Arab Emirates	9.4 million	14.1 million
Bolivia	12.1 million	18.8 million
Philippines	113.9 million	180.2 million

(Source: adapted from https://ourworldindata.org/grapher/comparison-of-world-population-projections)

Evaluate possible factors that could cause a rightward shift of a country's production possibility frontier.

Include at least one relevant diagram in your answer.

(Total for Question 13 = 20 marks)

OR

14 The table shows the total number of aeroplane flights globally and their contribution to global carbon emissions in 2009 and 2019.

	2009	2019
Total number of aeroplane flights	25.9 million	38.9 million
Global carbon emissions	2.0%	2.5%

Evaluate the likely impact of imposing indirect taxes on aeroplane flights to reduce carbon emissions.

Include at least one relevant 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

Thursday 9 May 2024

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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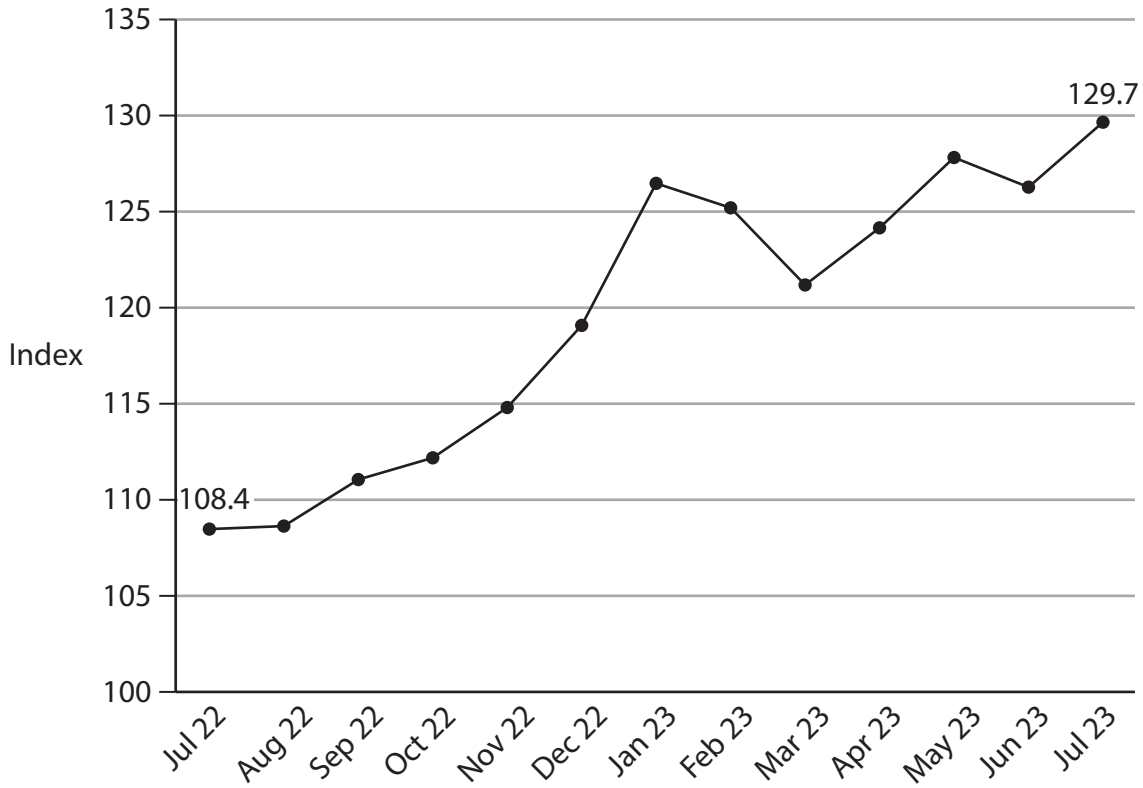
Sources for use with Section C.

The market for rice

Figure 1: Index of the world price for rice, July 2022 to July 2023 (July 2016 = 100)



Extract A Rice price rising

The global price of rice increased by over 19.6% between July 2022 and July 2023. Rice consumption in Africa and Asia is growing rapidly, as populations increase and incomes rise. In 2022 the population grew by 2.45% in Africa and by 0.83% in Asia. This compared to a 0.06% increase in Europe. In 2022 average real income growth was approximately 4% in Asia and 3.85% in Africa. In advanced economies the average increase in real incomes was only 2%. 5

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Figure 2: Estimated price elasticities of demand in Japan for selected food groups

Food item	Estimate of price elasticity of demand
Vegetables	–0.77
Fish	–0.70
Meat	–0.52
Rice	–1.82

Extract B The impact of rice production

Rice production contributes 12% of global methane emissions and 1.5% of all greenhouse gas emissions. Vietnam's paddy fields, where the rice is grown, produce more carbon emissions than the country's transportation network.

Producing one kilogram of rice requires 2 500 litres of water. Rice production uses over 33% of the world's irrigation water.

Rice growers often use an insecticide to protect the crop from insects. In the USA these insecticides contributed to a 44% decline in the bee population in 2020.

On average, 90% of rice is consumed in the country in which it is grown. This limits the environmental damage caused by transporting rice abroad.

Extract C Indian Government intervention in the market for rice

The rice sector contributes $51.58 billion to the Indian economy. India exports rice to 150 countries.

The Government supports rice growers by providing subsidies. These subsidies are used by farmers to invest in capital goods and to purchase fertiliser and water used in production. This can lead to over-farming that results in lower quality rice crops.

In 2021 the Indian Government spent $6.9 billion on subsidising rice production.

In 2022 the Government decided to reduce expenditure on these subsidies. However, this caused mass protests from farmers that led to the Government increasing these subsidies to their previous levels.

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Acknowledgements

Figure 1 adapted from:
https://www.statista.com/statistics/255966/monthly-price-index-for-rice/

Extract A adapted from:
'The global rice crisis', Bassi Akbarpur, The Economist, 1 April 2023
https://www.imf.org/en/Publications/REO/APAC/Issues/2022/10/13/regional-economic-outlook-for-asia-and-pacific-october-2022
https://countrycassette.com/continents-by-population-2022/
https://www.afdb.org/en/knowledge/publications/african-economic-outlook

Figure 2 adapted from:
https://www.fao.org/3/Y4475E/y4475e08.htm

Extract B adapted from:
https://www.worldwildlife.org/blogs/sustainability-works/posts/innovation-in-reducing-methane-emissions-from-the-food-sector-side-of-rice-hold-the-methane
https://www.unep.org/news-and-stories/story/rice-may-be-cheap-production-comes-cost
https://foodprint.org/blog/environmental-impacts-of-rice-production/
https://civileats.com/2021/02/02/beyond-bees-neonics-damage-ecosystems-and-a-push-for-policy-change-is-coming/
https://www.researchgate.net/publication/316174159_Rice_Production_in_Asia_Key_to_Global_Food_Security
https://www.mordorintelligence.com/industry-reports/india-rice-market

Extract C adapted from:
'The global rice crisis', Bassi Akbarpur, The Economist, 1 April 2023
https://www.usarice.com/news-and-events/publications/usa-rice-daily/article/usa-rice-daily/2022/04/07/india-again-admits-to-over-subsidizing-rice-producers-in-2021