Mark Scheme (Results)

October 2025

International Advanced Level in Economics
WEC11/01
Unit 1: 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

October 2025
Question Paper Log Number P78816A
Publication Code WEC11_01_2510_MS

General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

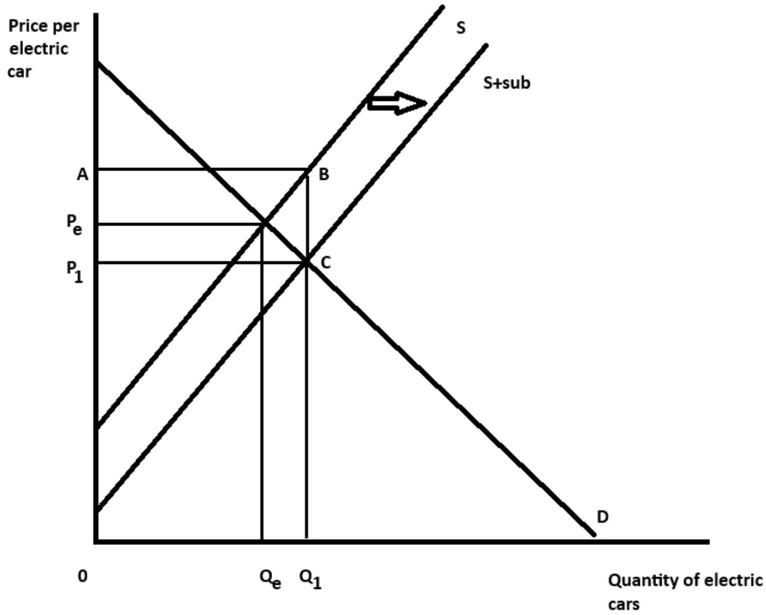
Section A

Question	Quantitative skills assessed	Answer	Mark
1	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct because subsidies are likely to be used on health services that produce external benefits **B** is not correct because a tax is likely to be placed on chemicals that produce external costs **C** is not correct because this is an example of government failure	**(1)**
2	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is B** **A** is not correct because this is an advantage of the division of labour **C** is not correct because this is an advantage of the division of labour **D** is not correct because workers are more likely to leave the business due to the monotony of the work	**(1)**
3	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** **A** is not correct because this is the definition of a free good **B** is not correct because this is a characteristic of public goods **D** is not correct because this is an example of asymmetric information	**(1)**

4	**QS4**: Construct and interpret a range of standard graphical forms **QS8**: Make calculations of elasticity and interpret the result **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is D** **A** is not correct because the PED is 0 at this point **B** is not correct because the PED will be between 0 and -1 at this point **C** is not correct because the PED will be equal to -1 at this point	**(1)**
5	**QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is A** **B** is not correct because renewable resources were 30% in 2014 and by 2024 renewable resources increased to 47% **C** is not correct because gas increased from 13% to 16% **D** is not correct because hydro decreased from 13% to 12%	**(1)**
6	**QS8**: Make calculations of elasticity and interpret the result **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms	**The only correct answer is C** **A** is not correct because the negative value for cereal indicates that it is an inferior good and meat has a positive value indicating that it is a normal good **B** is not correct because cereal has a negative value indicating that it is an inferior good **D** is not correct because meat has a positive value indicating that it is a normal good.	**(1)**

Section B

Question	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. **Answer**	Mark
7	**Knowledge 1, Application 3** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for showing knowledge on diagram • Original supply, demand and equilibrium price and quantity labelled **(1)** **Application** Up to 3 marks for the following information included on diagram: • Correct shift of supply to the right **(1)** • New equilibrium price and quantity **(1)** • Area of government spending **ABCP$_1$ (1)**	



	NB the supply curve may be pivoted or shifted parallel to the right	**(4)**

Question	With reference to national parks, explain one reason why governments provide public goods. **Answer**	Mark
8	**Knowledge 1, Application 1 Analysis 2** Quantitative skills assessed: **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for definition of public goods: • Goods that are non-excludable **and** non-rival **(1)** **Application** 1 mark for reference to data: • India has 102 national parks/ Nigeria has 8 national parks/ Türkiye has 41 national parks/ UK has 15 national parks **(1)** **Analysis** Up to 2 marks for linked analysis: • Firms cannot make a profit **(1)** due to the free-rider problem/ as people cannot be excluded from visiting the national park and will do so without paying **(1)** • National parks are so large that it would be difficult to exclude people from entering a national park **(1)** as there are too many entrances **(1)** • National parks are so large that users will have little impact on other users **(1)** so by providing them it means that many people can benefit simultaneously/at the same time **(1)**	**(4)**

	• The Government can use tax revenue to purchase land to be part of the national park **(1)** whereas private firms would struggle to generate such large funds **(1)** • To correct the market failure **(1)** which would result in underprovision of goods or services **(1)**	

Question	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. **Answer**	**Mark**
9	**Knowledge 2, Application 2** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** 1 mark for definition of private benefits e.g.: • Positive impacts/benefits to the first/ second party/ buyer/ sellers **(1K)** 1 mark for definition of external benefits e.g. • Positive impacts on third parties/people outside the transaction/difference between social benefits and private benefits/ positive spillover effects **(1K)** **Application** Up to 2 marks for applying to stem e.g.: • Graduates earning 42.5% more than non-graduates is a private benefit **(1AP)** • A 10% increase in the number of universities increases GDP per capita by 0.4% is an external benefit **(1AP)**	**(4)**

Question	Ceteris paribus, calculate the price elasticity of demand for music concert tickets. Show your workings. **Answer**	Mark
10	**Knowledge 1, Application 3** Quantitative skills assessed: **QS8:** Make calculations of elasticity and interpret the result. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge** 1 mark for definition or formula: • Responsiveness of quantity demanded to a change in price / <u>% change in quantity demanded</u> % change in price **(1)** **Application** Up to 3 marks for calculations: • % change in number of ticket sold 69.9-70.1/70.1 x 100 = (-)0.2853067% **(1)** • % change in price 135.92-130.81/130.81 x 100 = 3.90642917% **(1)** • PED calculation (-)0. 2853067% ÷ 3.90642917% = - 0.0730351653 **(1)** **NB: if correct answer (e.g. -0.07/-0.073/-0.0730/-0.07303) is given, award full marks regardless of working.** **Accept rounding of final answer to one decimal place (-0.1)** **Accept reasonable rounding from full calculation (e.g. 0.28÷3.91= -0.0716/ 0.3÷3.9=-0.769)** **Award the mark for 0.002828854314 and 0.039064291721 where they have not multiplied by 100 for the % change in number of tickets sold or % change in price** **Award 3 marks for 0.073035% or +0.073035**	**(4)**

<table>
<tr><th>Question</th><th>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 on consumer surplus in the cotton market.
Illustrate your answer with a supply and demand diagram.

Answer</th><th>Mark</th></tr>
<tr><td>11</td><td>

Knowledge 1, Application 1, Analysis 2

Quantitative skills assessed:
QS4: Construct and interpret a range of standard graphical forms

QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

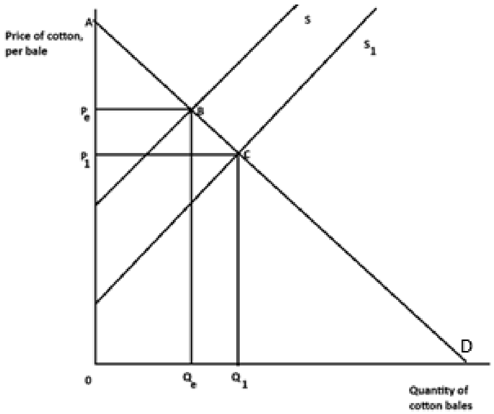
Knowledge

1 mark for definition of consumer surplus e.g.:

- Consumer surplus is the difference between the amount a consumer is willing to pay for a good and the price they actually pay/ the difference between the demand curve and the market equilibrium price **(1)**

Application

1 mark for outwards/rightwards shift of supply **(1)**



Analysis

Up to 2 marks for showing the change in consumer surplus

- Consumer surplus increases **(1)** by BCP_1P_e **(1)**
- Original consumer surplus ABP_e **(1)** and new consumer surplus ACP_1 **(1)**

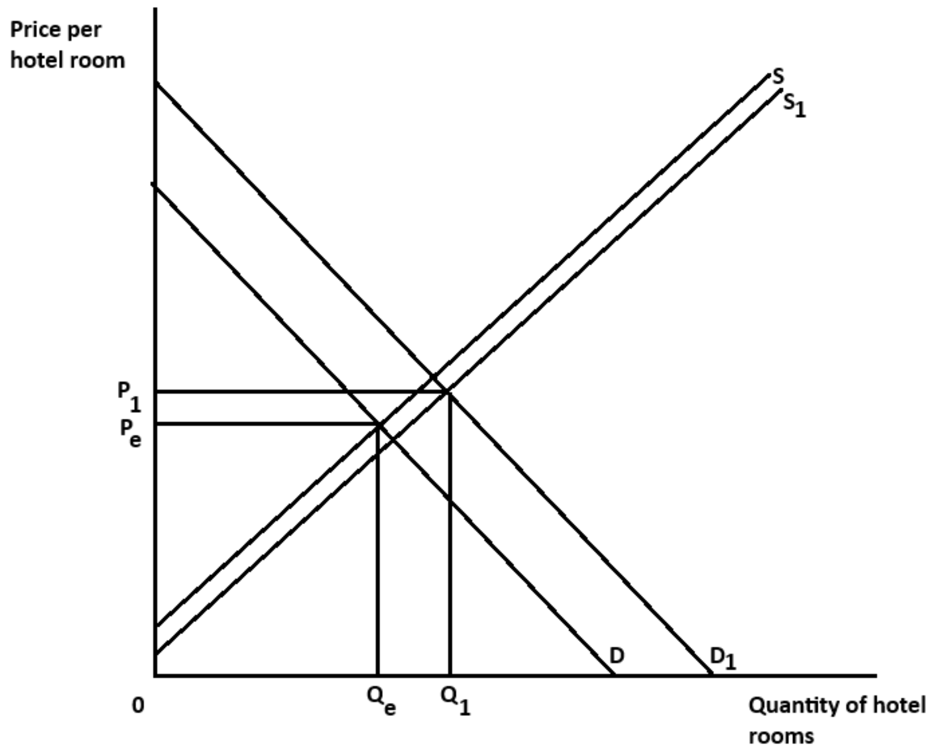
NB if supply is shifted correctly but demand is also shifted do not award the AP mark but both AN marks are awardable

</td><td>(4)</td></tr>
</table>

Section C

Question	Define the term 'income elasticity of demand'. (Figure 1) **Answer**	Mark
12 (a)	**Knowledge 2** **QS8:** Make calculations of elasticity and interpret the result. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. Up to 2 marks for understanding of income elasticity of demand e.g. • The responsiveness of quantity demanded to a change in income **(1+1)** • $\%\Delta Q_D \div \%\Delta Y$ **(1+1)** • $\Delta QD/QD \div \Delta Y/Y$ **(1+1)** Maximum of 1 mark for examples if no definition/ formula offered • Short-haul and long-haul flights have elastic YED/ luxury goods/ normal goods/ values of +1.6 and +1.8 respectively **(1)**	**(2)**

Question	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. **Answer**	Mark
12 (b)	**Knowledge 2, Application 2, Analysis 2** Quantitative skills assessed: **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge** Up to 2 marks for the diagram showing: • Original supply, demand and equilibrium price and quantity **(1)** • New equilibrium having shifted **both** demand and supply showing **a larger increase in demand than in supply** **Analysis** 1 mark for **one** demand factor from Extract A: • Demand for hotel rooms increased by 10%/ A rapid increase in real incomes in India has resulted in a growth in domestic tourism/ The number of European and North American tourists has also increased significantly **(1)** 1 mark for **one** supply factor from Extract A: • Rate of growth in the number of hotel rooms was just 3% **(1)** **Application** Up to 2 marks for diagram or for reference to Figure 2.: • Shift supply to the right **(1)** • Shift demand to the right **(1)** • Figure 2- Hyderabad prices increased 70%/Mumbai 40%/Chennai 34%/Bangalore 27%/Jaipur 25%/New Delhi 19% **(1)**	



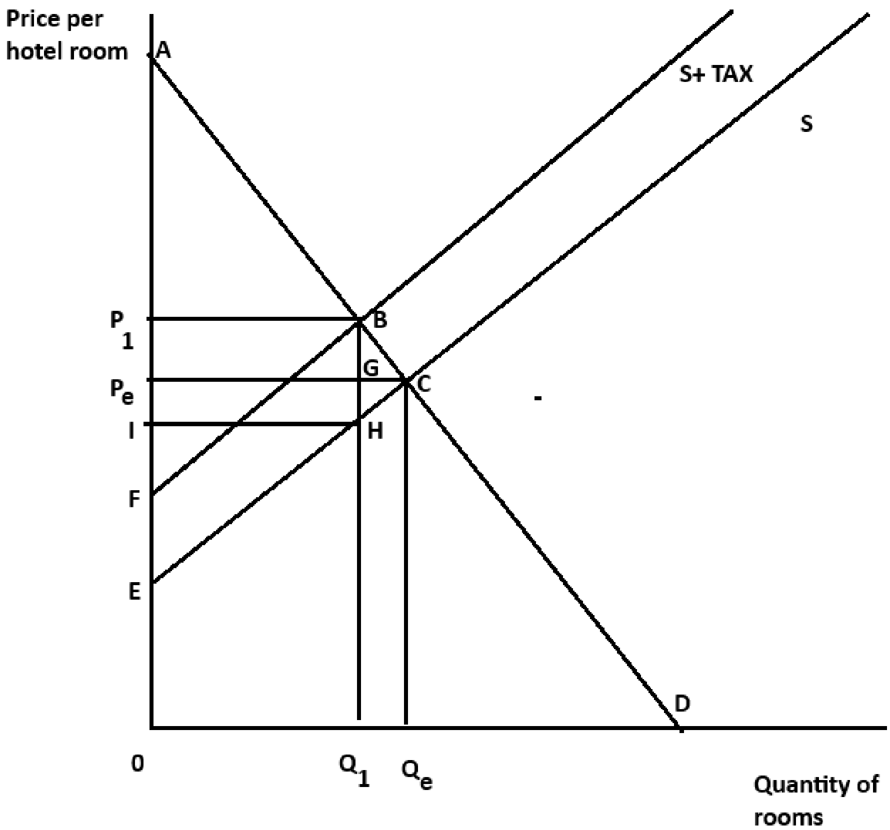
Price per hotel room
S
S_1
P_1
P_e
D
D_1
0
Q_e
Q_1
Quantity of hotel rooms

		(6)

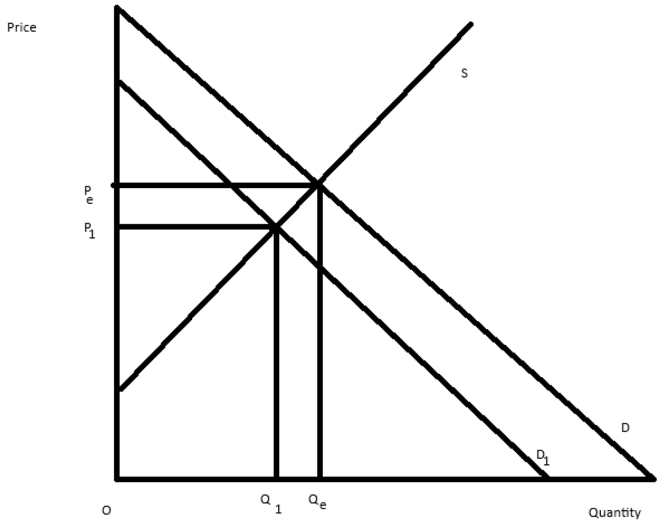
Question	With reference to the second paragraph of Extract A, explain whether the price elasticity of supply of hotels is likely to be price elastic or price inelastic. Answer	Mark
12 (c)	**QS8:** Make calculations of elasticity and interpret the result. **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge 2 Application 2** **Knowledge** 1 mark for understanding of price inelastic supply: • where the PES is between 0 and 1/a change in price causes a less than proportionate change in quantity supplied **(1)** 1 mark for understanding of price elastic supply: • where the PES is between 1 and infinity /a change in price causes a more than proportionate change in quantity supplied **(1)** **Application** 1 mark for identifying correct elasticity: • Supply of hotels in India is relatively price inelastic **(1)** 1 mark for reference to Extract A • It takes a long time to acquire the necessary licences, planning permissions and funding/ needs 120 licences/ • Luxury hotel takes on average 39 months to build/ standard hotel takes 30 months/ • Luxury hotel in USA takes just 28 months **(1)**	**(4)**

Question	With reference to the first two paragraphs of Extract B, examine **two** external costs of tourism to India. **Answer**	Mark
12(d)	**QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms **Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge and Analysis** Up to 2 marks for identifying two external costs and up to 2 marks for linked development, e.g.: • Increased health costs **(1K)** as people drink dirty water/develop respiratory problems **(1AN)** • Animals can get trapped or eat the litter **(1K)** resulting in money needing to be spent to rescue them or clean up **(1AN)** • Congestion leads to longer journey times **(1K)** leading to delays in deliveries and additional costs **(1AN)** • Water companies may have to spend more to supply its consumers **(1K)** resulting in consumers having to pay higher prices for water **(1AN)** • Loss of biodiversity **(1K)** which may result in the loss of possible future medications from plant life **(1AN)** • Damage to homes for those not involved in the hotel industry **(1K)** will lead to repair bills **(1AN)** • Too many people in cities may impact safety resulting in more injuries **(1K)** and higher health care costs **(1AN)** **Application** 1 mark for application to Goa in Extract B • 8.5 million tourist visitors led to pollution **/** littering on its beaches **/** traffic jams **/** water scarcity **/** damage to its environment **(1AP)** 1 mark for application to Joshimath, Himalayas in Extract B • Ground began to sink **/** cracks in homes **/** roads **/** overcrowding **/** overdevelopment **/** unplanned construction **(1AP)** **Evaluation** Up to 2 marks for evaluative comments (2+0 or 1+1), e.g.: • Putting a value on external costs is difficult so quantifying the impact of external costs is hard **(1+1)**	**(8)**

	• The external costs may not be seen in the short term but emerge in the long term **(1+1)** • Private benefits/external benefits may exist that offset the external costs, such as, employment and spending within the local economy **(1+1)** • The magnitude of the issues is significant with 8.5 million people visiting Goa with a population of 1.6 million **(1+1)** **NB no marks awarded for diagram or definition of external costs**	

Question	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. **Indicative content**
12(e)	**Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited. **Quantitative skills assessed** **QS4**: Construct and interpret a range of standard graphical forms **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Knowledge, Application and Analysis (8 marks) – indicative content** • 2019-23- Arrivals to India decreased by 16% • High tax paid by international tourists- on hotels and air travel • Holidays to India overpriced  • Tax increases the price of hotel room/(air travel) from P_e to P_1 • Quantity decreases Q_e to Q_1

- Reduced producer surplus therefore less profit fund innovation/ investment
- Lower consumer surplus (by P_eP_1BC) results in fewer tourists recommending to friends
- Relative tax rates in other tourist destinations may be lower making these more price competitive
- There is insufficient spending on advertising and marketing for tourism in India resulting in less awareness of India as a tourist destination resulting in lower demand for tourism in India-this may be shown diagrammatically e.g.



- This level of spending is far below the amounts spent by the Governments of Sri Lanka and Thailand on promoting tourism resulting in tourists preferring substitute destinations such as Sri Lanka or Thailand to India
- The lack of information in advertising and marketing creates an information gap, lack of information means consumers do not consider India as an option

NB maximum of Level 2 if no appropriate diagram is included

G	Mark	Descriptor
	0	No rewardable material
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.

Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 3	7–8	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using relevant examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (6 marks) – indicative content • Magnitude- the size of the tax is high so has a significant impact in limiting demand • Government tax revenue P_1BHI could be used to fund the required advertising • Advertising campaigns cause opportunity costs and the Government of India may have other priorities • Advertising spending may be ineffective as the message may not attract large numbers • India lacks the capacity for additional visitors so needs to increase the number of hotels before it can welcome larger numbers of tourists • Other factors such as changes in income levels in other countries have a significant impact on international tourism • The increase in domestic tourism may offset the decrease in international tourists	
Level	**Mark**	**Descriptor**
	0	No rewardable material.
Level 1	1–2	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.

Level 2	3–4	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	5–6	Evaluation recognises different viewpoints and/or is critical of the evidence. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Section D

<table>
<tr><th>Question</th><th>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.

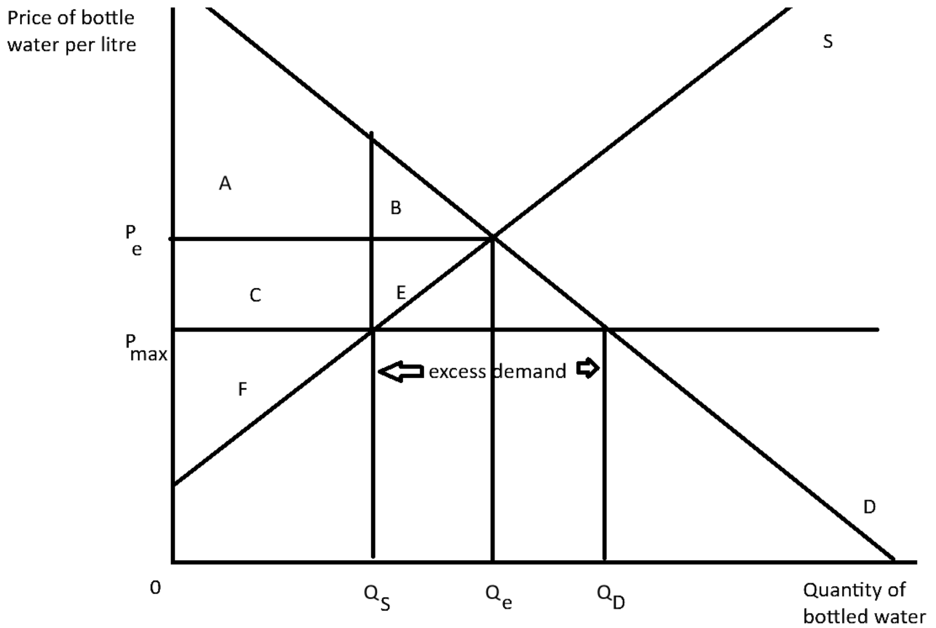
Evaluate the likely effects of introducing a maximum price for bottles of water in Cyprus.
Illustrate your answer with a supply and demand diagram.

Indicative content</th></tr>
<tr><td>13</td><td>Quantitative skills assessed
QS4: Construct and interpret a range of standard graphical forms

QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.

Indicative content guidance
Answers must be credited by using the level descriptors (below) in line with the general marking guidance.
The indicative content below exemplifies some of the points that candidates may make but this does not imply that any of these must be included. Other relevant points must also be credited.

Knowledge, application and analysis (12 marks) – indicative content
Maximum price – the price ceiling above which prices cannot be charged
In January 2024 prices were much higher on average in Cyprus than in 91 other countries: $1.54 compared to $0.78. $0.76 higher nearly double
Maximum price has been imposed at airports, stadiums, cinemas, beach cafés and theme parks where there is little alternative choice for consumers</td></tr>
</table>

	 • Will make bottled water more affordable- resulting in an extension of demand Q_e to Q_D • Will make bottled water less profitable for firms- resulting in a contraction of supply Q_e to Q_S • Will create excess demand Q_D-Q_S • Consumer surplus was A+B and is now A+C. B is lost consumer surplus for those consumers not able to buy bottled water because of the excess demand/ shortage • The shortage means consumers may not be able to find bottled water • Producer surplus was C+E+F and is now F. C is transferred to consumers and E lost due to reduced quantity supplied of bottled water • Reduced producer surplus may result in firms leaving the market for bottled water • Many firms will just be able to sell their other drinks e.g. fizzy drinks/juices that are not subject to the maximum price **N.B. Award a maximum of Level 3 if only one effect is considered** **N.B. Award a maximum of Level 3 if there is no appropriate diagram** **N.B. Positive effects may be presented as KAA and negative effects as Ev or vice versa.**

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach, which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.
Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.

	Evaluation (8 marks) – indicative content • Does not affect all outlets e.g. local grocery stores/supermarkets - lowers impact • Focuses on outlets where consumers have little choice to shop elsewhere so may be effective • Water is a basic need/ necessity and will impact more positively • Government failure- might set the maximum price too low causing losses to businesses or set too high so that it is not affordable • Information failure may be the cause of the incorrect maximum price being set • The original average price of $1.54 may reflect higher costs for firms in Cyprus and be legitimately higher • The gradient/elasticities of the supply and demand curves will determine if area C (gain in CS) is greater than B (loss in CS). It could be that area B (loss in CS) is bigger than area C (gain in CS) • The effect on bottled water businesses may be smaller if they are able to sell more other non-bottled water products

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.

Question	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. **Indicative content**
14	**Quantitative skills assessed** **QS9**: Interpret, apply and analyse information in written, graphical, tabular and numerical forms. **Indicative content guidance** Answers must be credited by using the level descriptors (below) in line with the general marking guidance. The indicative content below exemplifies some of the points that candidates may make, but this does not imply that any of these must be included. Other relevant points must also be credited. **Knowledge, application and analysis (12 marks) – indicative content** • Market failure- results in a misallocation/ inefficient allocation of resources • Moral hazard- where the costs of any actions are incurred by another person or organisation • Knowing that banks are too big to fail means the bank and its investors may take excessive risks and they know the government would not let them fail and would bail them out • The banks may have made poor decisions- lending to risky individuals but the costs were paid by the Government of the USA/financial regulators • In the future other banks or investors may think that the Government will intervene again so continue to make risky decisions • When you are insured you know that if you need to make a claim the insurance company should pay out. Therefore individuals may take more risks as any costs will be covered by the insurer not the risk taker/consumer • Banks may create products that encourage speculation- these may generate market bubbles where the price gets inflated above its

	true/ intrinsic value. Problems occur when there is a correction and the price falls back to its true value or lower • Banks may contribute to housing market bubbles by offering loans to unsuitable borrowers. This may lead to bad debts later and a correction in house prices • Imperfect market information- existence of asymmetric information- where borrower/ insured may have more information than the bank/ insurance company • Borrower could withhold information, such as the risk of losing their job or illnesses likely to affect their ability to work. If they then struggle to make repayments then the bank may not receive the expected revenues • The person seeking insurance may withhold information to secure a lower premium. The insurance company ends up with customers paying less than their actual risks resulting in having to make more payouts than expected • Negative externalities- decisions by financial providers may result in extra costs for third parties e.g. some parties who had made poor decisions had to be bailed out by central banks/ Government- the taxpayer (third party) had to cover the costs of the bail out

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Displays isolated, superficial or imprecise knowledge and understanding of economic terms, principles, concepts, theories and models. Use of generic material or irrelevant information or inappropriate examples. Descriptive approach which has no chains of reasoning.
Level 2	4–6	Displays elements of knowledge and understanding of economic terms, principles, concepts, theories and models. Limited application of knowledge and understanding to economic problems in context. A narrow response or superficial, only two-stage chains of reasoning in terms of cause and/or consequence.

Level 3	7–9	Demonstrates accurate knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to apply knowledge and understanding to some elements of the question. Some evidence and contextual references are evident in the answer. Analysis is clear and coherent. Chains of reasoning in terms of cause and/or consequence are evident but they may not be developed fully or some stages are omitted.
Level 4	10–12	Demonstrates accurate and precise knowledge and understanding of economic terms, principles, concepts, theories and models. Ability to link knowledge and understanding in context, using appropriate examples which are fully integrated to address the broad elements of the question. Analysis is clear, coherent, relevant and focused. The answer demonstrates logical and multi-stage chains of reasoning in terms of cause and/or consequence.
	Evaluation (8 marks) – indicative content • Significance of factors causing market failure change over time • Prioritisation of the causes of market failure • Different causes may impact different markets • Government failures- where the banks are bailed out/guaranteeing of savings results in a net welfare loss • Information gaps mean the Government will not understand the problems associated with moral hazard • Significant benefits of a bail out- ensuring investors/ savers recoup their funds- avoiding huge losses • Helps maintain confidence in the banking system resulting in higher levels of savings and investment • There would have been a significant reduction in investment by firms without the bail out • Customers having to pay part of the claim (insurance excess on a claim) will reduce the size of the moral hazard • The risk taken by bankers may have less to do with moral hazard and more to do with how the bonus structure is set up in the banking sector • The bail outs are funded by funds the banks have to put aside in an emergency fund and are no longer funded by the taxpayer, reducing negative externalities	

Level	Mark	Descriptor
	0	No rewardable material.
Level 1	1–3	Identification of generic evaluative comments. No supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	4–6	Evidence of evaluation of alternative approaches. Some supporting evidence/reference to context. Evaluation is supported by a partially-developed chain of reasoning.
Level 3	7–8	Evaluation recognises different viewpoints and/or is critical of the evidence, leading to an informed judgement. Appropriate reference to evidence/context. Evaluation is supported by a logical chain of reasoning.