



Examiners' Report

Principal Examiner Feedback

October 2019

Pearson Edexcel International Advanced  
Subsidiary in Economics (WEC11/01)  
Paper 1: Markets in Action

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## **Introduction**

This is the third sitting of this paper. Overall in this latest series the performance of candidates was slightly better than in previous series.

The performance on the multiple-choice section was marginally improved compared to the previous series.

Overall candidates performed slightly less well on the short answer (4 mark) section. However, candidates performed better compared to the previous June series on the data response questions. There was also an improvement in the essay question compared to the June series

Diagrammatic analysis on the work from the better candidates was accurate and was integrated with their written analysis. They would not only draw the diagram accurately but talk about what they learn from it in their written explanation. This enabled them to consistently achieve within the top level. This was particularly true for those drawing the diagram on the 14 mark indirect tax diagram in question 12(e), a subsidy diagram on question 13 and external benefits diagram on question 14.

There were a significant number of superior responses which scored very high marks, particularly in the short answer section of the paper and the 4 and 6 mark questions on the data response. A greater number of candidates also performed well on the 10 and 14 mark question as more developed their analysis points and offered developed evaluation. This was also true of the 20 mark essay question.

Most candidates were able to complete the paper in the time available though some struggled to develop their answers for questions requiring evaluation.

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 candidates could have improved their performance.

### **Section A: Multiple Choice**

The mean score for the multiple-choice questions was above the June series.

The question that caused most problem for candidates was question 4. They had to identify the change in producer surplus and just over 2/3rds could do this.

### **Section B: short answer questions**

The mean score for the short answer questions was below the June series.

The question that caused most problem for candidates was question 11. This tested the concept of diminishing marginal utility and many struggled to access marks on the question. Many defined diminishing marginal utility inaccurately and in fact were defining decreasing marginal utility. Many did attempt to complete the calculations although many could not do this accurately

### **Section C: data response questions**

The performance on the data response section was improved compared to June. In part thanks to better performance on the questions with evaluation marks available.

The data response questions have a substantial weighting for evaluation marks (8 out of 34 marks). Consequently, it was vital that candidates made evaluative comments when required by the

question. The 14 mark question comprises 6 evaluation marks and a 8 mark question comprises 2 evaluation marks. To achieve the higher level they needed to not only identify evaluative points but develop them to explain their point. To reach level 3 these points must be less generic and more in the context of the question. There was a significant improvement in the numbers evaluating with both development and context.

### **Section D: essay question**

Once again the performance on this section improved compared to the June series. It seemed to be better integration of the diagrams and stronger evaluation that was developed and in context that enabled this improvement in performance. Question 13 on subsidising electric bicycles was attempted by more candidates than the question 14 on private benefits and external benefits of vaccination.

#### **Question 1**

The correct answer was taken directly from the specification in terms of Economics is a social science. Answer C talked about unlimited resources and limited wants which is the reverse of the normal situation. Most could correctly identify B as the correct answer.

#### **Question 2**

This question was about the role of the state. The vast majority correctly identified the states roles as subsidising the production of goods with external benefits. C and D were wrong as both involved taxing public goods where in fact government tend to provide them to counteract the free rider problem.

#### **Question 3**

Candidates typically performed best on this question. Most identified that the function of money was a method of deferred payment.

#### **Question 4**

As outlined above this question was the most challenging. A was wrong because this is in fact consumer and not producer surplus. B is wrong as this is the previous consumer surplus. C was the correct answer as this represented the increase in producer surplus.

#### **Question 5**

Candidates performed well on this question. Most could identify correctly that Egypt's supply was least responsive to the change in price.

#### **Question 6**

This question required candidates to take the 4% fall in sales and to divide this by the average change in price of 5%. This gives -0.8 so B is the correct answer. The most common errors were to put +0.8 which is wrong due to the law of demand which means PED will always be negative. Other incorrectly took the 5 and divided by the -4 to get -1.25 which is wrong as the % change in quantity demanded always comes first.

#### **Question 7**

The mean score on this question was just above half marks. Candidates needed to draw a diagram show the impact of a decrease in the maximum price for tuition fees. Most could draw a maximum

price showing the maximum price below the equilibrium price. But what they failed to do was to show the decrease in the maximum price as requested in the question.

Many of those that did draw two maximum prices below the equilibrium they did not always show the quantity supplied contracting, quantity demand extending or increased excess demand. It is worth advising candidates when showing the change in quantity demanded or supplied to make it clear in the annotation. E.g.  $Q_s$  to  $Q_{s_1}$  rather than just putting  $Q_1$  to  $Q_2$ .

### **Question 8**

The question required candidates to explain what is meant by the term public goods. The mean score on this paper was approaching 3 out of 4. They needed to make reference to the provision of street lights. Most could define public goods making reference to non-excludability and non-rivalry. Many had a good understanding of public goods and could give example but many did this unrelated to street lights. The best responses would explain how one person using street lights does not affect the ability of others to use the street light. They also made reference to the fact that you cannot exclude a person from benefiting from the light.

### **Question 9**

The question considered why consumers did not switch internet providers. Some related this to asymmetric information but more commonly to reasons consumers do not act rationally. Many achieved a knowledge mark for defining either rational/ irrational behaviour or asymmetric information. A large number were also able to identify a cause such as habitual behaviour, inertia or being weak at computation. Better responses went on to explain what this was and related this to internet provision.

### **Question 10**

The question required the candidates to calculate the income elasticity of demand. This question had the highest mean score of all the 4 mark questions. Most could accurately provide the formula for income elasticity of demand. Most could also calculate the percentage change in income and the percentage change in quantity demanded. Being able to do all of this enabled them to achieve 3 marks. The final mark was awarded for the correct answer. It is important when calculating the income elasticity of demand to ensure the positive or negative sign is calculated.

### **Question 11**

As identified earlier this question was challenging. Candidates needed to calculate the marginal utility, that is the change in utility as the number of drinks is increased. Candidates needed to define diminishing marginal utility and many offered incorrectly the definition for decreasing marginal utility. It is important to note that the diminishing marginal utility is where the additional utility from an additional unit of consumption falls. Many could identify that this happens as you move from 4 to 5 drinks.

### **Question 12**

#### **Part a**

The best responses defined information gap accurately and gave an example relevant to the information in the source booklet. Both marks could be accessed with out the example. Many made reference to the fact this is a market failure.

### **Part b**

Candidates performed well on this question as they were able to define positive economic statements. Most made reference to statements that could be supported or refuted with the use of evidence. Candidates were then awarded up to marks for any example form the data.

### **Part c**

The question required candidates to explain why the price of plastic waste fell by more than 40%. Most could identify the reason making reference to China imposing a ban. Most could draw the original equilibrium and the correct shift of demand to the left. Some gained the application mark by making explicit reference to the price change. Most also annotated the final equilibrium . Where candidates struggled was in accessing the final mark which was normally for analysis which would be to explain how the ban affects the market. This could be by explaining that it causes a contraction of supply or that less companies were willing to buy the materials.

### **Part d**

The question asked candidates to examine the external costs associated with the consumption and disposal of carrier bags. Most accessed the knowledge mark by defining external costs accurately. Many failed to access the second knowledge mark although those that did often made reference to it being a market failure or that it was an overconsumption. Many attempted to draw an external costs of production diagram which was not rewarded as this was a question about consumption. Many could identify relevant external costs from the extract and better candidates were able to explain how the third parties were affected. The 8 mark question has 2 marks allocated for evaluation. This can be achieved by offering two evaluative points or developing one. Many made reference to difficulties in placing a value of external costs, others focussed on the fact many external costs will be long term.

### **Part e**

This 14 mark question required a discussion of the impact of the introduction of an indirect tax on plastic bags. Most defined indirect tax and better candidates could also identify that this is a specific tax. Given this these candidates often went on to draw a diagram with a shift and not a pivot in the supply curve. Weaker candidates often focused on the impact on price and quantity only. Better candidates referred to other aspects such as the incidence of the tax, impact on consumer or producer surplus or tax revenues. They explicitly made reference to areas on there diagram. It was impressive the number applying to context making reference to the size of taxes in Greece and Denmark, the impact of these on consumption and ta revenues. Evaluation often tended to achieve level 2 overall. Most could identify evaluative points and either develop this or place in context, Better candidates placed their evaluative points in context and developed. That is they needed to link to the context of plastic bags and the evaluative point needed explaining in detail. Many focused in on magnitude and made reference to the actual size of the taxes. Other looked the measurement issue with setting the correct rate or considered the incidence of the tax.

### **Question 13**

This was the more popular of the two essays. Candidates also performed better on this question on average than on question 14. Most accurately defined the term subsidy and made reference to the €400. Many made reference to the impact on the cost of production and diagrams were typically drawn. Once again those that only made reference to the impact on price and quantity tended to achieve level 2 whereas those that went on to look at other aspects such as the impact on consumer

and producer surplus or the producer or consumer subsidy. Some of the best responses looked at the impact on the bicycle market but also on the substitute market of the car. Once again an increasing number were able to identify evaluative points develop them in the context of a subsidy for electric bicycles. Some common evaluation points related to the size of the subsidy and the emergence of a dependency.

#### **Question 14**

In a previous series there was a question looking at why people do not take a vaccine. This question, however, required them to evaluate the private benefits and external benefits. Many unfortunately answered the wrong question highlighting why people do not take the vaccine. Most defined private and external benefits and identified relevant examples. Most could draw a diagram accurately. Better responses looked at private benefits to those manufacturing the vaccinations and on employers who would see less absence if more were vaccinated. The evaluation focused normally on magnitude, time frame and the difficulty to quantify.

#### **Paper summary**

The advice below is feedback on the teaching of the content and preparation for assessment within WEC11:

- Define accurately the key economic term(s) used in each question.
- You will often find definitions alone are awarded one mark and only occasionally two marks. Candidates should not spend too much time defining only.
- Candidates struggled in identifying changes in producer and consumer surplus and this is something worth practicing with candidates
- When drawing maximum price diagrams it is worth annotating the original and new quantity demanded and supply explicitly and any changes in excess demand.
- When asked to explain the concept of public goods focus on the example from the question, that is street lights. Many showed good understanding but with different examples.
- The marginal utility question was particularly challenging for many. This question should be practiced. Pay particular attention to how they define diminishing returns to scale.
- Always refer to the information provided explicitly, it is better to refer to specific numbers, for example prices or level of indirect taxation.
- Focus on developing economic analysis in the high mark base questions. A number of candidates moved from definitions and a brief explanation of an economic issue straight into evaluation. This was evident in 14 mark and 20 mark questions. Economic analysis typically involves explaining the sequence of events leading up to a particular outcome.
- Diagrams that add detail such as referring to welfare loss, incidence, revenue or surpluses were able to access the higher levels. Diagrams did best when integrated into analysis when the points on the diagram are explicitly referred to.
- Candidates need to consider the mark allocations where 14 marks are available 6 marks will be for evaluation and students should be encouraged to develop at least 2 and possibly 3 evaluation points. Similarly, a 20 marker will normally require 3 or 4 evaluation points for 8, marks.
- Having identified externalities from extracts it is important to explain who is affected and how they affect the third party.
- When drawing indirect taxation diagrams it is useful to consider whether it is a specific or ad valorem tax. Many drew ad valorem despite it being a specific tax.