Examiners' Report
Principal Examiner Feedback

January 2020

Pearson Edexcel International Advanced Subsidiary In Economics (WEC11/01)

Paper 01: Markets in Action

Edexcel and BTEC Qualifications

Edexcel and BTEC qualifications are awarded by Pearson, the UK's largest awarding body. We provide a wide range of qualifications including academic, vocational, occupational and specific programmes for employers. For further information visit our qualifications websites at www.edexcel.com or www.btec.co.uk. Alternatively, you can get in touch with us using the details on our contact us page at www.edexcel.com/contactus.

Pearson: helping people progress, everywhere

Pearson aspires to be the world's leading learning company. Our aim is to help everyone progress in their lives through education. We believe in every kind of learning, for all kinds of people, wherever they are in the world. We've been involved in education for over 150 years, and by working across 70 countries, in 100 languages, we have built an international reputation for our commitment to high standards and raising achievement through innovation in education. Find out more about how we can help you and your students at: www.pearson.com/uk

Introduction

This is the fourth series where this unit, Markets in Action (WEC11), has been assessed and it is the second January series. The standard of work seen in this series has been impressive.

In Section A, the multiple-choice section, candidates performed best on the question on the advantages of a free market economy. They also performed well on the questions on external costs with most able to identify the area of welfare loss and the question on renewable and non-renewable energy. The questions on movements along a demand curve was also correctly answered by most candidates. Candidates struggled more on the questions on market failure where most getting the answer wrong seemed to confuse examples of government failure with market failure. For the question on Price elasticity of demand many struggled to make the link between the elasticity and revenue.

Section B, the short answer section, saw some very mixed performance on questions. Candidates performed best on the question requiring candidates to draw a Production Possibility Frontier to illustrate the impact of a growing population. They also performed well on the question requiring the calculation of the income elasticity of demand. Where mistakes were made, they commonly divided the percentage change in income by the percentage change in quantity demanded. With all other parts of the calculation normally correct and the right formula many could still achieve 3.

When explaining the impact of the fall in the price on consumer surplus most accurately drew the diagram and identified the areas of consumer surplus before and after. The definition of consumer surplus was commonly omitted.

The question causing most challenge was on market bubbles. At best candidates seemed to gain one mark for partial definition of a market bubble and for reference to the changes in house prices in Hong Kong. The question on government failure saw most accurately define government failure and make reference to the smuggling but many struggled to access the marks for analysis in terms of considering why the government failure occurs.

Section C, the data response section is based on information provided in the source booklet. Candidates could typically access at least one mark on 12(a) to show knowledge of substitutes meeting the same need. Better candidates related this to a positive cross elasticity of demand or included the example from the extract in terms of vanilla and vanillan.

12(b) needed candidates to explain what is meant by the term inelastic supply. Most could define inelastic supply and made reference to Figure 1. Better candidates also made reference to information in Extract A to explain why it was inelastic supply.

12(c) saw most candidates able to draw the original supply, demand and equilibrium and most drew either supply shifting left or demand shifting right to gain a second mark. Most then identified from the Extract a relevant cause of the change. Where candidates struggled was in that the candidate needed to shift both supply and demand, show the new higher equilibrium price and to make reference to a supply factor and demand factor in terms of causing the change.

On 12(d) most candidates were able to define indirect taxation and offer effects of the decision to remove the sugar tax. Many struggled to offer the further development to access analysis marks. Most achieved both application marks. Evaluation focused on the magnitude in terms of the numbers likely to increase consumption.

On 12(e) candidates looked at reasons why the quantity of education was below the social optimum. Most could define accurately and draw the external benefits diagram. Those able to achieve a higher score used their diagram in their analysis for example explicitly looking at the market equilibrium, social optimum and resulting welfare loss. The data was typically well used to refer to why children were required to work, as well as the funding and poor condition and training in schools. Evaluation tended to be more limited with many referring to measurement issues associated with measuring the external costs and some looking at how in fact many are benefiting from education.

Section D, the essay section offered candidates the opportunity to choose between two questions.

The section was more demanding and this is reflected in the mean scores on both questions.

Candidates tended to perform better on Question 13 on the division of labour than on Question 14 on tradeable pollution permits. In both cases the knowledge of the Economics was sound but candidates struggled in applying it to the context of the question. For example, when candidates could link the advantages and disadvantage of the division labour to examples, they performed much better. Another challenge was the level of analysis. Candidates often struggled to fully develop the chain of reasoning. Evaluative comments were often made and whilst some offered supporting evidence and linked to the context many were unable to offer a logical chain of reasoning.

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

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

Question 7

The question asked candidates to draw. All the marks available were therefore awarded for the correct drawing of the diagram. Fewer candidates than in previous series gave written explanation as to what happens and none of this was rewarded. Inclusion of this will have made it more difficult for candidates to complete the paper. The stem clearly made reference to the substantial increase in the population in Qatar. Most did draw the correct shift in the PPF. The inclusion of an arrow or labelling of the different PPF were helpful in accessing the mark for shifting the curve out. Those that did not normally access full marks tended to label the axis incorrectly.

Examiners Tip
The use of directional arrows is helpful to indicate clearly that the shift is in the correct direction.

Question 8

The question provided information in the stem on the risk of a housing market bubble in Hong Kong making reference to the 10% per year increase in prices. Candidates needed to explain what is meant by a market bubble. Most were awarded marks for showing understanding of a bubble. Common responses made reference to the price being above the true value, above the expected value, overinflated or unsustainable price rises and made reference to speculation in bringing this about. Some were able to identify that this was an example of market failure. Most could access at least one mark for knowledge. The application marks were achieved by nearly all candidates by making reference to the 10% increase. It was only better candidates that made reference to the risk of the bubble bursting.

Examiners tip
With questions on external benefits, external costs, public goods and market bubbles a useful strategy is to identify that this is an example of market failure as it leads to an inefficient allocation of resources.

Question 9

The question looked at why the tax on imported cars was an example of government failure. This was a challenging question for many and is an area that needs some attention in centres. Most candidates used information in the stem to achieve an application mark by making reference to smuggling of cars. Many candidates were able to offer a definition of government failure. Better candidates were able to identify smuggling as an intended consequence pf the indirect tax. The very best responses seen were able to access the analysis marks which explained why the government failure emerged. Most that did looked at the tax being substantial and leads to tax avoidance. Many made reference to the fact the government would lose tax revenue.

Examiners tip
Government failure definitions were often too imprecise. We need reference to a net welfare loss or the government intervention leading to a misallocation of resources.

Question 10

Nearly every candidate accurately defined or provided the formula for income elasticity of demand this gained candidates one mark. Many candidates then calculate the percentage change in quantity demand and percentage change in income accurately. These three would gain a candidate three marks if completed accurately. A common error was to then calculate the percentage change in income divided by the percentage change in quantity demand. This gives the incorrect answer. Another common error was to put a percentage sign at the end of the YED.

Examiners tip
Elasticities of demand are not percentages and the percentage sign must not be included.

Question 11

Most candidates could correctly illustrate their answers with a diagram correctly shifting supply to the left and showing the new lower price on the diagram.
Most then explained the area of the original and new consumer surplus. Many did not access the knowledge marks as they did not define the consumer surplus.
Some candidates confused consumer and producer surplus in identifying the areas on the diagram.
Examiners tip

Whilst it says to illustrate the answer with a diagram this will only normally be worth 1 mark. A written explanation will also be needed.

Question 12 (a)

Candidates were asked to define substitutes. This was well done my most. They typically made reference to the goods meeting the same need and the positive cross elasticity of demand. It was also common to give examples of substitutes as given in the context which was rewarded.

Examiners tip
The marks available are both for knowledge so there is not a requirement to use examples from the context.

Question 12 (b)

This question asked candidates to explain what is meant by the term inelastic supply. The definitions of inelastic supply were often imprecise. It is important to get across the idea of the quantity supplied being less responsive compared to the change in price or that the change is quantity is less than proportionate to the change in the price. Whilst many made reference to Figure 1 but fewer made reference to the extract where reasons for the inelasticity are offered.

Examiners tip
Candidates were asked to refer to Figure 1 and Extract A which means both must be referred to access both applications marks.

Question 12 (c)

The question asked candidates to make reference to Figure 2 and this is where the reference to the change in price was normally made. Reference to Extract A was used to identify the demand factor and supply factor.
Most candidates identified the cyclone as the supply factor and the growth in the demand for products containing vanilla as the demand factor.
Nearly every candidate drew a supply and demand diagram to show the original equilibrium to gain the first knowledge mark. The question differed from the earlier WEC11 papers as it required to curves to be shifted and not one. So most gained a mark for the correct shift of one of the curves. Where they lost a mark was in not shifting both supply and demand and the final equilibrium was wrong and missed another mark. One

ways candidates were able to gain an additional mark despite shifting only one curve was to make reference explicitly to the change in price.

Examiners tip
When you shift more than one curve the only two equilibria required are for the original and new price and quantity. Any interim equilibria are not required.

Question 12 (d)

The question needed candidates to examine two microeconomic effects of the removal of the sugar tax in Finland. Most candidates could accurately define indirect tax and less commonly could identify it as a specific tax in Finland. Where some candidates went wrong was to then focus on the effect of the introduction of the sugar tax.
Application was also well done with most making reference to products the tax affected, the amount charged, the impact of the tax on consumption and tax revenue lost. Where candidate did less well was in looking at the effects, Many used a diagram and the write up explained the effects this showed. There was some nice work here looking at the impacts of the removal of the tax on different economic agents such as the government, consumers and producers.
Evaluation typically focused on how extra sugar could impact health and obesity, the magnitude of the losses to the government and the fact consumption only fell 5% after the introduction of the tax.

Examiners tip
If including a diagram to show the removal of the tax remember to show the direction of movement of supply, price and quantity. Many drew the diagram for a tax and could not be credited unless it had the relevant information to make it clear that supply rises.

Question 12 (e)

This the only level-based question in the Data Response section. There were 8 marks available for Knowledge, Application and Analysis and 6 marks for Evaluation. The question required a diagram.
Weaker diagrams tended to wrongly identify the welfare gain or to draw the MPB and MBS in the wrong place.
Nearly all candidates could correctly define external benefits.
Weaker responses just drew the diagram without making the link to how this shows the underconsumption or that market equilibrium was below social optimum. Better

responses went on to consider what external benefits existed and explained why this leads consumers to underinvest in education.

Many used the data effectively to offer alternative reasons such as a need to work to supplement family income, the lack of public funds for education and lack of raining for staff.

Evaluation was weaker for this question with many struggling to identify what to evaluate. Those that did focussed on the fact still a significant benefit from it. They also commented on the difficulty in measuring external benefits.

Examiners tip

When asked to draw a diagram it is important to do so as it makes it difficult to achieve the top level without it.

Question 13

Candidates tended to perform better on this question and were more likely to attempt this question. The question asked candidates to evaluate the advantages of the division of labour in organising production.

The understanding of the advantages of the division of labour was impressive. Where candidates struggled more was in application. Many offered theoretical explanations of the advantages but did not link to business examples or the findings of Adam Smith. Some simple ways to apply included manipulating the data provided. Some calculated the output per worker after specialisation at 4 800 and this was using the provided data. Others gave examples of specific industries and how the division of labour would work. For example, in car production how people would focus on different tasks.

The evaluation offered focused on the disadvantages of division labour normally. Again, this was typically well developed although often lacked context.

Commonly when looking at advantages they focused on saving time by not changing tools, increased output per worker often linking to the data in the stem, costs per unit falling and training costs falling as need training in one task only.

Evaluation focused normally on the boredom the division of labour can create, the problems of staff retention and interdependency. There was also some good work looking at how workers can be replaced by machinery and how it is not appropriate for all industries.

Examiners tip

Candidates need to try and apply their knowledge to relevant examples. In this case talking about how a type of business might apply the division of labour enabled achievement at a higher level.

Question 14

Candidates were asked to evaluate the use of tradeable pollution permits to reduce pollution. Most understood how a tradeable pollution permit system worked with most understand the idea of being permitted to pollute up to a level and the idea of trading these between firms. The best responses were able to relate how the scheme would work in a specific industry for example the airline, power production and steel industry. Many understood that polluting firms will have to purchase permits so adding to the costs creating an incentive to reduce production. Whereas those low polluting firms can generate profit so have incentive to further reduce pollution.

Many candidates successfully integrated external costs diagrams in to their answers and talked about the number of permits linking to the social optimum. It was also useful when they talked about the importance of the government reducing the total number of permits to reduce levels of pollution.

Evaluation was weaker on this question. Where it was offered it focused on the issues measuring the right number of permits, difficulties in quantifying the levels of pollution and issues of enforcement.

Examiners tip

The stem made reference to industries that could be discussed. Try to talk about these industries in the response to access application to achieve a higher level.

Paper Summary

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

Section A: Multiple Choice

- Candidates need to ensure they can distinguish between market and government failure as it was common for candidates to select a government failure in error.
- On the PED question many candidates struggled to understand the relationship between the PED and the revenue levels and this needs close attention.

Section B: Short Answer Question

- When asked to a draw a diagram all marks can be achieved through the diagram and no written explanation is required. The majority of candidates supported their response with a written explanation when in fact the diagram had achieved full marks.

- Question 8 on market bubbles was a challenge. Most candidates used the data provided. They need to be able to explain the risks associated with a bubble in terms of it bursting and prices falling.
- Question 9 caused problems. Candidates need to be able to explain why the smuggling is a government failure.

Section C: Data Response

- On 12 (b) candidates were asked to make reference to Figure 1 and Extract A and one application mark was awarded to reference to each.
- On 12 (c) candidates needed to show shifts in both supply and demand and it is important that they look for both on questions that ask them analyse why prices change. Again the question asked them to make reference to both Figure 2 and Extract A so candidates should refer to both.
- On 12(d) it considered the removal of the tax and many looked at the imposition, Careful reading of the question is important.
- In this 8 mark question there are two evaluation marks available. These can be accessed through making two evaluative comments or by developing one evaluation point.

Section D: Essay

- Define the key terms relevant to the question.
- Diagrams should be drawn where helpful and many candidates successfully incorporated an external costs diagram.
- Candidates that did best were able to apply to the specific question and use relevant examples that fitted with the division of labour and tradeable permits in relevant industries.