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Examiners' Report
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Pearson Edexcel International Advanced Level
In Economics (WEC11) 01

Unit 1: Markets in action

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Introduction

This series there were many examples of better work seen with learners more likely to be able to achieve the top level on level-based questions. Equally there were some learners who struggled to perform consistently across the paper. Although this was less common.

Section A

In Section A, the multiple-choice section, Q1 asked learners to identify the role of the state in a mixed economy. Most could identify that the state sets a minimum price for crops to ensure farmers incomes are not too low. Some incorrectly opted for the taxation of health services that produce external benefits when in fact they would tax items that produce external costs. Similarly, those that selected B did not pick up that the government would tax and not subsidise goods that produce external costs.

Q2 required the identification of the disadvantage of the division of labour. Most could identify that the increase in monotonous or repetitive work was correct. Each of the other responses were in fact advantages to the car manufacturer.

The next question saw the highest proportion getting it right of all the multiple-choice questions. Q3 needed learners to identify the best definition of a market bubble. The majority did identify that this was where the prices rise rapidly above its sustainable level.

In stark contrast the lowest performing question on the paper was Q4. The learners had to identify the point along a demand curve where the price elasticity of demand was most elastic. This was at point D. Many could not do this, and this is clearly an aspect of the specification that needs more attention.

Q5 gave two pie charts showing electricity generation for the EU for 2014 and 2024. Most could identify that the EU uses a larger proportion of non-renewable energy in 2014 and 2024. Many incorrectly opted for D but not all renewable increased as hydro dropped from 13% to 12%.

Q6 gave data on the income elasticity of demand (YED) for cereal and meat. Most could identify that cereal with a negative YED was an inferior good and meat with a positive YED was a normal good.

Section B

In Section B, Q7 required learners to draw a diagram to show the impact of the subsidy for electric cars in Thailand. Most could correctly draw a supply and demand diagram and included the equilibrium price and quantity. Supply was nearly always shifted to the right. The final equilibrium was more likely to be missed off although was commonly present. Where many struggled and few accessed marks was showing the area of government spending on the diagram. Too many went from the original equilibrium to

the new supply line and thus drew this inaccurately. Where learners did access this mark, they drew the box going from the new equilibrium to the old supply line. The mean score was a little lower than in previous series mainly due to learners struggling to show the government spending on the scheme.

Q8 saw learners given data on the number of national parks in a range of countries. The learners were asked to make reference to the data to explain why governments provide national parks. It was common for learners to say comments like Nigeria has national parks. However, to access the application marks it was best to explicitly refer to the number of national parks in a country. Most defined public goods to access the knowledge mark. Better responses accessed the analysis marks by making reference to the free rider problem and how this results in private sector firms being unable to generate a profit from providing the goods. This was the Section B question with the lowest mean score and many failed to access the two analysis marks.

Q9 asked learners to explain the difference between private benefits and external benefits. Most could access the knowledge marks by defining accurately the two concepts with most making reference to third party positive impacts for external benefits and positive impacts on the consumer for private benefits. Whilst many learners were able to make the link that the higher earnings were the private benefits and the impact of more universities on GDP per capita were the external benefits. Once again explicit reference to the numbers was required rather than general statements like people earn more.

Q10 was the highest scoring question in Section B. The question required learners to use data on the price of music concert tickets and number of concert ticket sold to calculate the price elasticity of demand (PED). Most provided the formula accurately to gain the knowledge mark. The calculations of the percentage change in quantity and price were typically accurate. Some put these into the formula the wrong way round but if all other stages were correct could still gain up to three marks. Many also failed to access full marks as they did not put the negative sign before their answer. Some also added the % sign after their PED calculation and also gained a maximum of three.

Q11 looked at the likely impact of a good harvest on the consumer surplus in the market for cotton. Most could correctly draw that supply had increased to gain the application mark. The knowledge mark was often missed with many omitting the definition of consumer surplus. The two analysis marks were for showing the change in consumer surplus. Many labelled the original and new area. Others explained that it had increased and identified the area of increase. Even where learners drew the diagram inaccurately many could access the mark for original consumer surplus or by identifying that the consumer surplus increased.

Section C Data Response section

Section C focused on the materials in the source booklet that related to sources on tourism in India.

Q12a required a definition of 'income elasticity of demand'. Many learners provided the formula accurately and gained both marks. Others provided the full written definition. It was an appreciation of the responsiveness between quantity demanded to a change in income that was crucial. Imprecise definitions were common with many confusing income and price elasticity.

Q12b required an analysis of one demand factor and one supply factor that caused the price of hotel rooms to increase between 2023 and 2024. Most could draw the original supply and demand diagram clearly marking the equilibrium price and quantity to gain the knowledge mark. The two analysis marks were for the demand factor and supply factor. For the demand factor many referred to the demand for hotel rooms increasing 10%. Others focused on rapid economic growth in India and the number of backpackers from Europe and North America. Only one mark was available for demand factors, but many offered more than one. The supply factor was less commonly offered but when it was it related to the rate of growth being just 3%. Whilst most correctly shifted demand to the right the shift in supply was more commonly inaccurate. Many learners shifted it left, but the supply increased by only 3% so needed to be shifted right. It was more common to see a leftward shift then rightward. Given the question asked for a supply and demand factor it was surprising so many also only shifted demand. It was pleasing to see so many who did not gain the supply shift mark gaining a mark for reference to Figure 2 explicitly looking at the size of the price change in locations within India. Only when supply and demand were correctly shifted could the final knowledge mark be awarded for the final equilibrium. This had to show the price rising. Where supply was shifted further than demand the price end up falling which does not match the question.

Q12c required an explanation as to whether the supply of hotels was price elastic or price inelastic. The first knowledge mark was for a definition of inelastic supply. There was a mark for identifying the PES as being relatively price inelastic. There were two marks allocated for application. The first for reference to the long time to collect licences and planning permission with many picking this up by stating that 120 licences were required. The second application mark required reference to the length of time to build hotels in India.

Q12d was an examine question and focused on the external costs of tourism in India. Many defined external costs and drew the diagram but there were no marks allocated to this, many therefore wasted a lot of time on this. The application marks were typically achieved with reference to Goa such as there were 8.5 million tourist visitors led to pollution, littering on its beaches, traffic jams, water scarcity, degradation of its fragile ecology. Many referred to the sinking town in the Himalayas. The knowledge marks needed to identify the third party effect and then linked analysis needed to be

offered. It was the clear link to the third party effect that was often missing. The evaluation often focused on the difficulty in putting a value on external costs or on possible private and external benefits associated with tourism. Others focused on the magnitude of the impact.

The final question in section C, Q12e required a discussion of the reasons for decreased arrivals to India. Most applied to the Extract referring to the 16% increase. They tended to focus on the high tax paid by international tourists. Many offered diagrams to help with their analysis. The other focus was on the lack of advertising with many drawing the diagram. Integrating the diagrams to discuss how the quantity ends up falling was commonly found in better responses. Weaker learners drew diagrams without analysing what it shows. Evaluation focused on the magnitude or government tax revenue being able to fund the required advertising. Many struggled to evaluate the reasons and focused on the impact which was not the question.

Section D

Section D had a choice of two essays. Q13 was by far the most popular question on evaluating the likely effects of introducing a maximum price for a bottle of water. Learners needed to link this to an industry. Q14 was far less popular and required an evaluation of the possible causes of market failure in the banking and insurance markets.

Q13's stem identified that the average price of bottled water in Cyprus was $1.54, compared to an average of just $0.78 for 91 other countries. Most started by defining a maximum price and drawing the diagram. Some learners were able to look at the gain in consumer surplus for those that continue to access the product but also recognised the loss of consumer surplus to those who could no longer access the bottled water. The producer surplus was also shown to reduce with many talking about bottled water companies exiting the market due to reduced profitability. In evaluation most picked up that the maximum price was for just airports, stadiums, cinemas, beach cafes and theme parks. They linked this to the limit of the effect. Others focused evaluation on the possibility for government failure if the maximum price is set at the wrong level.

Q14s stem made reference to bank failures and the guarantees to savings offered and to car insurance providers not providing accurate information. Most focused on moral hazard created by the fact the banks knew that others would pay the costs of they failed. Others focused on people taking excessive risks because someone else would pay for any costs. The asymmetric information was typically discussed considering the issue for the provider if they do not have accurate information. Learners tended to find it difficult to evaluate. Some commented on government failure, others looked at ways to resolve the asymmetric information.

Most learners were able to complete the paper in the time available. We did however see several unfinished or very brief essays suggesting that some learners had not planned their time well.

The performance on individual questions is considered in the next section of the report. The feedback on each question shows how they were well answered and also how to improve further.

Section B, the short answer section, saw most learners able to access marks on most questions.

Question 7

Q7 required the drawing of a diagram to illustrate the impact of a subsidy on electric cars. With the subsidy going to the manufacturer learners needed to shift supply. Most could shift supply rightwards and showed the lower price and higher quantity. The marks commonly missed was for identifying the area of the government spending on the subsidy. Centres would benefit from giving practice as very few were able to draw this accurately. Remember that all marks are allocated to the diagram on draw questions, so there is no reward for offering extended prose to support the answer.

Question 8

Q8 required an explanation of the reasons governments provide public goods. Too many talked about examples not in the stem. The table referred to the number of national parks so explicit use of data was needed. Most defined public goods but learners need to refer to both non-excludability and non-rivalry. It was the analysis that was less strong. Better responses linked the free rider effect to an inability to make profit, so the government has to step in and provide the national parks. Too many offered generic responses, such as, to keep consumers healthy which did not focus on public goods.

Question 9

Q9 needed an explanation of the difference between private benefits and external benefits. Most could define each with most referencing third party positive impacts for external benefits and positive impacts on the consumer for private benefits. There were two marks available for application to the stem. Learners needed to explicitly reference the numbers such as the graduates earning 42.5% more as the private benefits and the 10% increase in universities increasing GDP as the external benefit. Many confused the latter as a private benefit.

Question 10

Q10 required learners to calculate the price elasticity of demand (PED). Most included the definition or formula for PED to gain the knowledge mark. Many could calculate the percentage change in price and percentage change in quantity demanded. Whilst most did achieve the final calculation offering -0.72 as their answer. Many achieved three marks because they included a percentage sign on the PED or they did not include the minus sign. A number did the final sum the wrong way round.

Question 11

Q11 saw learners draw a supply and demand diagram to show the impact on consumer surplus of a good harvest for cotton. Too many failed to achieve the knowledge mark by not defining consumer surplus. The majority did correct shift supply to the right. Most at least identified that consumer surplus increases to gain one analysis mark. Where both marks were awarded, they typically drew the old and new consumer surplus. It was also possible to show the area of change or increase in consumer surplus.

Section C focused on the materials in the source booklet that related to tourism in India.

Question 12a

Q12a asked learners to define 'income elasticity of demand' (YED). Learners typically wrote the formula down which was able to achieve both marks. Key in the definition is an appreciation of the responsiveness of the quantity demanded to a change in income. Where no definition was offered it was possible to make reference to the data to achieve a maximum of one mark.

Question 12b

Q12b, the question asked for one supply factor and one demand factor and therefore required both supply and demand to be shifted. It is important to show the original supply, demand and equilibrium for the first knowledge mark. Most could identify demand had increased and shifted to the right. It was much less common for supply to be shifted correctly. Many did not shift it at all. When they did shift it they tended to shift it left. However, with supply increasing 3% so needed a rightward shift. Key was that the equilibrium price needed to show a hotel price increase. There was a mark awarded for the final equilibrium but only when supply and demand were correctly shifted. Intermediate equilibria are not needed. The diagram could gain up to four marks. Where learners drew the supply and demand shifts on separate diagrams, they could gain up to 3 marks maximum for the diagram. The written explanation is where the two analysis marks are awarded. This essentially needs learners to pick out the factors from the Extract. Only one mark was awarded for demand factors and one mark for supply factors so there was no need to give two of each. For demand reasons many identified 10% increase in demand, arrivals of backpackers from Europe and North America and rising incomes in India. The supply factor needed them to identify that supply fell by 3%.

Question 12c

Q12c saw most able to access the Knowledge marks. Most defined price inelastic supply. It was most common to include the values, that is price inelastic supply is between 0 and 1. Making it clear that the supply was inelastic gained the second mark and most did achieve this mark. For application most picked out the need for obtaining licences with many stating the requirement for 120. The second application mark was awarded for reference to the time it takes to build hotels in India, explicit use

of the data was best. A common error was to mistakenly define price inelastic demand.

Question 12d

Q12d awarded two marks for each of Knowledge, Analysis, Application and Evaluation. Many defined external costs and included a diagram. The two Knowledge marks were awarded for identifying the external costs and how they affected third parties. The application marks were typically achieved with reference to a form of pollution in Goa and typically making reference to the sinking town in the Himalayas. Evaluation marks were commonly achieved with reference to the difficulty in quantifying or external benefits from tourism. Knowledge marks were less common as there was a need to look at how third parties were affected with expansion for the analysis mark in each case. Practice at explaining who the third party is and how they are affected negatively is important.

Question 12e

Q12e needed a discussion of the reasons for decreased international arrivals to India. Most applied to the Extract referring to the 16% increase. Better responses considered both high indirect taxation on tourists and the lack of advertising compared to other countries. Weaker responses focused on only one of the two. Many offered diagrams to help with their analysis. The other focus was on the lack of advertising with many drawing the diagram. Integrating the diagrams to discuss how the quantity ends up falling was commonly found in better responses. It was not unusual for both diagrams to show lower demand and reduced supply were offered. Evaluation was generally weak with many finding it difficult to evaluate reasons. Many focused on the magnitude of the tax and others how the government tax revenue could fund the required advertising. Many evaluated the impacts, but this was not focused on the question.

Section D, the essay section offered learners the opportunity to choose between two questions. Learners were more likely to attempt Q13 than Q14.

Question 13

Q13's stem identified that the average price of bottled water in Cyprus was $1.54, compared to just $0.78 on average for 91 other countries. Most defined a maximum price accurately. Learners typically drew a diagram most, with the maximum price below the equilibrium price. Some drew a minimum price diagram in error. Better responses were able to look at the gain in consumer surplus for those that continue to access the product but also recognised the loss of consumer surplus to those could no longer access the bottled water. Many looked at the need to compare the loss against the gain to see the overall impact. The producer surplus was also shown to reduce with many talking about bottled water companies exiting the market due to reduced profitability and how consumers would find it difficult to find suppliers. In evaluation most picked up that the maximum price was for just affecting some retailers in airports, stadiums, cinemas, beach cafes and theme parks. Others focused

evaluation on the possibility for government failure if the maximum price is set at the wrong level.

Question 14

Q14 looked at causes of market failure related to the banking and insurance sectors. The stem made reference to bank failures and the guarantees to savings offered and to car insurance providers not providing accurate information. Most focused on moral hazard created by the fact the banks knew that others would pay the costs of they failed. Others focused on people taking excessive risks because someone else would pay for any costs. The asymmetric information was typically discussed considering the issue for the provider if they do not have accurate information. Learners found it difficult to evaluate. Where they did, they tended to refer to government failure, others looked at ways to resolve the asymmetric information.

Paper Summary

Based on their performance on this paper, learners are offered the following advice:

Section A: Multiple Choice Questions

- Learners struggled to identify the point where the price elasticity of demand would be most elastic along a demand curve. Centres need to focus on learners being able to identify how the PED varies along the demand curve.
- There was some confusion in calculating the total for renewable and non-renewable energy and this meant many got the answer wrong.

Section B: Short Answer Questions

- For Q7 most failed to accurately draw the area of government spending and need practice at doing so.
- In Q8, candidates should be able to explain that it is the free rider effect of public goods and the inability for private firms to make a profit that results in the Government stepping in to provide the good.

Section C: Data Response

- On Q12(d) many struggled to identify who the third party was and how they were affected by tourism in India. Practicing identifying who third parties and how they are affected by production would be helpful to learners.
- On Q12(e) including the diagram in the analysis to evaluate why visitor numbers decreased.

Section D: Essay

- When an essay requests a diagram it is important to include at least one relevant diagram in the answer.
- On Q13 when considering areas of gain and loss in consumer surplus and comparing the size of the two was helpful.