GradeMax

Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel International Advanced Level

Friday 10 October 2025

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 ▶

P78816A

©2025 Pearson Education Ltd.
M:1/1/

P 7 8 8 1 6 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 In 2024 government spending accounted for 50% of Spain's GDP.

Which **one** of the following is a role of the state in a mixed economy?

☒ **A** To tax the consumption of health services that produce external benefits

☒ **B** To subsidise chemical manufacturers who produce external costs

☒ **C** To ensure that administrative costs associated with housing regulations are high

☒ **D** To set minimum prices for crops to ensure that farmers' incomes are not too low

(Total for Question 1 = 1 mark)

2 Most car manufacturers apply the division of labour to the production process.

Ceteris paribus, which **one** of the following is a disadvantage to a car manufacturer of applying the division of labour?

☒ **A** An increase in output per worker per hour

☒ **B** An increase in monotonous or repetitive work

☒ **C** A decrease in the cost of manufacturing each unit

☒ **D** A decrease in the number of workers leaving the business

(Total for Question 2 = 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

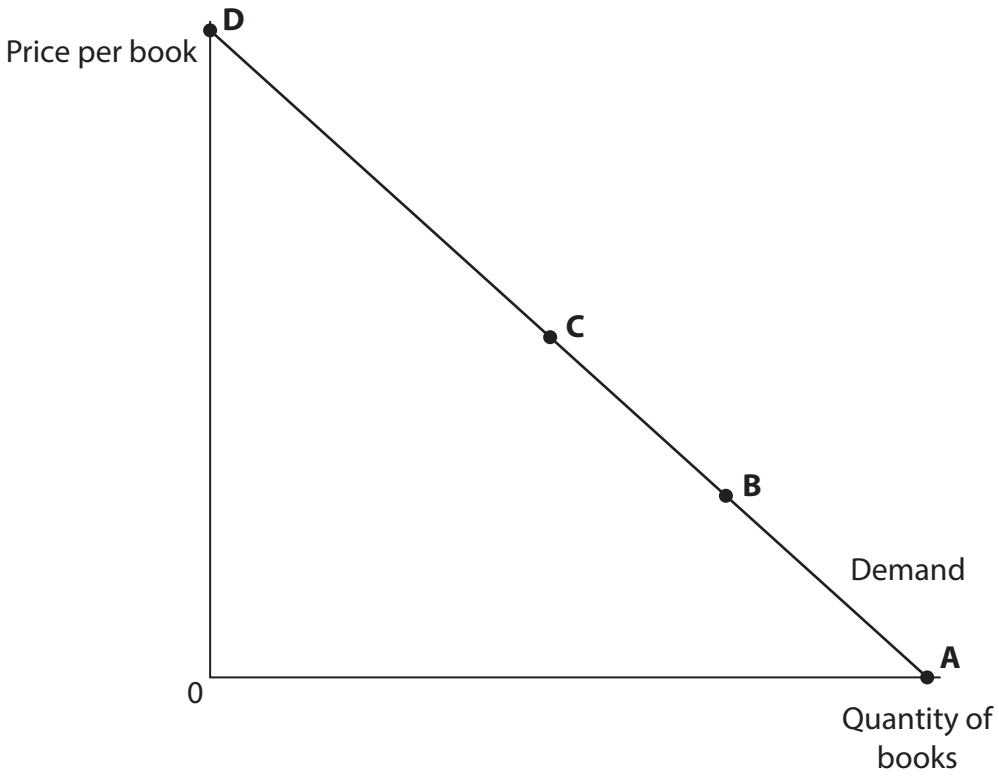
3 A housing market bubble is most likely to occur in the cities of Tokyo, in Japan and Miami, in the USA.

Which **one** of the following best defines a market bubble?

- ☒ **A** Where consumption of a product has no opportunity cost
- ☒ **B** Where free-riders consume a product without paying for it
- ☒ **C** Where the price of the product rises rapidly above its sustainable level
- ☒ **D** Where providers of a service have more information than its consumers

(Total for Question 3 = 1 mark)

4 The diagram shows the demand curve for a paperback fiction book.



At which **one** of the following is the price elasticity of demand most elastic?

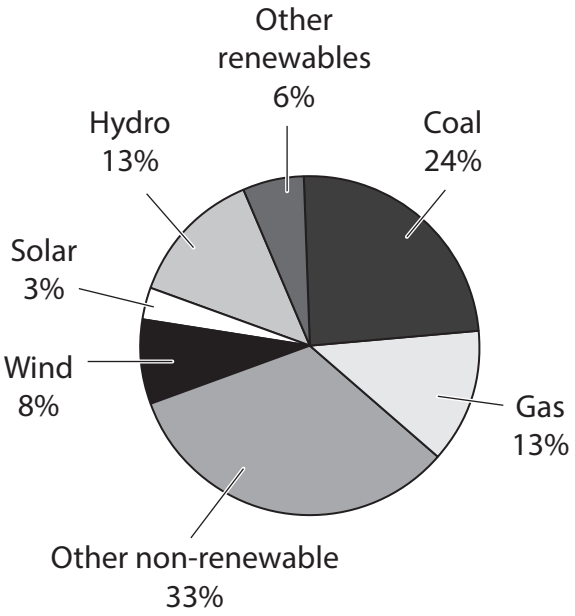
- ☒ **A**
- ☒ **B**
- ☒ **C**
- ☒ **D**

(Total for Question 4 = 1 mark)

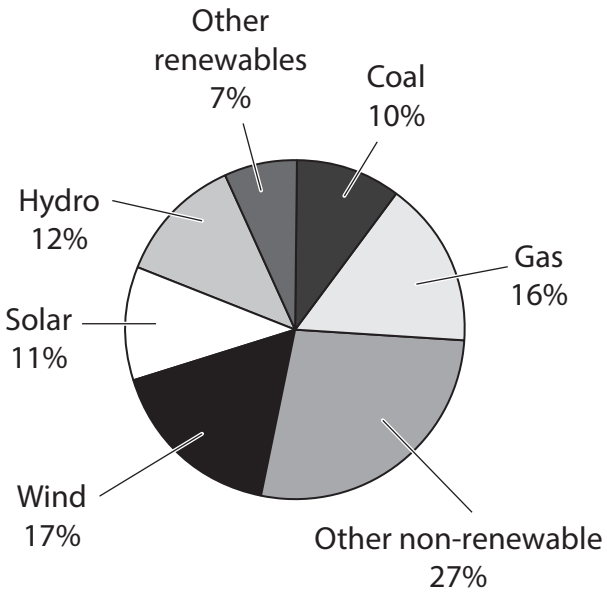
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

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

5 The charts show the resources used to generate electricity in the EU in 2014 (left) and in 2024 (right).



2014



2024

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

- ☒ **A** In 2014 and 2024 the EU used a higher proportion of non-renewable resources to generate electricity
- ☒ **B** In 2014 and 2024 the EU used a higher proportion of renewable resources to generate electricity
- ☒ **C** The proportion of total electricity generated by each non-renewable resource decreased between 2014 and 2024
- ☒ **D** The proportion of total electricity generated by each renewable resource increased between 2014 and 2024

(Total for Question 5 = 1 mark)

6 The table shows the estimated income elasticity of demand for selected types of food in India.

Food item	Income elasticity of demand
Cereal	–0.125
Meat	+0.669

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

		Cereal	Meat
☒	**A**	Normal good	Inferior good
☒	**B**	Normal good	Normal good
☒	**C**	Inferior good	Normal good
☒	**D**	Inferior good	Inferior good

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 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

SECTION B

Answer ALL questions in this section in the spaces provided.

7 Between 2023 and 2025 the Government of Thailand provided 40 billion baht of subsidies to manufacturers of electric cars in the country.

Draw a diagram to illustrate the impact of this subsidy on the electric car market.

Show the area of government spending on your diagram.

(Total for Question 7 = 4 marks)

8 The table shows the number of national parks for selected countries.

Country	Number of national parks
India	102
Nigeria	8
Türkiye	41
UK	15

With reference to national parks, explain **one** reason why governments provide public goods.

(Total for Question 8 = 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

9 In the UK a university graduate, on average, earns 42.5% more than a non-graduate in their lifetime.

A study across 78 countries found that, between 1950 and 2010, for every 10% increase in the number of universities there was an increase of 0.4% in GDP per capita.

With reference to education, explain the difference between private benefits and external benefits.

(Total for Question 9 = 4 marks)

10 The table shows the average price of music concert tickets and the number of music concert tickets sold globally in 2023 and 2024.

Year	**Average price per ticket**	**Number of tickets sold, millions**
2023	$130.81	70.1
2024	$135.92	69.9

Ceteris paribus, calculate the price elasticity of demand for music concert tickets.

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

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

11 In 2024 global production of cotton increased by 1.2 million bales to 117.3 million bales. Over the same period the global price of cotton decreased from $78.44 to $65.35.

Ceteris paribus, explain the likely impact of these changes on consumer surplus in the cotton market.

Illustrate your answer with a supply and demand diagram.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

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

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

12 (a) Define the term 'income elasticity of demand'. (Figure 1)

(2)

(b) With reference to Figure 2 and the first paragraph of Extract A, analyse **one** demand factor and **one** supply factor that caused the price of hotel rooms to increase in India between 2023 and 2024.

Illustrate your answer with a supply and demand diagram.

(6)

(c) With reference to the second paragraph of Extract A, explain whether the price elasticity of supply of hotels is likely to be price elastic or price inelastic.

(4)

(d) With reference to the first two paragraphs of Extract B, examine **two** external costs of tourism to India.

(8)

(e) With reference to the third paragraph of Extract B, discuss reasons for the decrease in the number of international tourists to India.

Illustrate your answer with a supply and demand 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 'income elasticity of demand'. (Figure 1)

(2)

(b) With reference to Figure 2 and the first paragraph of Extract A, analyse **one** demand factor and **one** supply factor that caused the price of hotel rooms to increase in India between 2023 and 2024.

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

(c) With reference to the second paragraph of Extract A, explain whether the price elasticity of supply of hotels is likely to be price elastic or price inelastic.

(4)

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 the first two paragraphs of Extract B, examine **two** external costs of tourism to India.

(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 the third paragraph of Extract B, discuss reasons for the decrease in the number of international tourists to India.

Illustrate your answer with a supply and demand 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

SECTION D

Answer ONE question from this section.

Write your answer in the space provided.

EITHER

13 In January 2024 the average price of a bottle of water was $1.54 in Cyprus. The average price across 91 other countries was just $0.78.

In February 2025 the Government of Cyprus introduced a maximum price for bottles of water sold at airports, stadiums, cinemas, beach cafés and theme parks.

Evaluate the likely effects of introducing a maximum price for bottles of water in Cyprus.

Illustrate your answer with a supply and demand diagram.

(Total for Question 13 = 20 marks)

OR

14 In 2023 Silicon Valley Bank and Signature Bank failed in the USA. However, their customers were protected by the financial regulators who guaranteed the $15.8 bn saved with these two banks.

In 2024, 21% of car insurance customers in the USA admitted to not providing accurate information on their insurance applications.

Evaluate the causes of market failure in the banking and insurance industries.

(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

BLANK PAGE

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

GradeMax

Pearson Edexcel International Advanced Level

Friday 10 October 2025

Morning (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 ▶

P78816A

©2025 Pearson Education Ltd.

M:1/1/



Pearson

Sources for use with Section C

India's tourist industry

Figure 1 Estimated income elasticity of demand for short-haul and long-haul flights

	Income elasticity of demand
Short-haul flights	+1.6
Long-haul flights	+1.8

Figure 2 Average percentage increase in price of a hotel room between 2023 and 2024

Location of hotel	Average percentage increase
Hyderabad	70%
Mumbai	40%
Chennai	34%
Bangalore	27%
Jaipur	25%
New Delhi	19%

Extract A Hotel accommodation

The demand for hotel rooms in India increased by 10% in 2024. A rapid increase in real incomes in India has resulted in a growth in domestic tourism. In addition, the number of European and North American tourists has also increased significantly. However, the rate of growth in the number of hotels in India was just 3% in 2024.

It takes substantially longer to build hotels in India than the average for the rest of the world. The main reasons are that it takes a long time to acquire the necessary licences, planning permissions and funding. In India:

- a hotel typically needs 120 licences before it can open
- a luxury hotel takes, on average, 39 months to complete construction whereas it only takes 28 months in the USA
- a typical standard hotel takes 30 months to build.

Extract B Problems facing the tourist industry

Goa is an attractive beach holiday destination in India. Goa has a population of around 1.6 million but received 8.5 million tourist visitors in 2023. This has led to air and water pollution, littering on its beaches, traffic jams, water scarcity and damage to its environment.

Joshimath, in the Himalayas, experienced a rapid growth in tourism and has become known as the 'sinking town'. Large areas of the ground began to sink, causing cracks to appear in homes, roads and other infrastructure. These issues have raised concerns about overcrowding, overdevelopment, unplanned construction and the impact of climate change on the sensitive Himalayan environment.

Despite the increase in domestic tourism, the number of international tourists to India decreased by 16% between 2019 and 2023. One reason for this is the high tax imposed on international tourists. For example, taxes are charged on hotel accommodation and air travel. Another reason is that spending on advertising and marketing by the Government of India to attract tourists from developed countries has been insufficient. This level of spending is far below the amounts spent by the Governments of Sri Lanka and Thailand on promoting tourism.

BLANK PAGE

Acknowledgements

Figure 1 adapted from:
https://www.iata.org/en/iata-repository/publications/economic-reports/estimating-air-travel-demand-elasticities---by-intervistas/

Figure 2 adapted from:
https://www.mylighthouse.com/resources/blog/a-snapshot-of-hotel-room-price-trends-h2-2023-and-h1-2024

Extract A adapted from:
https://skift.com/2025/01/09/indias-hotel-supply-crunch-set-to-push-room-rates-higher/#:~:text=India%27s%20hotel%20industry%20is%20facing%20a%20supply%20crunch%2C,grow%20robustly%2C%20maintaining%20strong%20revenue%20growth%20and%20profits.

https://economictimes.indiatimes.com/news/economy/indicators/indias-economy-projected-to-grow-6-6-in-2025-supported-by-strong-private-consumption-investment-un/articleshow/117121398.cms

https://www.etnownews.com/budget/budget-2025-expectations-will-hotel-room-prices-increase-tourism-sector-predicts-this-article-116949699

https://www.littlehotelier.com/blog/running-your-property/how-much-does-it-cost-to-build-a-hotel/#:~:text=From%20initial%20designs%20to%20occupancy%2C%20hotel%20construction%20follows,build%20can%20lessen%20your%20construction%20period%20by%2020-30%25.

https://www.hospitalitynet.org/editorial/4049200.html

Extract B adapted from:
https://www.indiatoday.in/lifestyle/travel/story/overtourism-is-killing-all-the-popular-destinations-but-there-are-ways-to-save-them-2645012-2024-12-05

https://wptravel.io/world-tourism-ranking-by-country/

https://hospitality.economictimes.indiatimes.com/news/travel/high-tax-rates-are-key-reason-for-tourism-remaining-under-utilised-in-india-parliamentary-panel/102094935