GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Pearson Edexcel
International Advanced Level

Centre Number | | | | | |

Candidate Number | | | | |

Monday 13 May 2019

Morning (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 **Statement 1**: In 2017 the Kenyan Government spent Sh172.5 billion on healthcare. This is 8% of its annual budget.

Statement 2: The African Union believes African countries should spend 15% of their annual budgets on healthcare.

Which **one** of the following best describes the two statements above?

☒ **A** Both statements are positive

☒ **B** Statement 1 is positive and statement 2 is normative

☒ **C** Both statements are normative

☒ **D** Statement 1 is normative and statement 2 is positive

(Total for Question 1 = 1 mark)

2 The Chinese Government introduced a carbon emissions trading scheme. The objective of this tradeable pollution permit scheme is to reduce carbon emissions by

☒ **A** forcing highly polluting firms to buy permits from low polluting firms

☒ **B** forcing low polluting firms to buy permits from highly polluting firms

☒ **C** paying subsidies to firms who manage to reduce their carbon emissions

☒ **D** taxing firms who pollute less than their allowance

(Total for Question 2 = 1 mark)

3 Which **one** of the following is an example of market failure?

☒ **A** Lower prices create an incentive for firms to switch production to more profitable activities

☒ **B** Excessive administrative costs are involved in meeting environmental regulations

☒ **C** Government provision of street lights that is greater than the social optimum output

☒ **D** Insured consumers take more risks in the knowledge that the insurer will pay any resulting costs

(Total for Question 3 = 1 mark)

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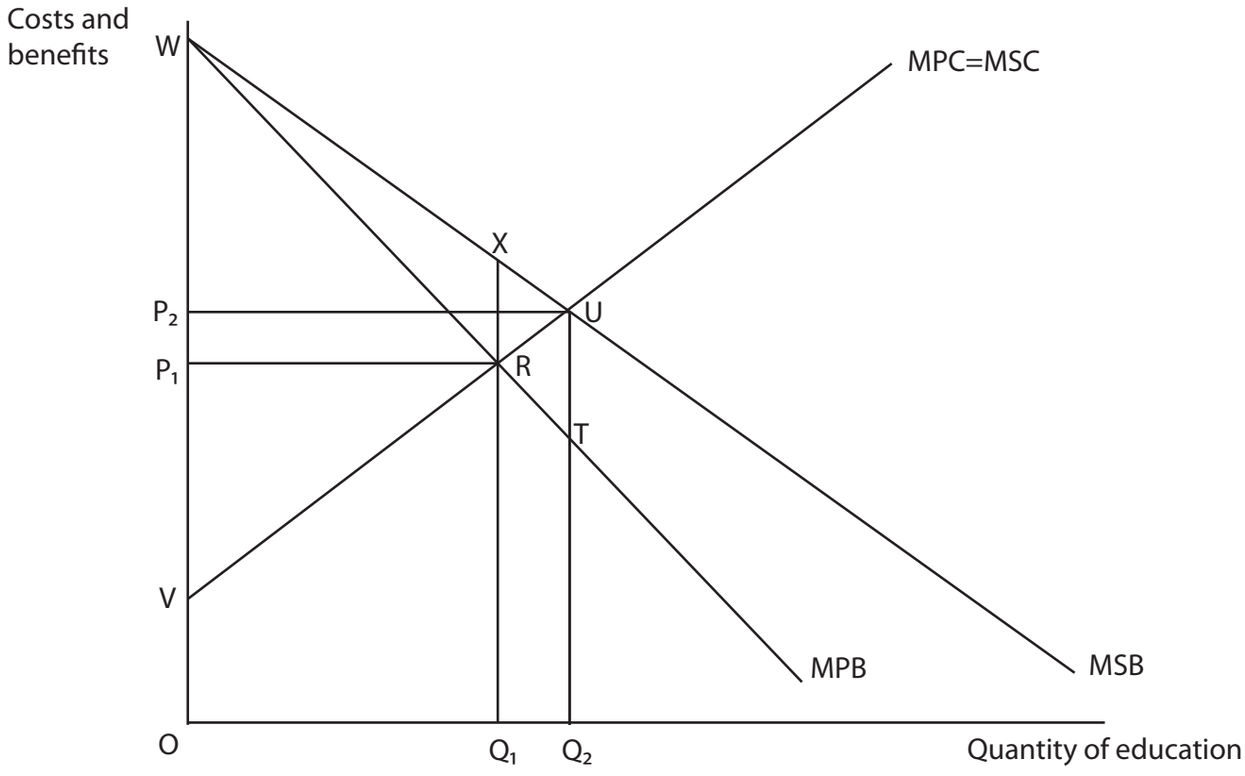
4 The diagram shows the market for education.

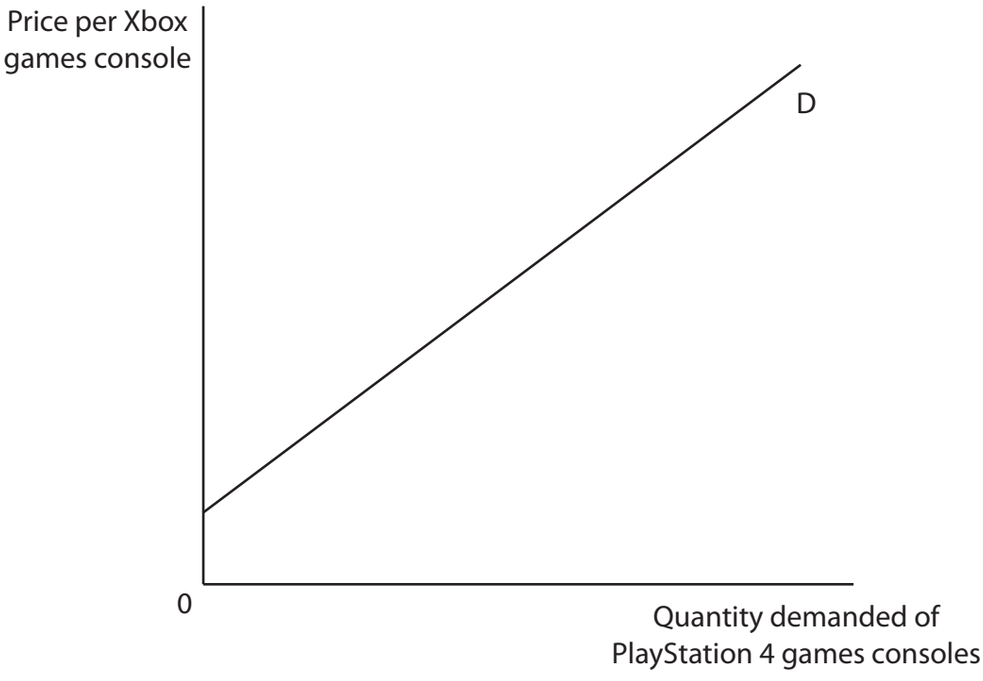


Which **one** of the following can be deduced from the diagram?

- ☒ **A** The welfare gain area is RUT
- ☒ **B** The welfare gain area is RUX
- ☒ **C** The social optimum quantity is Q_1 and price is P_1
- ☒ **D** The market equilibrium quantity is Q_2 and price is P_2

(Total for Question 4 = 1 mark)

5 The diagram shows the relationship between the price of Xbox games consoles and the quantity demanded of PlayStation 4 games consoles.



It can be deduced from the diagram that the two goods are

- ☒ **A** complementary goods
- ☒ **B** inferior goods
- ☒ **C** substitute goods
- ☒ **D** unrelated goods

(Total for Question 5 = 1 mark)

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6 The table shows the estimated price elasticity of supply for three commodities.

Commodities	Estimates of price elasticity of supply
Corn	+0.23
Rice	+0.27
Wheat	+0.31

(Source: http://ageconsearch.umn.edu/bitstream/19267/1/sp05zh01.pdf)

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

☒ **A** Corn, rice and wheat have price elastic supply

☒ **B** A 10% increase in the price of corn will cause a 23% increase in quantity supplied

☒ **C** A 10% increase in the price of rice will cause a 2.7% decrease in quantity supplied

☒ **D** A 10% increase in the price of wheat will cause a 3.1% increase in quantity supplied

(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 2016 the Nigerian Government removed the subsidy on petrol.

Draw a diagram to illustrate the impact of the removal of the subsidy on the equilibrium price and quantity of petrol.

(Total for Question 7 = 4 marks)

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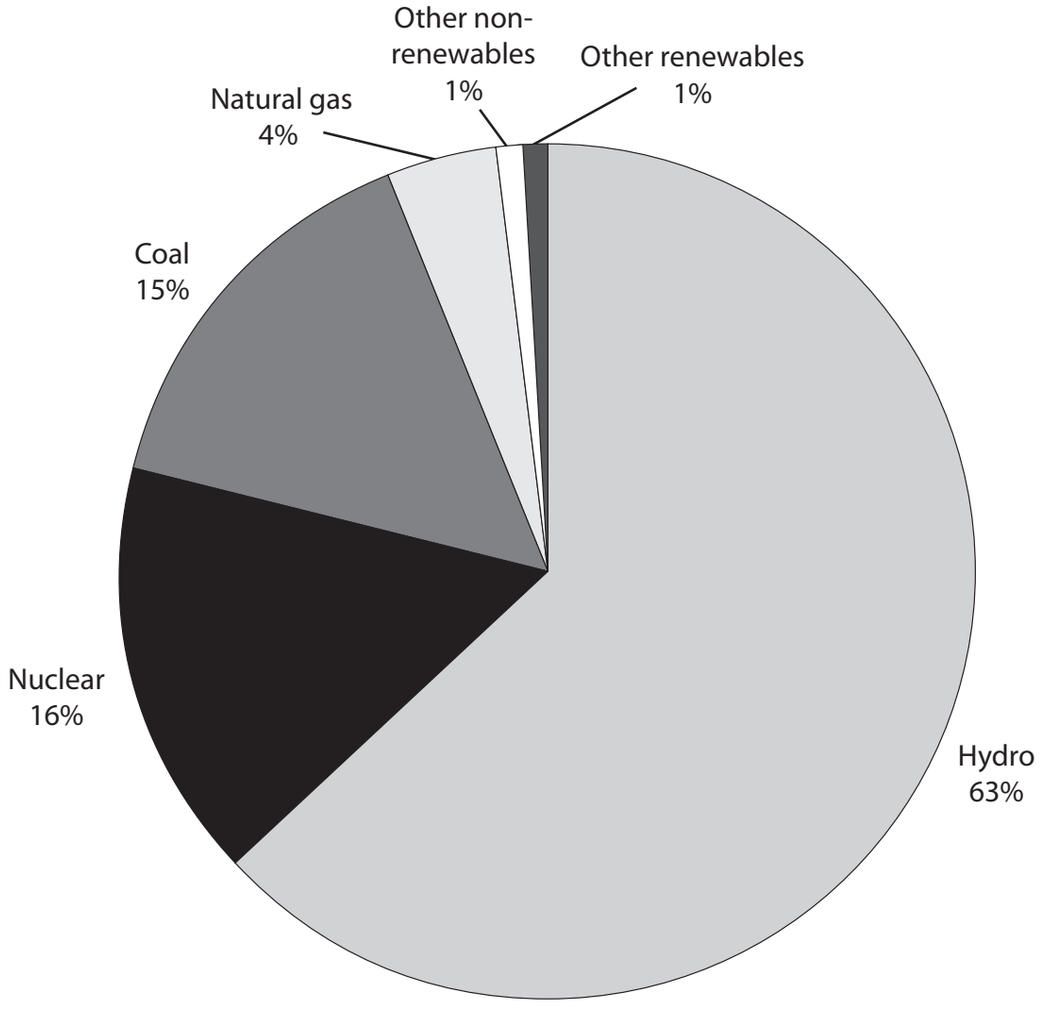
QUESTION 8 BEGINS ON THE NEXT PAGE.

8 The chart shows how Canada's total electricity supply was generated from different resources in 2015.



(Source: http://www.theenergycollective.com/jarretadams1/2292773/canada-working-toward-decarbonizing-its-grid)

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With reference to Canada's electricity generation, explain the difference between 'renewable resources' and 'non-renewable resources'.

(Total for Question 8 = 4 marks)

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9 Singapore's economy is highly dependent on trade with the rest of the world. In 2017, Singapore's exports were 173.3% of its GDP.

Explain **one** role of financial markets in such an economy.

(Total for Question 9 = 4 marks)

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10 In September 2017, Centrica increased the price of gas and electricity by 12.5%. Before the price rise Centrica had 12 800 000 customers but this fell by 800 000 after the price increase.

Ceteris paribus, calculate the price elasticity of demand for gas and electricity from Centrica. Show your workings.

(Total for Question 10 = 4 marks)

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11 Lithuania's population decreased from 3.7 million in 1989 to 2.9 million in 2015.

Ceteris paribus, explain the likely impact of this change in population on Lithuania's production possibility frontier (PPF).

Illustrate your answer with a 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 Figures 1 and 2 and Extracts A and 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 'free good' (Extract A, line 7).

(2)

Between 2008 and 2016 weekly household real income increased by 2.7% in Australia.

(b) With reference to Figure 1, explain the likely change in quantity demanded of lamb between 2008 and 2016.

(4)

(c) With reference to Figure 2 and Extract A, analyse **one** reason why the price of lamb increased during 2017.

Illustrate your answer with a supply and demand diagram.

(6)

(d) With reference to Extract B, examine the external costs resulting from increased meat production.

(8)

(e) With reference to Extract B, discuss the likely effects of the introduction of an indirect tax on meat.

Illustrate your answer with an appropriate diagram.

(14)

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12 (a) Define the term 'free good' (Extract A, line 7).

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(c) With reference to Figure 2 and Extract A, analyse **one** reason why the price of lamb increased during 2017.

Illustrate your answer with a supply and demand diagram.

(6)

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(d) With reference to Extract B, examine the external costs resulting from increased meat production.

(8)

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(e) With reference to Extract B, discuss the likely effects of the introduction of an indirect tax on meat.

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.

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 'The HPV vaccine is recommended for all adults in the USA because it reduces the risk of cancer by 88%. If the HPV vaccine was given to all adults 925 000 cases of cancer would be prevented. However only 18.3% of adults were vaccinated between 2011 and 2014 preventing 170 000 cases of cancer.'

Evaluate why only 18.3% of adults were vaccinated.

(Total for Question 13 = 20 marks)

OR

14 '12 million consumers within the UK are on standard variable tariffs for their gas and electricity. One energy supplier, RWE npower, charged consumers on the standard variable rate £1 166 per year. However, its cheapest deal was £935 per year. Consequently the UK Government is introducing a maximum price for gas and electricity.'

Evaluate the likely impact of the introduction of a maximum price for gas and electricity.

(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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Economics

International Advanced Subsidiary
Unit 1: Markets in action

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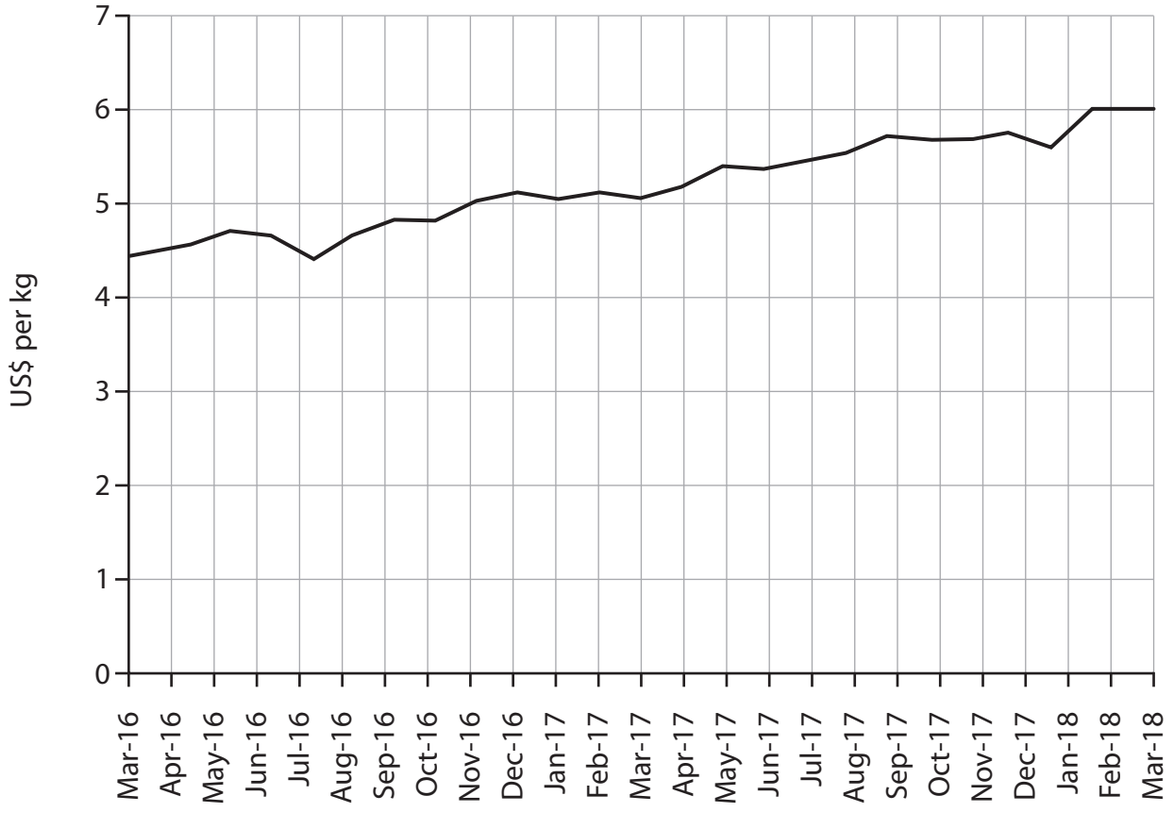
Sources for use with Section C.

The market for meat

Figure 1 Australian consumers' income elasticity of demand for lamb

	Income elasticity of demand (estimated)
Lamb	– 0.146

Figure 2 World price of lamb, US$ per kg, March 2016 to March 2018



Extract A The price of lamb

The rise in the price of lamb has come at a time when supply is stable. Higher demand for lamb has been caused by a number of factors. Rising global incomes led to a 28% increase in demand for Australian lamb in 2017. At the same time demand has risen in the USA. Successful advertising campaigns have also contributed to increased demand. 5

The lambs in Australia are often allowed to walk and graze freely and most of their food is wild grass which is considered to be a free good.

Extract B Indirect tax on meat needed to address climate change

Meat consumption continues to increase around the world and meat production has risen in response. However, meat production has a damaging effect on the environment causing water pollution and 15% of all global greenhouse gas emissions. Excessive use of antibiotics to treat animals is also leading to a decline in the effectiveness of antibiotics used to treat human illnesses.

Many people consume too much meat, seriously damaging their health. This results in an increase in obesity, diabetes and cancer. For example, consuming 100 grams of red meat per day increases the risk of developing diabetes by 19%.

The Paris climate agreement set limits on the amount of global greenhouse gas emissions. However these targets will be missed unless taxes are used to restrict production and consumption.

One study looked at the impact of the introduction of a global meat tax. This study found a 40% tax on beef, a 20% tax on dairy products and a 8.5% tax on chicken would reduce emissions and save 500 000 lives a year.

The problems associated with meat production are not well-known by the public. One way to reduce emissions without the need for a tax would be for governments to provide the public with information on the external costs associated with meat production and consumption.

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Acknowledgements

Figure 1 'The income elasticity of meat: a meta-analysis' 28th September 2010, Craig Gallet, The Australian Journal of Agricultural and Resource Economics

Figure 2 based on data taken from https://www.indexmundi.com/commodities/?commodity=lamb&months=120

Extract A adapted from 'Is the China demand myth becoming reality?' 12 December 2017, Angus Brown, http://www.mecardo.com.au/commodities/analysis/is-the-china-demand-myth-becoming-reality.aspx

Extract B adapted from 'Meat tax 'inevitable' to beat climate and health crises, says report,' Damian Carrington, The Guardian, 11 Dec 2017, https://www.theguardian.com/environment/2017/dec/11/meat-tax-inevitable-to-beat-climate-and-health-crises-says-report