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

Thursday 10 October 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 Which **one** of the following best describes the nature of economics?

- ☒ **A** Economics is a physical science
- ☒ **B** Economics is a social science
- ☒ **C** Economists investigate the allocation of unlimited resources to satisfy limited wants
- ☒ **D** Economists use scientific experiments keeping all variables unchanged

(Total for Question 1 = 1 mark)

2 Which **one** of the following roles is the state most likely to undertake in a mixed economy?

- ☒ **A** Providing subsidies to encourage the production of goods with external benefits
- ☒ **B** Providing subsidies to encourage the production of goods with external costs
- ☒ **C** Imposing a specific tax on the production of public goods
- ☒ **D** Imposing an ad valorem tax on the production of public goods

(Total for Question 2 = 1 mark)

3 Which **one** of the following is a function of money?

- ☒ **A** To reduce the risk of market bubbles arising
- ☒ **B** To ensure consumers feel valued
- ☒ **C** To enable consumers to minimise utility
- ☒ **D** To act as a method of deferred payment

(Total for Question 3 = 1 mark)

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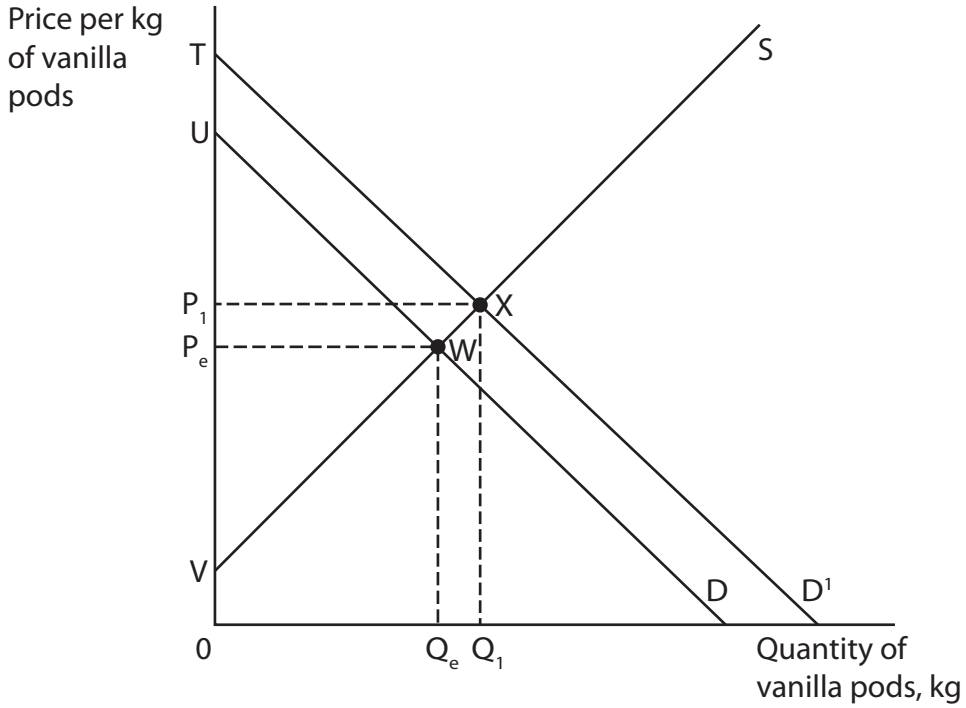
4 The diagram shows the market for vanilla pods.



Madagascar is the world's largest supplier of vanilla pods. Higher demand for natural flavourings in rich countries has led to an increase in the demand for vanilla as shown in the diagram above.

This will result in an increase in

- ☒ **A** producer surplus to P_1TX
- ☒ **B** consumer surplus to P_eUW
- ☒ **C** producer surplus by P_eP_1XW
- ☒ **D** consumer surplus by P_eP_1XW

(Total for Question 4 = 1 mark)

5 The table shows the estimated price elasticity of supply for cotton in selected countries.

Australia	0.46
Egypt	0.16
India	0.31
Mexico	1.08

(Source: http://www.fao.org/3/a-ah470e.pdf)

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

☒ **A** Supply is price elastic in India

☒ **B** Supply is price inelastic in Mexico

☒ **C** Supply is least responsive to a change in price in Egypt

☒ **D** Supply is most responsive to a change in price in Australia

(Total for Question 5 = 1 mark)

6 In 2017 the average price of a smartphone increased by 5% in Western Europe. This resulted in a 4% decrease in the sales of smartphones in this region.

Ceteris paribus, the price elasticity of demand for smartphones in this region is equal to

☒ **A** -1.25

☒ **B** -0.80

☒ **C** +0.80

☒ **D** +1.25

(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 the UK the average student debt was £46 000 for graduates completing their courses in 2017. The UK Government considered reducing the maximum price of university tuition fees from £9 250 to £6 000 per year.

Draw a diagram to illustrate the impact of a decrease in the maximum price of university tuition fees in the UK.

(Total for Question 7 = 4 marks)

8 Governments of European Union countries spend a total of €3 billion a year on street lighting.

With reference to the provision of street lights, explain what is meant by the term 'public good'.

(Total for Question 8 = 4 marks)

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9 In Canada, two of the largest internet providers, Bell and Rogers, increased prices in 2018. Consumers could save 25% by switching to smaller internet providers. However, most consumers remained with their more expensive internet providers.

Explain **one** reason why many consumers behave in this way and remain with their current internet providers.

(Total for Question 9 = 4 marks)

10 The table shows the gross weekly earnings of Chinese workers and the number of visits abroad by Chinese citizens in 2016 and 2017.

	2016	**2017**
Gross weekly earnings (income)	¥1 299	¥1 373
Number of visits abroad by Chinese citizens	122 million	127 million

(Source: https://ieconomics.com/china-wages and https://www.travelchinaguide.com/tourism/2016statistics/outbound.htm)

Using the data in the table, calculate the income elasticity of demand for visits abroad by Chinese citizens. Show your workings.

(Total for Question 10 = 4 marks)

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11 The table shows the total utility gained by Luca as he increases the number of drinks he consumes in one day.

Number of drinks	Total utility	Marginal utility
1	15	
2	32	
3	52	
4	73	
5	85	
6	90	

Explain how the above table may be used to illustrate the concept of diminishing marginal utility. Use the last column in the table to show your workings.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

Study Extracts A, B and C and Figures 1 and 2 in the Source Booklet before answering Question 12.

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

12 (a) Define the term 'information gap' (Extract B, line 3).

(2)

(b) Explain what is meant by 'positive economic statements'. Include **two** examples from the extracts to support your answer.

(4)

(c) Analyse **one** reason why 'the price of plastic waste material fell by more than 40%.' (Extract A, line 2).

Illustrate your answer with a supply and demand diagram.

(6)

(d) With reference to Extract B, examine the external costs associated with the consumption and disposal of plastic bags.

(8)

(e) With reference to Extract C, Figure 1 and Figure 2, discuss the microeconomic impact of the introduction of an indirect tax on plastic bags.

Illustrate your answer with an appropriate diagram.

(14)

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12 (a) Define the term 'information gap' (Extract B, line 3).

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(b) Explain what is meant by 'positive economic statements'. Include **two** examples from the extracts to support your answer.

(4)

(c) Analyse **one** reason why 'the price of plastic waste material fell by more than 40%.' (Extract A, line 2).

Illustrate your answer with a supply and demand diagram.

(6)

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(e) With reference to Extract C, Figure 1 and Figure 2, discuss the microeconomic impact of the introduction of an indirect tax on plastic bags.

Illustrate your answer with an appropriate diagram.

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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 Government of Finland plans to offer a subsidy of €400 for each purchase of an electric bicycle. The aim is to encourage cycling to reduce the use of motor cars.

Evaluate the economic effects of subsidising electric bicycles.

(Total for Question 13 = 20 marks)

OR

14 In 2007, 97% of Ukrainian children received the measles vaccination but in 2016 this had fallen to 42%. In 2016 there were 102 cases of measles but in the first 10 months of 2017 the number increased to 2 381.

Evaluate the private benefits and external benefits of children receiving the measles vaccination.

(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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GradeMax

Pearson Edexcel International Advanced Level

Thursday 10 October 2019

Morning | 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 plastics

Extract A Plastic waste prices fall

During 2017 the price of plastic waste material fell by more than 40%. This was mainly caused by China imposing a ban on the import of plastic waste. The loss of such a large market caused a decrease in the average price from £373 per tonne in February to £215 per tonne in December. This is the price paid by the businesses who recycle the waste material.

Craig Curtis, Managing Director of CS Recycling, commented that there were now dramatically fewer buyers for the plastic waste.

Extract B Plastic bags damaging the environment

Plastic bags have a significant impact on the environment. However, there appears to be an information gap since many people are not aware of the harmful effects caused by the disposal of plastic bags. These include:

- Plastic bags break down into smaller and smaller toxic pieces
- A plastic bag takes between 400 to 1 000 years to break down
- As it breaks down, plastic particles contaminate soil and waterways
- Plastic bags cause over 100 000 marine animal deaths every year
- Nearly 90% of the debris in our oceans is plastic
- Some of the food humans eat may be contaminated with toxins from plastic.

Extract C Reducing plastic bag use in the European Union (EU)

The yearly consumption of plastic carrier bags in the EU is nearly 100 billion. 92% of these are single use carrier bags. Around 3% of the marine litter in Europe is shopping bags.

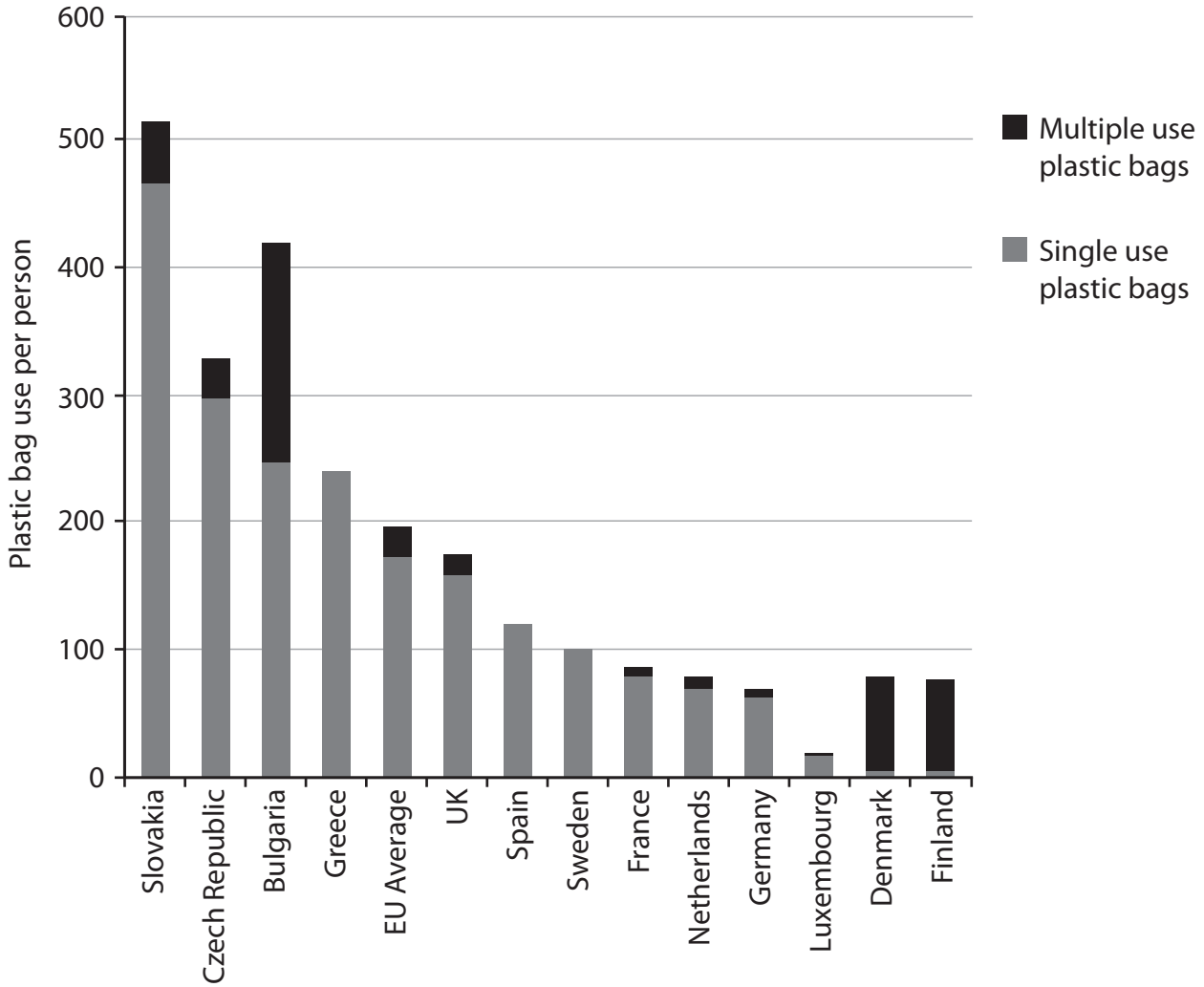
In 1994 Denmark introduced a plastic bag tax of €0.27 per bag which supermarkets have passed onto consumers. However, clothing shops do not charge consumers for the bags and pay the tax themselves. In the year before the tax was introduced 800 million bags were used and in the year after the tax this dropped to 400 millions bags. The Danish Government found the tax on plastic bags raised just 0.03% of total tax revenue in 1995 and by 2014 this had fallen to 0.02%.

In January 2018 Greece introduced a plastic bag tax of €0.04 per bag. This resulted in a 75% decrease in the use of plastic bags compared with January 2017. Sales of reusable shopping bags increased by 5 000%. It is estimated that the average consumer will now only use 110 plastic bags per year. The EU target is 90 bags per person per year.

Figure 1 Revenues from the tax on plastic bags for Denmark

Year	Tax revenue
1995	€21 564 000
2000	€23 779 000
2005	€25 723 000
2010	€26 818 000
2015	€24 547 000

Figure 2 Plastic bag use per person in selected countries, 2010



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Acknowledgements

Extract A adapted from 'Plastic film prices drop 40%', 19 December 2017, Carrie Bone, https://www.mrw.co.uk/latest/plastic-film-prices-drop-by-40/10026317.article

Extract B adapted from https://conservingnow.com/plastic-bag-environmental-impact/

Extract C, Figure 1 and Figure 2 adapted from Fact Sheet: Tax on Plastic Bags, https://green-budget.eu/wp-content/uploads/Tax-on-plastic-bags_FINAL.pdf

Extract C adapted from Greek Shoppers Responding to Plastic Bag Tax, 6 February 2018, John Smith, https://greece.greekreporter.com/2018/02/06/greek-shoppers-responding-to-plastic-bag-tax/