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

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.
- Good luck with your examination.

Turn over ▶

P65834A

©2021 Pearson Education Ltd.

1/1/1/1/1/1/1

P 6 5 8 3 4 A 0 1 2 8

Pearson

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**: The consumption of single-use plastic bags in Switzerland decreased by 80% after the Government introduced a tax on them.

Statement 2: Shops should be forced to charge consumers for single-use plastic bags to reduce the amount of plastic waste.

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

☒ **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 In April 2018, the Singapore Government passed a law allowing consumers to change electricity providers. Most consumers have not switched their electricity provider despite the opportunity to save, on average, 20% on their bills.

Which **one** of the following could explain this behaviour?

☒ **A** Consumers are good at computation

☒ **B** Consumers aim to maximise their utility

☒ **C** Consumers are influenced by the behaviour of others

☒ **D** Consumers feel undervalued by their current provider

(Total for Question 2 = 1 mark)

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

☒ **A** The free-rider problem that results in the underprovision of public goods

☒ **B** Higher prices create an incentive for firms to increase the production of a good

☒ **C** New government regulations that result in excessive administration costs

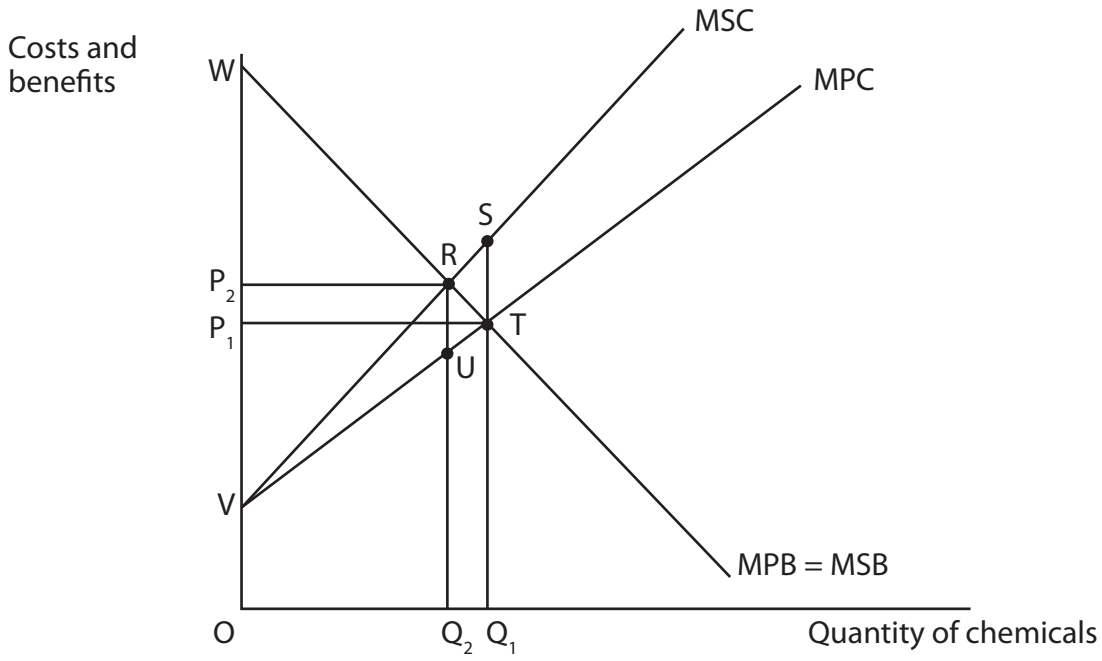
☒ **D** Government provision of healthcare to move towards the social optimum output

(Total for Question 3 = 1 mark)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

4 The diagram shows the market for the production of chemicals.

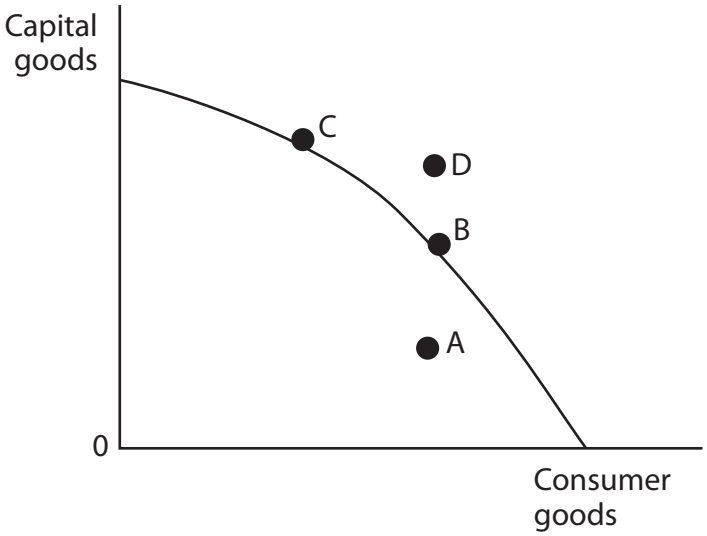


Which **one** of the following can be deduced from the diagram?

- ☒ **A** The social optimum quantity is Q_1 and price is P_1
- ☒ **B** The market equilibrium quantity is Q_2 and price is P_2
- ☒ **C** The welfare loss area is RTU
- ☒ **D** The welfare loss area is RST

(Total for Question 4 = 1 mark)

5 The diagram shows a production possibility frontier for an economy.



Which point on the diagram shows the position that will lead to the fastest rate of economic growth?

- ☒ **A**
- ☒ **B**
- ☒ **C**
- ☒ **D**

(Total for Question 5 = 1 mark)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

6 The table shows the estimated income elasticity of demand for selected food items in the UK.

Food item	Income elasticity of demand
Butter	+0.20
Coffee	+0.16
Margarine	–0.37
Tea	–0.02

(Source: https://pdfs.semanticscholar.org/c384/d29d9fb4993d265c9bed5be20f6d984b09c3.pdf)

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

☒ **A** A decrease in real income will result in a more than proportionate decrease in demand for butter

☒ **B** An increase in real income will result in a less than proportionate increase in demand for coffee

☒ **C** A decrease in real income will result in a more than proportionate increase in demand for margarine

☒ **D** An increase in price will result in a less than proportionate decrease in demand for tea

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Answer ALL questions in this section in the space provided.

7 In October 2017 the United Arab Emirates (UAE) introduced an indirect tax on energy drinks. The tax is charged at 50% of the price of energy drinks.

Draw a diagram to illustrate the impact of the introduction of the indirect tax on the equilibrium price and quantity of energy drinks in the UAE.

(Total for Question 7 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

8 The table shows the change in how electricity was generated between 2017 and 2018 in a group of developed economies.

Resource	Change in electricity generation, terawatt hours (TWh)
Coal	–105
Natural gas	+156
Hydro	+26
Wind	+52
Solar	+52

With reference to the change in how electricity was generated, explain the difference between 'renewable resources' and 'non-renewable resources'.

(Total for Question 8 = 4 marks)

9 Adam Smith wrote that by applying the division of labour in a pin factory, ten workers were able to increase production from 200 pins per day to 48 000 pins per day.

Explain **one** advantage to firms of using division of labour to organise production.

(Total for Question 9 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

10 In 2019 Netflix increased the price of its basic subscription streaming service from $7.99 to $8.99 in the USA. It was estimated that there would be an 8% decrease in the number of consumers with Netflix subscriptions.

Ceteris paribus, calculate the price elasticity of demand for the basic subscription for Netflix. Show your workings.

(Total for Question 10 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

11 Between August 2018 and August 2019 the world price of sweet potatoes increased from $12 to $22.50 per box. This was caused by Hurricane Florence and heavy rains in the USA, the world's largest supplier.

Explain the likely impact of this change in price on consumer surplus in the market for sweet potatoes. Illustrate your answer with a diagram.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

SECTION C BEGINS ON THE NEXT PAGE.

SECTION C

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

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

12 (a) Define the term 'substitutes' (Extract A, line 9).

(2)

(b) With reference to Extract A, explain **one** factor that is likely to influence the price elasticity of supply for sugar.

(4)

(c) With reference to Figure 1 and Extract A, analyse **two** reasons why the world price of sugar fell between August 2017 and August 2018.

Illustrate your answer with a supply and demand diagram.

(6)

(d) With reference to Extract B, examine **two** possible effects of information gaps on the consumption of sugar.

(8)

(e) With reference to Extract C, discuss the likely effects of the increase in the subsidy for sugar production.

Illustrate your answer with an appropriate diagram.

(14)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

12 (a) Define the term 'substitutes' (Extract A, line 9).

(2)

(b) With reference to Extract A, explain **one** factor that is likely to influence the price elasticity of supply for sugar.

(4)

(c) With reference to Figure 1 and Extract A, analyse **two** reasons why the world price of sugar fell between August 2017 and August 2018.

Illustrate your answer with a supply and demand diagram.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(d) With reference to Extract B, examine **two** possible effects of information gaps on the consumption of sugar.

(8)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(e) With reference to Extract C, discuss the likely effects of the increase in the subsidy for sugar production.

Illustrate your answer with an appropriate diagram.

(14)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 12 = 34 marks)

TOTAL FOR SECTION C = 34 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

SECTION D BEGINS ON THE NEXT PAGE.

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In 2019 the price of a litre of diesel was 65% higher in Thailand than in Malaysia. The price difference was because of higher taxation on diesel in Thailand. This led to illegal smuggling. For example, on one night, Thai authorities seized 300 000 litres of diesel that was illegally imported from Malaysia.

Evaluate possible causes of government failure in a market of your choice.

(Total for Question 13 = 20 marks)

OR

14 Between 2000 and 2019 in China the average price of a house increased from 4 000 yuan per square metre (m^2) to 60 000 yuan per m^2. The ratio of average house prices to average incomes increased from 5.6 to 7.6, showing that houses were becoming less affordable.

Evaluate the impact of market bubbles in the housing market.

(Total for Question 14 = 20 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

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:

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

TOTAL FOR SECTION D = 20 MARKS
TOTAL FOR PAPER = 80 MARKS

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

GradeMax

Pearson Edexcel International Advanced Level

Time 1 hour 45 minutes

Paper reference **WEC11/01**

Economics

International Advanced Subsidiary
UNIT 1: Markets in action

Source Booklet

Do not return this Booklet with the question paper.

Turn over ▶

P65834A

©2021 Pearson Education Ltd.

1/1/1/1/1/1/1

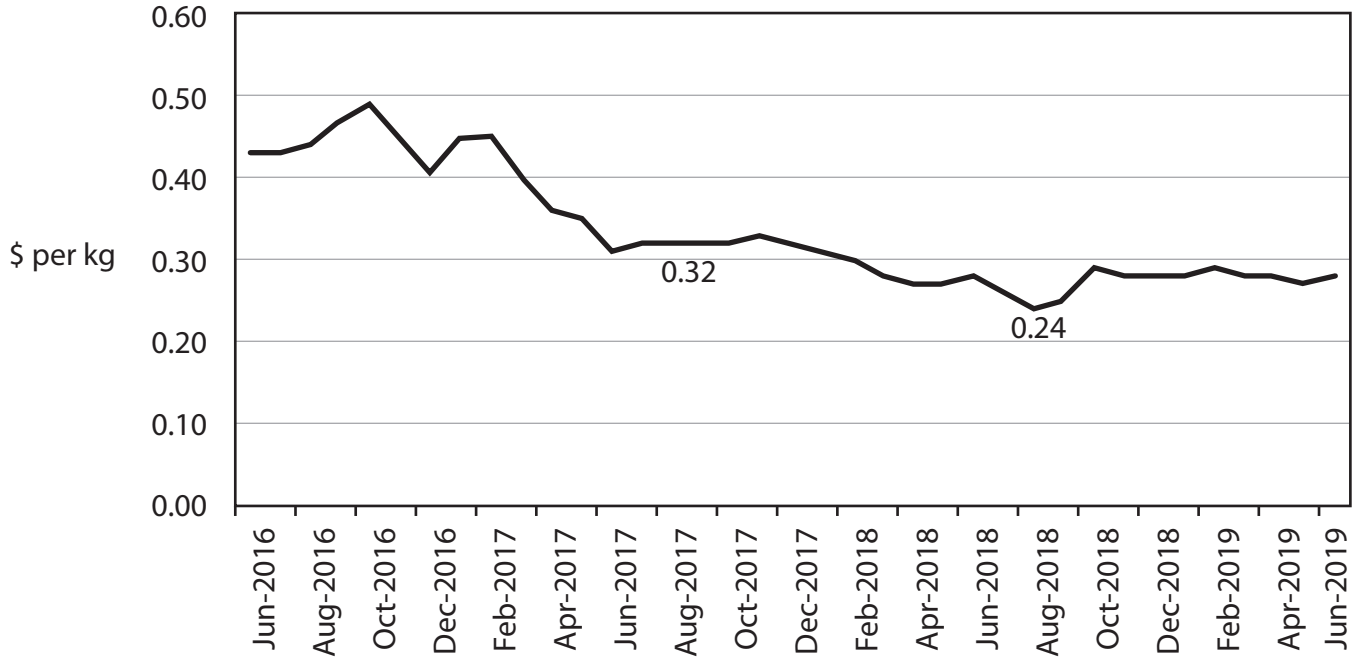
P 6 5 8 3 4 A

Pearson

Sources for use with Section C.

The market for sugar

Figure 1 World price of sugar, US$ per kg, June 2016 – June 2019



Extract A Global production of sugar

Between August 2017 and August 2018 the world price of sugar fell as a result of favourable weather leading to good harvests. In 2018, India, the world's second largest sugar producer and Thailand, the world's fourth largest sugar producer, had record levels of production. In 2018 global production was 11% higher than in 2017. In 2018 world production was so high that there was a surplus of 17 million tonnes. This led to large quantities of sugar being held in storage.

In recent years, consumption of sugar has fallen because of increasing health concerns. There is also competition from substitutes such as artificial sweeteners. In the USA, Europe, China and Australia sugar consumption has fallen or remained unchanged.

Sugar is grown in 119 countries. It takes sugar cane one year to mature in countries with warm temperatures and two years in cooler countries.

Extract B Overconsumption of sugar

In the USA the recommended maximum amount of sugar consumption is 50 grams per day. In the USA average consumption is 73 grams per day. The human body can comfortably process 25 grams a day. However, any sugar consumption in excess of 25 grams per day will normally be processed into body fat. This is contributing to obesity. One study found that a high sugar diet increased the risk of heart disease by 38%. Another study found that excess sugar consumption caused an increased risk of many types of cancer. A further study found that men who consumed 67 grams or more of sugar per day were 23% more likely to experience depression than men who consumed less than 40 grams per day.

Extract C Indian subsidy for sugar production

The Indian Government subsidises sugar growers that export sugar. Before the subsidy, exports were 620 000 tonnes per year. After the subsidy was introduced exports rose to 3.3 million tonnes per year, helping to make India the world's second largest producer of sugar. The size of the subsidy will increase from 55 rupees a tonne in 2018 to 138 rupees a tonne in 2019. This increase in subsidy is expected to increase exports to over seven million tonnes per year. Production in India was 20.3 million tonnes in 2017 and increased to 33.0 million tonnes in 2019.

The Governments' of Brazil and Australia have complained to the World Trade Organization that these subsidies give Indian producers an unfair advantage. They argue that these subsidies contribute to lower world prices, making the market unprofitable for many growers outside India.

BLANK PAGE

Acknowledgements

Figure 1 based on data taken from https://www.indexmundi.com/commodities/?commodity=sugar&months=60

Extract A adapted from 'Sugar prices are the lowest in a decade, but haven't hit bottom yet', Myra P Saefong, Market Watch, Aug 24, 2018, https://www.marketwatch.com/story/sugar-prices-are-the-lowest-in-a-decade-but-have-yet-to-hit-bottom-2018-08-23

Extract B adapted from 'What Happens to Your Body When You Eat Too Much Sugar?', Mercola, March 23 2019 https://articles.mercola.com/sugar-side-effects.aspx and '11 Reasons Why Too Much Sugar Is Bad for You', Jillian Kubula, June 3 2018, https://www.healthline.com/nutrition/too-much-sugar#section6

Extract C adapted from 'Exclusive: India to keep sugar export subsidies even as rivals complain-sources', Rajendra Jadhav, Reuters,15 July 2019, https://www.reuters.com/article/us-india-sugar-exports-exclusive/exclusive-india-to-keep-sugar-export-subsidies-even-as-rivals-complain-sources-idUSKCN1UA137