Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number

Candidate Number

Pearson Edexcel International Advanced Level

Thursday 8 May 2025

Afternoon (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.

Mohammad Abdullah Al Mamun
Principal
American International Tutorial
(An English Medium School)

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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 is an example of a market failure?

☒ **A** Unintended consequences

☒ **B** A market bubble in the housing market

☒ **C** Excessive administration costs resulting from regulation

☒ **D** A firm exiting the market because it was making a loss

(Total for Question 1 = 1 mark)

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2 In 2015 the Government of Thailand set a maximum price below the market equilibrium price for flights within the country. In 2023 the Government of Thailand increased the maximum price by 3.75%.

Ceteris paribus, which **one** of the following is the most likely result of increasing the maximum price of flights within Thailand?

☒ **A** An increase in excess supply

☒ **B** A decrease in excess supply

☒ **C** An increase in excess demand

☒ **D** A decrease in excess demand

(Total for Question 2 = 1 mark)

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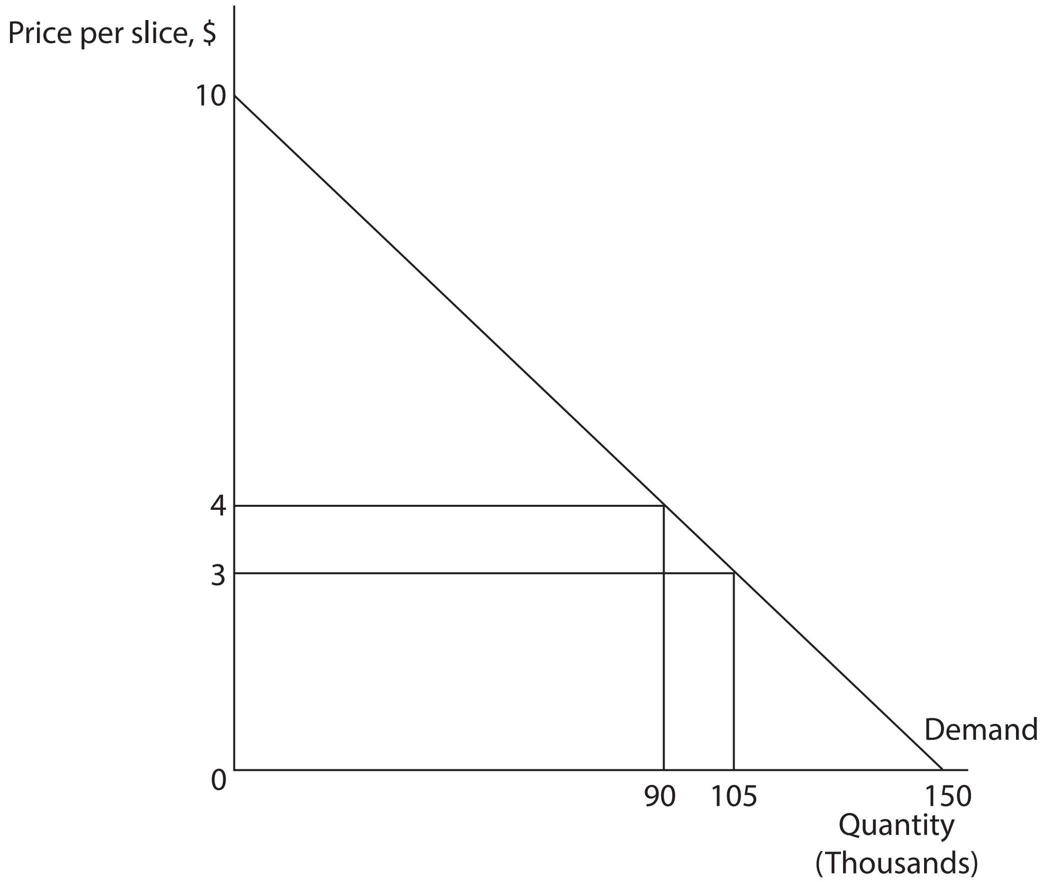
3 Procter & Gamble, a US-based international business, sells beauty, grooming, personal healthcare and fabric care goods. In 2022 it increased its prices, on average, by 10%. The quantity of items sold decreased by 6%.

Which **one** of the following explains why consumers bought fewer Procter & Gamble products?

- ☐ **A** Consumers aimed to maximise utility
- ☐ **B** Consumers aimed to minimise utility
- ☐ **C** Consumers suffered from habitual behaviour
- ☐ **D** Consumers had poor computational skills

(Total for Question 3 = 1 mark)

4 The diagram shows the market for a slice of vegan cheesecake.

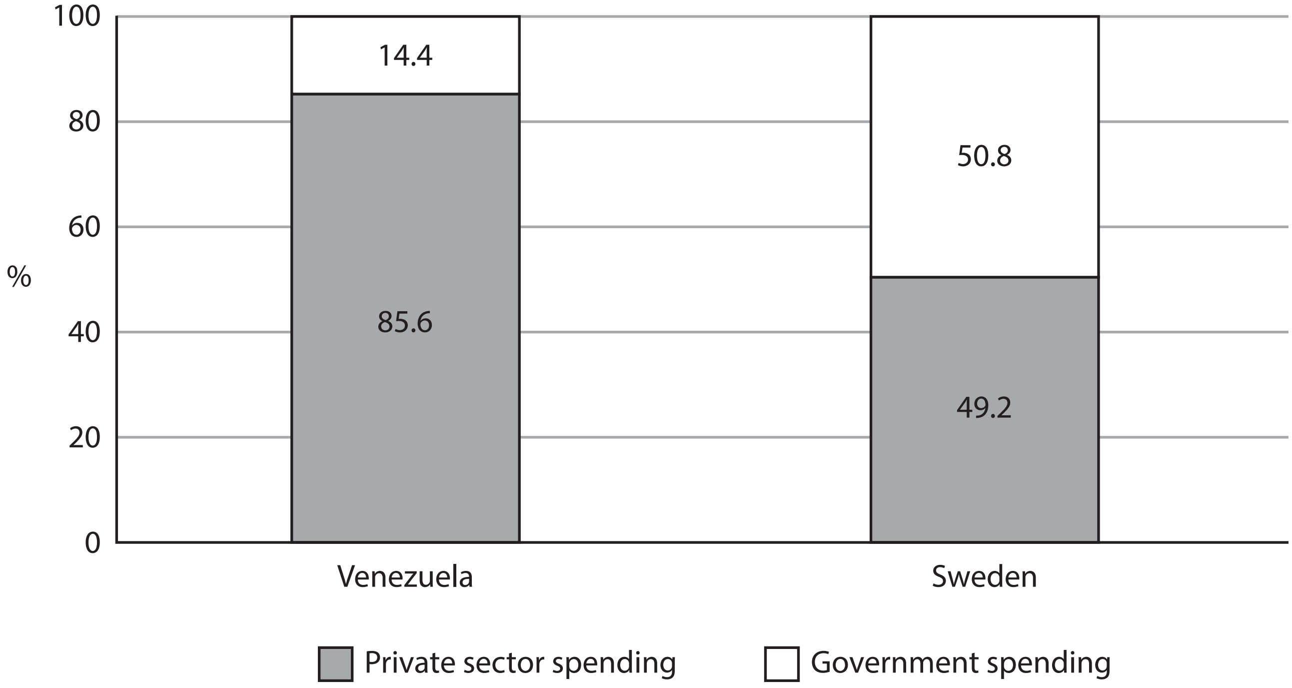


The price of a slice of vegan cheesecake was originally \$3. If the price is increased to \$4, which **one** of the following can be deduced from the diagram?

- ☒ **A** Total revenue would decrease by \$90 000
- ☒ **B** Total revenue would decrease by \$45 000
- ☒ **C** Total revenue would increase by \$45 000
- ☒ **D** Total revenue would increase by \$90 000

(Total for Question 4 = 1 mark)

5 The chart shows the share of government spending and private sector spending in Venezuela and Sweden in 2023.



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

- ☒ **A** Venezuela is a free market economy
- ☒ **B** Sweden is a command economy
- ☒ **C** Sweden is a free market economy and Venezuela is a command economy
- ☒ **D** Sweden and Venezuela are both mixed economies

(Total for Question 5 = 1 mark)

6 The table shows the estimated price elasticity of demand for a bar of chocolate produced by selected chocolate bar manufacturers.

Manufacturer	**Price elasticity of demand**
Lindt	–1.1
Mars	–1.3
Mondelez	–1.6
Hershey	–2.1

(Source adapted from: https://kylascanlon.com/2020/01/19/chocolate-at-any-cost-the-price-elasticity-of-the-candy-industry/)

Ceteris paribus, which **one** of the following can be deduced from this information?

☒ **A** The demand for all four chocolate bars is price inelastic

☒ **B** All four chocolate bars are inferior goods

☒ **C** A 5% increase in the price of a Mars chocolate bar will result in a 6.5% decrease in the quantity demanded

☒ **D** A 5% increase in the price of a Mondelez chocolate bar will result in an 8% increase in the quantity demanded

(Total for Question 6 = 1 mark)

TOTAL FOR SECTION A = 6 MARKS

SECTION B

Answer ALL questions in this section in the spaces provided.

7 In 2021 the number of citizens taking online education courses in the Philippines was 1 300 000.

Draw a diagram to illustrate the likely external benefits resulting from online education in the Philippines.

(Total for Question 7 = 4 marks)

8 The construction of a house requires many different types of worker. These include:

- bricklayers
- carpenters
- plasterers
- electricians
- painters and decorators.

Explain **one** advantage of specialisation in house construction.

(Total for Question 8 = 4 marks)

9 The table shows the cross elasticity of demand for biscuits and cold soft drinks with respect to a change in the price of hot drinks.

	Cross elasticity of demand with respect to a change in the price of hot drinks
Biscuits	–0.47
Cold soft drinks	+0.43

With reference to the information given, explain the difference between substitutes and complements.

(Total for Question 9 = 4 marks)

10 The table shows the average price of green coffee beans and the global output of green coffee beans in February 2023 and in February 2024.

	Price of green coffee beans per lb	**Output of green coffee beans (tonnes)**
February 2023	\$1.61	8 510 000
February 2024	\$1.82	11 550 000

Ceteris paribus, calculate the price elasticity of supply for green coffee beans.

Show your workings.

(Total for Question 10 = 4 marks)

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11 In 2023 there were 999 700 more immigrants who entered the USA than emigrants who left the country.

Explain the likely impact on the USA's production possibility frontier (PPF) of this change in migration.

Illustrate your answer with a fully labelled PPF diagram.

(Total for Question 11 = 4 marks)

TOTAL FOR SECTION B = 20 MARKS

SECTION C

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

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

12 (a) Define the term 'public good'. (Extract A, line 13)

(2)

(b) With reference to Figure 1 and Extract A, analyse **two** factors that caused the average world price of transporting goods in shipping containers to rise rapidly.

Illustrate your answer with a supply and demand diagram.

(6)

(c) With reference to Extract B, explain the difference between price inelastic supply and price elastic supply.

(4)

(d) With reference to Extract C, examine **two** external costs associated with container ships.

(8)

(e) With reference to Extract C and your own knowledge, discuss the likely benefits of subsidies paid to the manufacturers of wind sails.

Illustrate your answer with a supply and demand diagram.

(14)

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12 (a) Define the term 'public good'. (Extract A, line 13)

(2)

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(b) With reference to Figure 1 and Extract A, analyse **two** factors that caused the average world price of transporting goods in shipping containers to rise rapidly.

Illustrate your answer with a supply and demand diagram.

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(d) With reference to Extract C, examine **two** external costs associated with container ships.

(8)

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(e) With reference to Extract C and your own knowledge, discuss the likely benefits of subsidies paid to the manufacturers of wind sails.

Illustrate your answer with a supply and demand diagram.

(14)

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(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 The table shows the global sales of electric vehicles in 2017 and 2023.

Year	Sales of electric vehicles
2017	1 180 000
2023	13 800 000

Evaluate the microeconomic benefits of this increase in demand for electric vehicles.

Illustrate your answer with a supply and demand diagram.

(Total for Question 13 = 20 marks)

OR

14 The Governments of the UK, Spain and Italy have introduced a tax on plastic packaging. This is charged on any plastic packaging with more than 30% that cannot be recycled.

The table shows the amount of tax charged in each country.

Country	Tax per tonne
UK	$250
Spain	$465
Italy	$465

Evaluate the microeconomic benefits of introducing a tax on plastic packaging.

Illustrate your answer with a supply and demand diagram.

(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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Pearson Edexcel International Advanced Level

Thursday 8 May 2025

Afternoon (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.

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Sources for use with Section C

Container shipping

Figure 1 Average world price of transporting goods in a shipping container, dollars per 40-foot container, March 2023 and March 2024

	Price ($)
March 2023	2 172
March 2024	3 411

Extract A Shipping container costs rise rapidly

The shortest and cheapest shipping route from Asia to Europe and North America passes through the Red Sea and via the Suez Canal, Egypt. Between November 2023 and April 2024 there were 133 attacks by pirates on ships in the Red Sea travelling to the Suez Canal. In response, 62% of container ships diverted to an alternative route. This adds 6 550 km to the journey and takes an extra 10–15 days. The additional cost of fuel per container ship is estimated at $1 million.

Additionally, other costs rose. For example, the wages of workers on container ships increased. Interest rates also increased, adding to the cost of borrowing.

Diverted ships have to travel through dangerous waters under the southern tip of Africa. There are 2 300 shipwrecks along the South African coastline. However, 45 active lighthouses along this coastline help ships through these dangerous waters. The Government of South Africa provides lighthouses as a public good.

Extract B The supply of container ships

With ships taking longer on journeys, more ships are required. Between 2023 and 2024 the top ten container shipping companies ordered 569 new ships. It will take 12–16 months to build one new container ship. This number of orders means that the shipping companies will have an even longer wait before the ships are received. However, only 65% of capacity on container ships is typically used.

Extract C Environmental impact of container ships

The transportation of goods by container ships has a number of environmental impacts:

- 2% of global CO_2 emissions come from container ships
- the low-grade fuel used by the world's 90 000 container ships contains 2 000 times the amount of sulfur compared to diesel fuel used in cars
- in one year, a single large container ship can emit cancer-causing and asthma-causing pollutants equivalent to that of 50 million cars
- the hum of ship engines affects marine life, disrupting communication and navigation for animals such as whales and dolphins
- oil spills, sewage and chemical waste discharged by container ships contribute to water pollution.

However, between 2008 and 2023, carbon emissions were reduced by 30% through measures to reduce fuel consumption.

BAR Technologies, an engineering business, has developed wind sails that can be attached to container ships. In the first trial in 2023, these wind sails helped to reduce fuel consumption. This reduced carbon emissions from each ship by 11.2 tonnes of CO_2 per day. Over one year this would be the equivalent of removing 480 cars from the roads. With such environmental benefits some economists suggest that subsidies should be paid to manufacturers of wind sails.

Acknowledgements

Figure 1 adapted from:

https://www.freightos.com/freight-blog/shipping-delays-and-cost-increases/

Extract A adapted from:

https://www.freightos.com/freight-blog/shipping-delays-and-cost-increases/

https://africacenter.org/spotlight/red-sea-indian-ocean-attacks-africa-maritime-vulnerability/

Extract B adapted from:

https://www.freightwaves.com/news/tidal-wave-of-new-container-ships-2023-24-deliveries-to-break-record

https://www.supplychainsecrets.com/the-challenge-of-freight-container-utilisation-and-why-it-matters

Extract C adapted from:

https://www.iea.org/energy-system/transport/international-shipping

https://newatlas.com/shipping-pollution/11526/

https://www.wri.org/insights/how-to-decarbonize-international-shipping

https://www.cargill.com/2024/first-wind-powered-ocean-vessel-maiden-voyage