

Mark Scheme (Results)
Summer 2025

Pearson Edexcel GCE A Level
In Economics A (9EC0)
Paper 3 Microeconomics and Macroeconomics

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General marking guidance

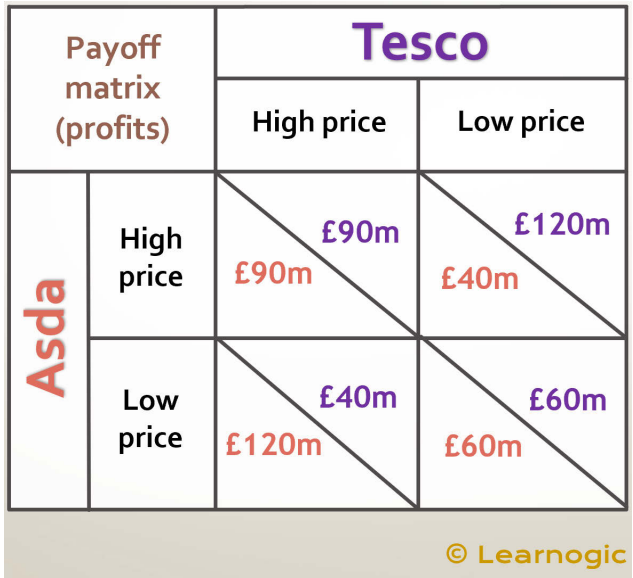
- All candidates must receive the same treatment. Examiners must mark the last candidate in exactly the same way as they mark the first.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than be penalised for omissions.
- Examiners should mark according to the mark scheme – not according to their perception of where the grade boundaries may lie.
- 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/indicative content will not be exhaustive.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, a senior examiner must be consulted before a mark is given.
- Crossed-out work should be marked unless the candidate has replaced it with an alternative response.

Question Number	Answer	Mark

1(a)	**Knowledge 2, Application 2, Analysis 1**
	
	Knowledge and analysis (3) e.g.
	● Understanding of social optimum quantity (1)
	● Imperfect / asymmetric information (1) means that consumers are not aware / do not perceive actual benefits (1)
	● Irrationality (1) leads to:
	  ● habitual consumption of unhealthy foods (1)
	  ● herd behaviour/influence of others/impact of advertising (1)
	  ● weakness at computation (1)
	● Positive externalities (1)
	● Cost of living crisis (1) reduces purchasing power /choosing cheap foods (1)
	● Supermarket promotion of low-cost products/unhealthy food is cheaper (1) so more affordable than healthy food (1)
	● Social trends e.g. convenience (1) choose packaged and processed options which are less healthy (1)
	● Lack of government intervention (1)
	● Consumers are unaware that the cheaper food is unhealthy (1) and therefore make their decisions on perceived benefit rather than actual benefit (1)
	
	Application (2) e.g.
	2 marks for data (1+1 or 2): e.g.
	● Reference to BOGOF/ 3 for 2 in Extract A (1)
	● Extract A – consumers face heavy marketing for unhealthy foods (1)
	● Advertising and online promotion affect people so they seem to behave irrationally (1)
	● The restrictions banning HFSS adverts on TV before 9pm and paid-for adverts online were set for January 2024 (1)
	● Government rules limiting the location of unhealthy foods in shops began in 2022 e.g. checkouts and store entrances (1)
	● Own examples of external benefits and brand behaviour (1)
	
	NB Maximum 2 marks for an effectively used diagram, as any of knowledge, analysis or application.
		(5)

Question Number	Answer	Mark
1(b)	**Knowledge 2, Application 2, Analysis 2, Evaluation 2** **Knowledge:** Identification of **two** reasons why wages are above national minimum wage (1+1) e.g. ● Labour shortages (1) ● Industrial action/union pressure (1) ● Cost of living crisis (1) ● Reputational issues (1) ● To stay competitive (1) ● Oligopoly / non price competition (1) ● Attempt to address inequality within business (1) ● Motivate workers (1) ● Increased productivity / efficiency of workers (1) **Application:** (1+1) with at least one application mark from Extract B, e.g. ● National Minimum Wage was set in April 2023 but has increased to e.g. £12.21 since then (1) ● Tesco made investment in employee pay in 2023 / investing £230 million / to finance an increase in its hourly rate of pay to £11.02 per hour rising to £11.95 in London. (1) ● Sainsbury's and Asda both increasing pay to above £11 per hour in July 2023 (1) ● Aldi pays £11.40 an hour (1) ● Supermarkets facing criticism over pay (1) ● Workers striking, taking industrial action, working closely with trade unions (1) ● Figure 2: inflation rate of 9.4% is greater than the wage growth of 4.7% (1) ● Supermarkets continue to compete for in-store workers (1) **Data reference can be shown on diagram for 1 mark.** **Analysis:** (1+1) development of each reason e.g. ● Labour shortage is where demand is greater than supply (might be shown using a diagram) (1) ● Use of diagram to show extension in labour supply (1) ● Industrial action would restrict supply of labour / give workers greater wage bargaining rights (1) ● Link to the cost of living crisis meaning that purchasing power is reduced (1)	**(8)**

	• High levels of competition mean that customer service/efficiency is vital (1) • Link to competitive advantage/market share/profit (1) **Evaluation:** (1+1 or 2) • combination of reasons • prioritisation of the most important reason • short run long run arguments - could change in the future • not all supermarkets behave the same way • could vary between different regions of the UK • national minimum wage has risen significantly now, so it may no longer be the case • workers could choose to work fewer hours (lower supply of labour)	

Question Number	Indicative content	Mark
1(c)	**Knowledge 2, Application 2, Analysis 4** **Points might include**: Evidence of collusion: • Acting as a cartel • Signs of price fixing • High prices being charged • Increasing prices faster than the rate of inflation • Similar trends/patterns in when changing prices (tacit/price leadership) • Higher profits (8%) on fuel for supermarkets • High margins (22p a litre) when whole prices fall • Few large supermarkets/high concentration ratio • Figure 1: price per litre of unleaded petrol increased • Morrisons admitted, others denied (Extract C) • CMA investigation and report • Large amounts of non-price competition between supermarkets e.g. loyalty cards • Game theory e.g. payoff matrix applied to context, e.g.  Allow kinked demand, *although not required* **NB an answer which does not include reference or evidence of game theory is limited to Level 2. The diagram/matrix must show evidence of collusion** **NB KAA could be evidence there is collusion, and EV as not collusion, or vice versa**	**(8)**

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
1(c) continued	**Evaluation 4** No evidence of collusion: ● A price comparison checker might solve the issue as it could transparency: seen as a success in NI ● CMA investigation might lead to changes resulting in greater competition and a fall in petrol prices ● Figure 1: Falling oil prices might show that these supermarkets are not fixing prices ● Not collusion - might be price leadership or sticky prices ● Not collusion - just affected by same costs and trends e.g. wholesale prices and inflation ● Not collusion - more just the nature of competition, ensuring they are competitive against rivals ● CMA action/fines is too big a deterrent, so unlikely to be collusion	**(4)**

Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
1(d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** 16 marks for KAA, for effect(s) Microeconomic effects of high levels of inflation: ● Increases costs for firms reducing profits ● Lower revenues for firms as consumers make cutbacks ● Use of cost/revenue/profit diagrams to show impact on firms. This could be argued as an increase or decrease in revenue ● Erosion of real incomes of consumers/workers ● Reduced purchasing power of consumers/workers if real wages/incomes not linked ● Reduced investment as future values are lowered ● Wage price spirals as expected inflation grows ● Changes in wealth e.g. stocks and bonds lose value/ house prices increase in value ● Delay in purchasing big ticket items can cause falling sales and trigger a stagflation/recession Macroeconomic effects of high levels of inflation may include: ● Reduced foreign direct investment ● Loss of confidence in the UK economy ● Reduced international competitiveness ● Disproportionate impact on lower income consumers cause increases in monthly mortgage repayments ● Effects of policy response, e.g. rises in interest rates ● Lower debt service costs to governments ● Unemployment lower – Phillips curve arguments ● Fiscal drag ● Use of AD/AS diagrams to show impact on output **NB for Level 4 response there must be at least one micro and macro effect and use of UK or other developed economy reference with reference to inflation. The changes in real income/inequality, labour market issues, investment, competitiveness could be seen as either micro or macro effects.** **NB negative effect(s) can be seen as evaluation of positive effect(s) and vice versa**	

	9 marks for evaluation – points might include: ● Depends on the magnitude of the increase in inflation ● A small positive inflation rate is economically useful e.g. as a buffer against deflation ● Depends which inflation rate is used, e.g. RPI, CPI. ● Depends on the level of inflation in main competitor countries, e.g. US inflation is 3% ● Depends on the proportion of mortgage holders with fixed rate/variable rate mortgages ● Depends on the type of inflation e.g. demand-pull v cost-push ● Impact on the economy may depends on the position of the AD on the LRAS ● Impact on wage bargaining depends on the type of workers the firm employs ● Impact on sales of a firm depends on the type of product it sells ● Short-run/long-run arguments e.g. inflation has since fallen to within target.	**(25)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

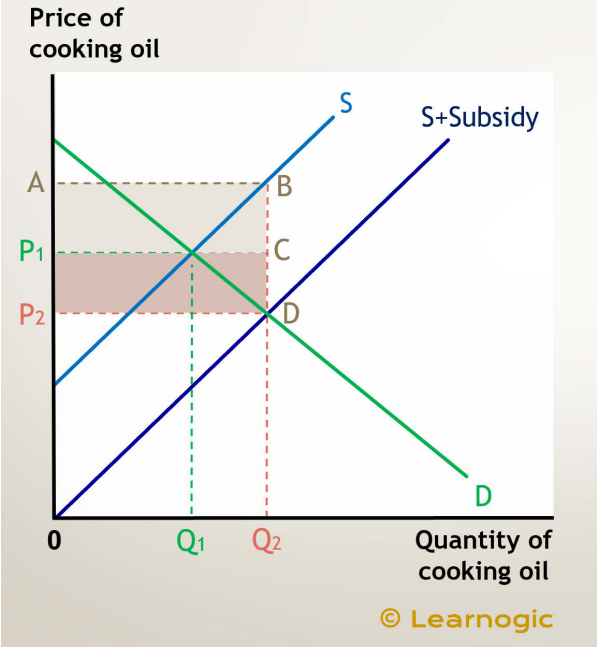
Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

Question Number	Indicative content	Mark
1(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** 16 marks for KAA, for effect(s) of a regional trade agreement Microeconomic effect(s) may include: ● Higher revenues/retained profits for firms ● Lower costs for business/economies of scale ● Use of cost/revenue diagram to show impact on profit ● Lower prices for consumers without tariffs ● Higher disposable incomes for workers ● More choice for consumers within EU / lower choice as less available from outside EU ● Greater competition between firms ● Labour market impact: supply of labour increases in certain occupations (incentive to work arguments) ● Relocation of TNC arguments/regeneration of a specific area ● Impact on welfare loss Macroeconomic effect(s) may include: ● Lost government tax revenue from tariffs ● Increase in foreign direct investment ● Impact on employment/unemployment ● Impact on economic growth with multiplier effects ● Impact on exports/net trade/current account of the balance of payments/trade creation ● Use of AD/AS diagram to show impact on economy ● Impact on comparative advantage and specialisation ● Impact on the environment **NB for a Level 4 response there must be at least one micro and macro effect(s) and use of data with reference to a regional trade agreement (RTA) between the UK and EU. Employment / government tax revenues / tariffs could be seen as micro or macro effects.** **NB negative effect(s) can be seen as evaluation of positive effect(s) and vice versa** 9 marks for evaluation – points might include: ● RTA has smaller impact that being in a customs union ● Excessive administrative costs ● Problems of not having free movement of workers	**(25)**

	• Impact depends on how many goods meet the 'rules of origin' criteria • Short-run v long-run consideration: time consuming and complex: effects not seen immediately but over time • Impact depends on the position of AD on LRAS • Tariff costs as a proportion of overall costs for the firm • Depends on the type of trading bloc e.g existence of common external tariff. • Trade diversion	

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information. Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5–8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
Level 3	9–12	Analysis is clear and coherent with evidence well integrated, although may focus on some of the broad elements of the question more than others. Shows ability to apply economic ideas and relate them directly to the broad elements in the question.
Level 4	13–16	Analysis is relevant, clear and coherent with evidence fully and reliably integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems covering both microeconomic and macroeconomic effects. A clear understanding of economic principles, concepts, theories and arguments.

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–3	Identification of evaluative comments without explanation.
Level 2	4–6	Evaluative comments with limited explanations. Evidence of evaluation of alternative approaches which is generic or unbalanced leading to limited judgements.
Level 3	7–9	Evaluative comments supported by relevant reasoning and appropriate reference to the context. Evaluation recognises different viewpoints and is critical of the evidence provided and/or the assumptions underlying the analysis enabling informed judgements to be made.

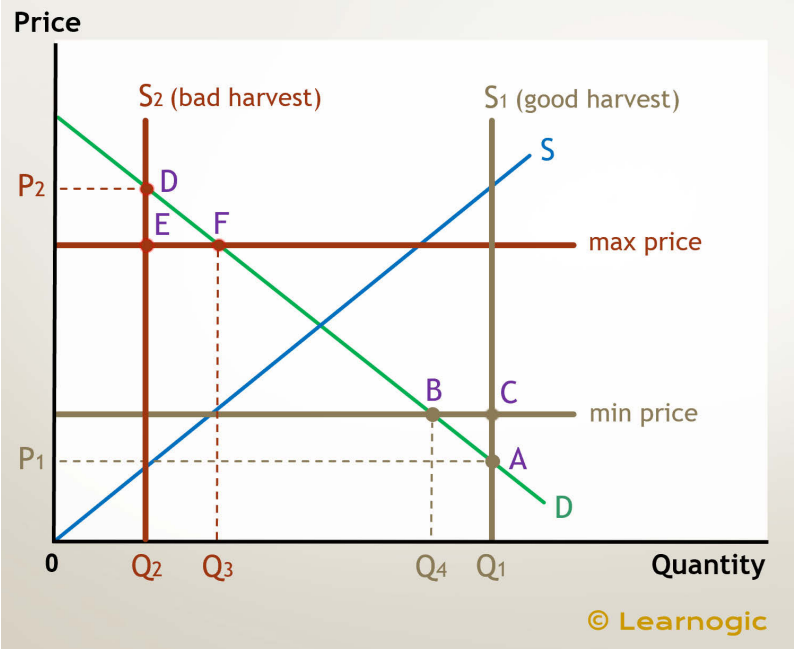
Question Number	Indicative content	Mark
2(a)	**Knowledge 2, Application 2, Analysis 1** **Knowledge and analysis** **Up to 3 marks; points might include:** • Understanding of what a **cost** of subsidy is (1) e.g. opportunity cost to the government (1) **Maximum 2 marks for an effectively used diagram.** Diagram may show: ○ shift right in supply (1) ○ the total amount of government spending/cost e.g. $ABDP_2$ (1) ○ subsidy per unit e.g. B to D (1) ○ area of producer subsidy (1) ○ area of consumer subsidy (1) ○ lower price e.g. P1 to P2 (1) Diagram e.g.  **NB Only award *consumer* subsidy diagram with an increase in demand if fully justified**	**(5)**

	Application (1 + 1) Award valid data use only e.g. ● The $2.3 million (1) provision of subsidised cooking oil has positively transformed lives (1) ● 14.6% improvement in access to cooking oil (1) ● Examples of opportunity cost to the government e.g. sanitation, drinking water, education or other own example (1) ● A decrease in absolute poverty from 55.1% to 16.4% (1) **NB if correct numerical data is added to the diagram this is an application mark.**	

Question Number	Indicative content	Mark
2(b)	**Knowledge 2, Application 2, Analysis 2**, **Evaluation 2** **Knowledge:** Identification of two advantages of using HDI (1+1) e.g. ● A composite / multidimensional measure of economic development (1) ● More accurate than GDP as a measure of living standards/quality of life (1) ● Data is more accurate as values are updated annually (1) ● Based on data that is relatively easy to collect (1) ● Based on data that is objective (1) ● Useful for international comparisons between countries (1) **Application:** (1+1) This can be anywhere in the answer including in the evaluation. ● Identification of a component of the HDI - GNI per capita / life expectancy / mean years of education (1) ● Trend in HDI value e.g. an increase since 2006 (1) ● Between 2006 and 2021, India's HDI increased from 0.611 to 0.633 (1) ● Between 2006 and 2016, India's HDI increased from 0.611 to 0.624 (1)	

	• Has risen 0.013 percentage point change (1) • Reference to Extract E improving access to sanitation and water with reference to living standards. (1) **Analysis** (1+1) Development of points made e.g. • Gives an indication of progress made in health/education and which areas require urgent government intervention (1) • It allows policymakers to adjust and implement economic policies to improve economic development (1) • If a country's HDI value is closer to 1 it means it is more economically developed as compared to a country that's HDI value is closer to 0 (1) • Shows long term growth potential due to investment in the supply side (1) • Shows the priorities of government and focus on public services (1) • Other development of points identified (1) **Evaluation** (2 marks for a relevant point, or two points 1+1): e.g. • Other measures of development could be more effective • Does not consider deprivation • Does not consider income distribution/inequality/gender equality • Does not consider environmental issues • Does not consider political freedom/threat of war • Focuses on long-term changes e.g. mean years of schooling/ life expectancy: less responsive to short-term changes • Some countries do not release data annually/accurately making it very difficult to draw comparisons between countries • GNI may not necessarily increase economic welfare because it depends on how wealth/income is spent	**(8)**

Question Number	Indicative content	Mark

2(c)	**Knowledge 2, Application 2, Analysis 4** **Knowledge and analysis** Problems might include: • costs of storage and security • perishability and quality issues • opportunity cost/ fiscal burden • distortion of price signals: government failure • consecutive good harvests: run out of funds to purchase stock • consecutive bad harvests: run out of stock to release/sell • not all producers may agree to be a part of the scheme eg undercutting prices/foreign dumping • difficult to set the "right" floor price: e.g. if floor price is set too high, then there will be surpluses every year • difficult to set the "right" ceiling price: e.g. if ceiling price is set too low, then there will be insufficient stocks available in times of a shortage • does not prevent all price fluctuations and therefore farmer revenues can still fluctuate. This may be shown by an accurately drawn and labelled diagram eg;  **NB Accept diagrams showing only minimum or maximum price** **NB A buffer stock diagram is not *required* for KAA Level 3**	**(8)**

	NB maximum of L2 without understanding of buffer stocks.	

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	3–5	Displays elements of knowledge and understanding of economic principles, concepts and theories. Applies economic ideas and relates them to economic problems in context, although does not focus on the broad elements of the question. A narrow response; chains of reasoning are developed but the answer may lack balance.
Level 3	6–8	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using relevant and focused examples which are fully integrated. Economic ideas are carefully selected and applied appropriately to economic issues and problems. The answer demonstrates logical and coherent chains of reasoning.

Question Number	Indicative content	Mark
2(c) continued	**Evaluation 4** ● Advantages of buffer stocks, e.g. ○ less starvation/food poverty ○ minimises food shortages ○ prices do not go too high/price stability ○ maintains farmers' incomes ○ more certainty in markets allows planning for investment/output ○ cheap for the government to operate as they buy at low prices and sell at high prices ○ governments can distribute free food at times of crisis (Extract F) ○ export rice (Extract F) Other evaluation might include: ● not enough information to say e.g. storage, security and transport costs	

	• size of the buffer stock is small relative to total population • depends on the product being stored.	**(4)**

Evaluation		
Level	Mark	Descriptor
	0	No evaluative comments.
Level 1	1–2	Identification of generic evaluative comments without supporting evidence/reference to context. No evidence of a logical chain of reasoning.
Level 2	3–4	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation recognises different viewpoints and/or is critical of the evidence.

Question Number	Indicative content	Mark
2(d)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** **135 million Indians escape absolute poverty out of a population of 1.4 billion (55.1% 2006 to 16.4% in 2021)** Microeconomic reasons may include: ● wage rates/ minimum wages ● social benefits/welfare payments ● occupational/geographical mobility of labour ● access to clean water and nutritious food / sanitation/ banking services/drinking water/ electricity ● cost of living eg cost of cooking oil fallen due to subsidies ● ownership of/prices of assets ● property rights ● climate change ● opening up to the private sector Macroeconomic reasons may include: ● economic growth ● investment/FDI ● education and training ● infrastructure ● healthcare ● reduction in inequality ● reduction in unemployment ● aid/debt relief ● fair trade schemes ● availability of finance ● conflict resolution and greater political stability ● actions of organisations eg IMF/WTO/NGO ● better macroeconomic policies and governance ● demographic dividend eg decline in dependency ratio **NB for a Level 4 response, there must be at least one micro and macro effect(s). For e.g. education and training, climate change, subsidies, infrastructure, investment, labour market issues, cost of living and taxes can be seen as either micro or macro** **NB for a Level 4 answer there must be reference to India**	**(25)**

	NB for evaluation that does not address the reason for the fall in poverty there is a maximum of level 2 EV. 9 marks for evaluation – points might include: ● Magnitude of the fall ● Combination of factors ● Difficulty in measuring poverty eg absolute vs relative poverty ● Prioritisation of the most significant factor ● Discussion of falling v rising at a slower rate ● Consideration of regional variations of poverty ● Different factors impact different developing countries ● Short run v long run: significance of factors change over time	

Knowledge, application and analysis		
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Level 1	1 - 4	Displays ability to apply knowledge in context but will focus on small range of elements. Demonstrates understanding by identifying relevant information Demonstrates knowledge and understanding of terms, concepts, theories and models.
Level 2	5 - 8	Shows ability to apply economic ideas and relate them to economic problems in context. Displays knowledge and understanding of economic principles, concepts and theories to make limited analysis or narrow analysis.
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Question Number	Indicative content	Mark
2(e)	**Knowledge 4, Application 4, Analysis 8, Evaluation 9** Microeconomic effects may include: ● Labour market analysis/diagrams ○ rightwards shift in supply/lower cost of labour ○ demand/derived demand for labour ● Use of cost/revenue/profit diagram e.g. lower wages as labour market becomes more flexible / higher demand for products ● Increased demand for water, housing, food, energy, healthcare, transportation ● Lack of provision/availability of a service e.g. - waiting lists in hospitals, levels of social care ● Ecological degradation and other environmental pressures/ depletion of resources/pollution/waste creation/external costs ● Increased rise of large scale disasters ● Increased tax revenue to the government ● Changes in density/urbanisation/congestion ● Greater migration ● Movement away from capital-intensive production ● Relocation arguments e.g. Lewis model Macroeconomic effects may include: ● Use of AD/AS analysis e.g. output gap ● LRAS / productive potential / PPF arguments e.g. higher immigration/change in migration laws ● Inflation – cost push ● Inflation – demand pull ● Changes in wealth and income distribution/poverty levels ● Impact on international competitiveness ● Attract FDI, other investment ● Economic development ● Demographic dividend, Extract G ● Comparison with China 1.4 billion population, May 2023 **NB for a Level 4 response, there must be at least one micro and macro effect(s) and reference made to India or another developing country. Some factors such as environment, tax, infrastructure, inequality, employment levels, urbanisation or migration could be seen as either macro or micro** **NB negative effect(s) can be seen as evaluation of positive effect(s) and vice versa** 9 marks for evaluation – points might include: ● Consideration of speed of population growth e.g. 'alarming rate', Extract G ● It depends on age structure/dependency ratio ● Consideration of skilled labour	**(25)**

	• Depends on type of labour required/jobs available 'needs enough well-paying jobs', Extract G • Short-run v long-run effects / time lags/impact of government intervention to reduce birth-rate • Discussion of robotic replacement for unskilled labour • Depends on migration and other demographic factors • Extent of impact depends on government policy making e.g. freedom of movement of people across borders • Wage costs as a proportion of overall costs for the firm • Impact on growth/inflation depends on the position of AD on LRAS / level of spare capacity • Extent of environmental damage will depend on speed and planning/social policy	

Knowledge, application and analysis		
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