edexcel

Mark Scheme (Results)

Summer 2024

Pearson Edexcel GCE AS Level
In Economics A (8EC0)
Paper 01 Introduction to Markets and Market Failure

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.

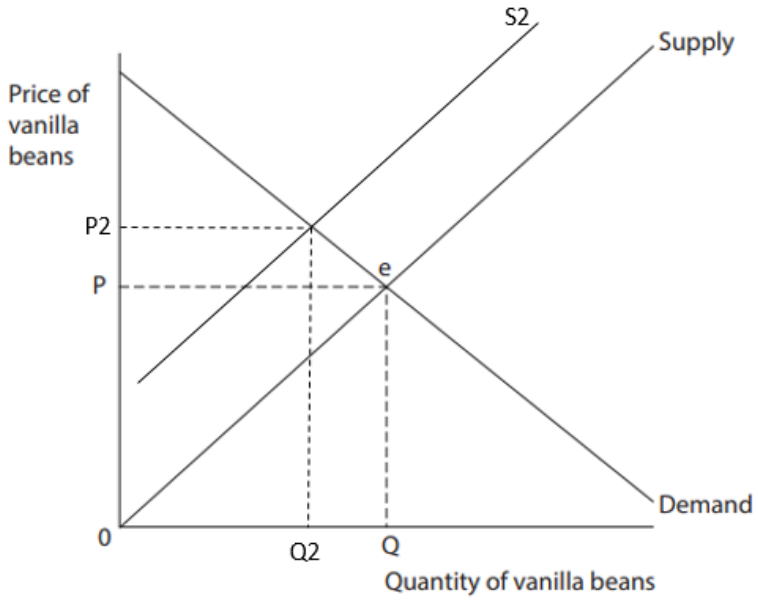
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Question Number	Answer	Mark
1(a)	**Knowledge 1, Application 1, Analysis 1** Explain the distinction between renewable and non-renewable resources **Knowledge/Analysis** • Renewable resources e.g. can naturally replenish themselves / will not run out(1) • Non-renewables e.g. are limited in supply / cannot be used sustainably (1) **Application 1** Oil and/or wind power – must be linked to either renewable or renewable source (1)	**(3)**

Question Number	Answer	Mark
1(b)	**Knowledge 1** **The only correct answer is C** A Is not correct as scarcity not moving along a demand curve B Is not correct as supply does not exceed demand when an item is scarce D Is not correct, there are too few resources to be allocated	**(1)**

Question Number	Answer	Mark
2(a)	**Knowledge 1** **Knowledge/ Understanding** 1 mark for e.g. • willingness and ability of producers to create goods and services to take them to market • the amount of a good that can be produced by a business • the quantity of a good or service that a firm is willing to sell at a given price – over a given time period	**(1)**

Question Number	Answer	Mark
2(b)	**Knowledge 1** **The only correct answer is D** A – is not correct, as it is an unobtainable level of resources B – is not correct as shows a movement along the PPF curve, increasing the level of consumer goods C – is not correct as displays a shift out of the PPF curve illustrating increased productive potential/ resources	**(1)**

Question Number	Answer	Mark
2(c)	**Knowledge 1 Application 1** Application 2 marks for e.g. • New supply curve drawn and labelled, showing an inwards/leftwards shift (1) • New equilibria labelled, showing a rise in price (1)  	**(2)**

Question Number	Answer	Mark
3(a)	**Knowledge 1** **The only correct answer is B** A Is not correct as Karl Marx thinks free market economies result in exploitation of workers. C Is not correct as there are externalities in all economic systems D Is not correct as in a free market the private sector owns all resources and there is no/ very little government	**(1)**

Question Number	Answer	Mark
3(b)	**Knowledge 1, Application 1, Analysis 1** **Knowledge 1** Education is paid for/ funded by government and tax revenue / positive consumption externalities (1) Education is seen as a merit good that benefits wider society (1) **Application** International education rankings / with its teenagers coming top in tests in maths, reading and science (1) **Analysis** • Education is underprovided in a free market as the external benefits are not considered (1) • Any explanation of the externality and its positive impact upon 3rd party (1) • Due to asymmetric information, is unclear to individuals what the full benefits are to education (1) • Diagram highlighting positive consumption externalities (1 AN)	**(3)**

Question Number	Answer	Mark
4(a)	**Knowledge 1** **The only correct answer is C** A not correct as statement 1 can be tested/ is objective B is not correct as statement 2 is subjective and is based on a value judgement D is not correct as statement 2 is subjective and is based on a value judgement	**(1)**

Question Number	Answer	Mark
4(b)	**Knowledge 1, Application 1, Analysis 1** **Knowledge** Opportunity cost is the value of the next best alternative forgone in an economic decision (1) **Application** 5% of government spending in Finland is spent on education / Reduced funding for military (1) **Analysis** As a result of spending high levels of funding on particular areas, it means other areas of government spending need to be reduced due to scarcity/ limited resources (1) Can award 1AN mark for relevant diagram - PPF	**(3)**

Question Number	Answer	Mark
5(a)	**Knowledge 1, Application 1** In June 2023, Tesla further reduced the price of its Model 3 saloon by £4200 from £42990. In a fiercely competitive market it has been forecast this will lead to a 15% increase in demand by June 2024 Initial cost £42,990 Reduction in price £4,200 New price £38,790 **Knowledge** %change in QD/%change in price = PED (1) or %change in price = difference/original x100 Change in price = 9.77% (or 9.76) (1) **Application** 15/-9.77 = - 1.54 Allow 1.5 to 1.54 range Award full (2) marks (K+APP) if within this range, allow positive or negative PED for 2 marks	**(2)**

Question Number	Answer	Mark
5(b)	**Knowledge 1** **Knowledge/ Understanding** 1 mark for definition e.g. 'All other things being equal' **(1)**	

Question Number	Answer	Mark
5(c)	**Knowledge 1** **The only correct answer is A** B is incorrect as population size will increase the market size and, most likely, overall demand but would shift not affecting PED C is incorrect as this is a determinant of supply and not PED D is incorrect as unsold vehicles / spare stock/ capacity would affect PES and not PED	**(1)**

Question Number	Answer	Mark
6(a)	**Knowledge 1, Application 2, Analysis 2** **Knowledge** Distortion of consumer or producer behaviour due to the impact of an economic decision (1) **Application** 2 marks for using source data from extract such as; • 30% tax/ £200 per tonne tax on plastics (1) • 'Was 'designed to provide incentives to business to recycle' (1) • 'Inflationary pressures within the supply chain' (1) • Food manufacturers are particularly impacted as 'use 40% of packaging within the UK' (1) **Analysis** Reference to relevant unintended consequences; • More products brought pre-wrapped in plastic to avoid need for the plastic bag (1) • Use of thinner plastic which increases food waste (1) • Purchasing of products online increases co2 impact (1) • Due to the incidence of the tax, falling on consumers (1) it may have a regressive impact (1) upon the lowest incomes. • Prices increasing for consumers (1) passed on predominantly if demand were inelastic / or leaving people worse off (1)	**(5)**

Question Number	Answer	Mark
6(b)	**Knowledge 2, Application 2 Analysis 2** • Contribution towards littering and 'protecting of landscapes' – Extract A • Alternatives to non-single use bags are available • Habitual consumers will keep previously purchased single use/ 'bags for life' and will be used to bring to use on additional visits • Clearly evident in the fall in use of single use bags from 2014 (7500m) to 2021 (197m) as charges increased • Cost of purchasing new bags due to charge ensures that there is a financial cost/ consequence to continue purchasing new single-use bags – computational awareness • Rational and irrational behaviour discussion relevant **NB KAA can be treated as Evaluation and vice versa**	**(6)**

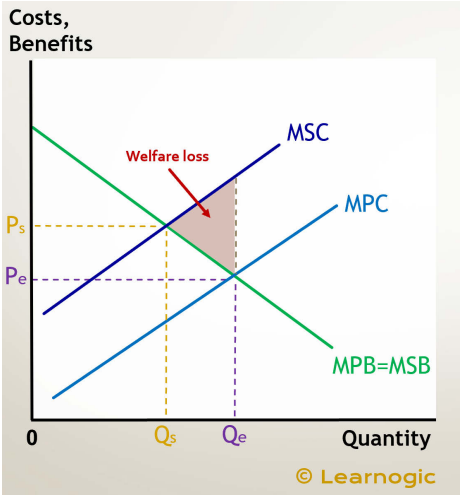
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no link between causes and consequences.
Level 2	3–4	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 or the answer may lack balance.
Level 3	5–6	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 applied appropriately to the broad elements of the question.

Question Number	Answer	Mark
6(b) continued	**Evaluation 4** • Consumers may simply forget/ be rushing/ to bring bags with them from previous visits • With consumers making increased visits to supermarkets specifically each week, it may not always be possible to bring previously purchased bags • Bags are still available from stores – and not sufficiently expensive to discourage consumption / not high enough price charge to warrant not re-purchasing for most • Plastic bags (10p) make up very small % of consumers income so negligible impact of purchasing • Computational weakness of not estimating or understanding the consequences of the increased cost(s) **NB KAA can be treated as Evaluation and vice-versa**	**(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 chains of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Indicative content	Mark
6(c)	**Knowledge 2, Application 2** **Knowledge 2** Reference to value for reusable cleaning products to be + / coefficient higher than (0 or positive) (1) Reference to type of good (normal/ luxury) (1) **Application 2** • Reference to extract – consumers demand will be income elastic as incomes are falling (1) • Retailers have suggested that most customers do not wish to pay more for cleaning products in reusable packaging (1) With the average household income falling by 4.3% in 2023, sales of refillable cleaning products are expected to fall from 200 000 to 130 000 this year (1) • Could calculate YED using the information given • 70 000/ 200000 = 0.35 x 100 = 35% (1) • YED = -35/-4.3 = 8.14 (1 APP + 1APP) **If correct YED coefficient of between 8.1-8.14 given only with no explanation - award 2 APP, 2 marks maximum**	**(4)**

Question Number	Answer	Mark
6(d)	**Knowledge 2, Application 2, Analysis 2** **Knowledge/understanding 2** Explanation of role/ relationship between the two products and how are substitutes (1) and that they have a positive XED (1) **Application 2** Reference to information from extract involving; environmental messaging/ litter posters/ 25p charge *i.e. Environmental messaging in cafes, for example posters about litter (1), increases the use of reusable coffee cups by 2.3% (1)* *The availability of reusable cups leads to an increase of 2.5% (1) whereas the distribution of free reusable cups leads to a further increase of 4.3% (1)* **Analysis 2** Reference to reusable cups being cheaper (1)– discussion of consumers switching due to price differentials (1) Diagram awardable showcasing demand falling (1) for single use cups with relevant explanation (1) Messaging helps to reduce asymmetrical information (1) in regards the increased external costs of single-use cups (1) Could showcase the XED and role of both reusable vs single use cups - award relevant diagram (1) with explanation (1)	**(6)**

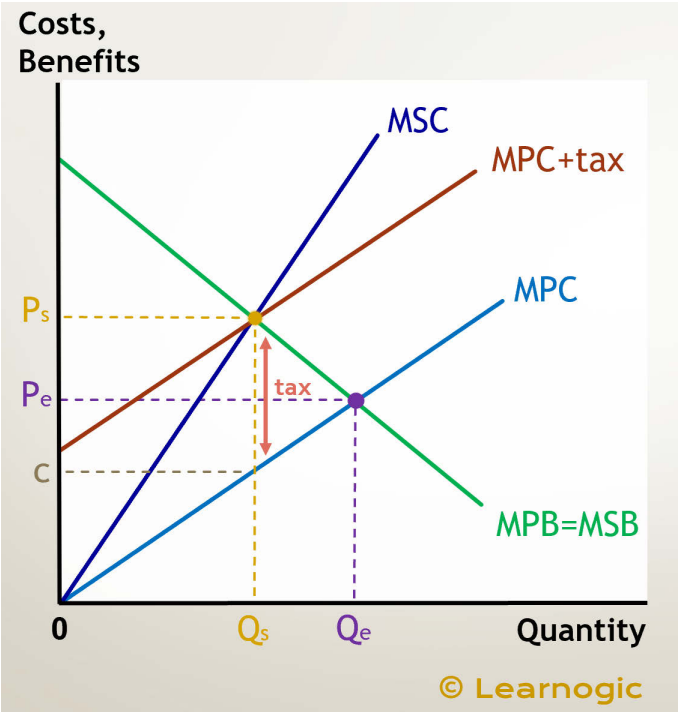
Question Number	Indicative content	Mark
6(e)	**Knowledge 3, Application 3, Analysis 3** Understanding of private and external costs <u>Private costs</u> Costs to **firms** to purchase capital machinery/ equipment to produce the plastic packaging/ products Costs to **firms** to purchase raw materials and inputs (derived demand) to produce the varieties of plastics required Consequently leading DWL and over-production of plastics beyond the social equilibrium of MSC=MSB Extract B - Businesses manufacturing or importing 10 tonnes or more a year of plastic packaging that contains less than 30% of recycled plastic are taxed at £200 per tonne <u>External costs</u> Any costs incurred on a third party e.g. environmental costs, litter, damage to wildlife, use of plastic, CO2 produced when manufacturing plastic, plastic micro-particles ending up in water system/ animals etc. Consequently leading to DWL and over production of plastics beyond the social equilibrium of MSC=MSB Extract C – 25,000 tonnes of waste from single use cups / coffee from chains and cafes  **NB Level 3 responses must consider both private and external costs of the production of plastic**	**(9)**

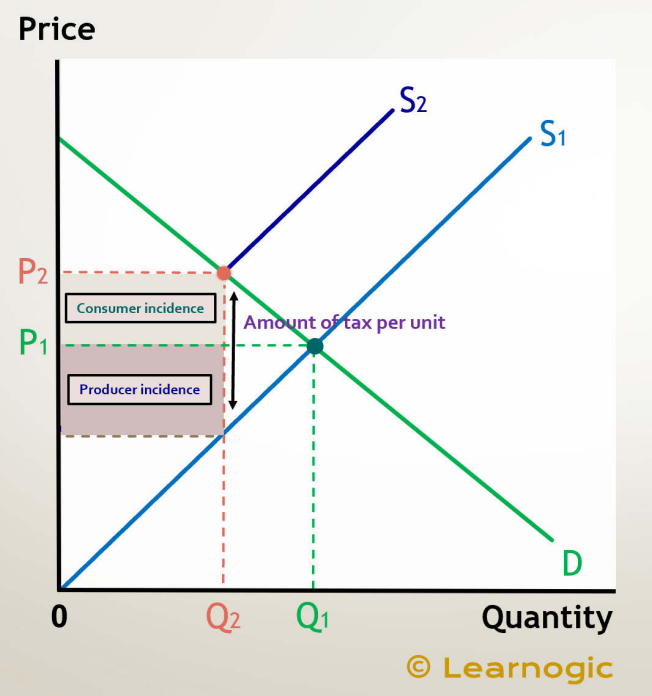
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	Displays isolated or imprecise knowledge and understanding of terms, concepts, theories and models. Use of generic or irrelevant information or examples. Descriptive approach which has no chains of reasoning or links between causes and consequences.
Level 2	4–6	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	7–9	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
6(e) continued	**Evaluation 6** Points may include the following; • Increased recycling rates as a result of intervention such as taxes could reduce the implications for third parties/ external impact • Increased scale of production could limit the private costs to firms of packaging using plastic • Taxes can be applied (as in extract) to limit the external costs by increasing the cost/ price of plastic to firms and consumers • Estimation of the external costs is very difficult in terms of understanding the exact impact • Offset by benefits of plastic production in terms of protection of food and employment opportunities created • Impact of plastic pollution can fall on other countries/ economies and therefore external costs can be dispersed	**(6)**

	to other areas	

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	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.

Question Number	Indicative content	Mark
6(f)	**Knowledge 4, Application 4, Analysis 6** Impacts of tax introduced for plastic food packaging including the following; • Increased price of food • Reduced consumer surplus • Incentives for producers to use recycled packaging • Further tax revenue to the government which could be hypothecated to mitigate externalities e.g litter/ fund additional interventions • Increased price acting as nudge/ shove in order to change behaviour of consumers • Reduced impact upon the environment/litter as disincentive for firms to use excessive packaging • Possible use of diagram highlighting social optimum of reduced consumption/ production of plastic - or use of supply and demand diagram/incidence of tax concept to highlight where the burden will fall in terms of the increased costs to package food Diagrams may include; -Reduced externality through taxation  	**(14)**

	-Tax applied – increasing price/reducing quantity  **NB If there is no valid diagram, max Level 3**	

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	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	4–6	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 or superficial, two stage chains of reasoning only.
Level 3	7–10	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	11–14	Demonstrates precise knowledge and understanding of the concepts, principles and models.

		Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably 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
6(f) continued	**Evaluation 6** • Depends on the Price Elasticity of Demand for particular foods – whether price increase is passed on • Discussion of possible subsidy or alternative being more effective in incentivising use of different materials in order to reduce use of plastics in packaging • Depends on magnitude of the tax and its duration, if it will continue to be set at this rate • Is the level of tax sufficient to change behaviour of firms and indirectly, consumers through increased prices • As discussed within the extract, 30% recycled plastic avoids the tax and therefore a somewhat limited impact of the tax • If the tax is set too high, could lead to a misallocation of resources (government failure) – with non-compliance causing increased enforcement costs (further government failure)	**(6)**

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	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.

Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.

Question Number	Indicative content	Mark
6(g)	**Knowledge 4, Application 4, Analysis 6** Policy options may include; • Subsidies for alternatives and highlighting decreases in prices for such goods – leading to incentives for firms to undertake research into alternatives and reduce the market failure associate with excess production/ consumption • Information provision – solving asymmetric information failure by informing consumers and producers of the market failure caused by plastic waste • Further taxation on the consumption or production of plastic & hypothecation of this tax revenue to fund alternative(s) • Bans on plastic packaging – highlight impact of prohibition, leading to removal of specific plastics used in different areas • Minimum price for plastic to be used by firms – which would act as a disincentive for firms to incorporate within their production • Regulation of use and need for additional recycling – the development of increased recycling of plastic waste would limit the externalities associated and ensure lower levels of market failure **NB If there is no valid diagram, max Level 3**	**(14)**

Knowledge, application and analysis		
Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–3	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	4–6	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 or superficial, two stage chains of reasoning only.
Level 3	7–10	Demonstrates accurate knowledge and understanding of the concepts, principles and models. Ability to apply economic concepts and relate them directly to the broad elements of the question with evidence integrated into the answer. Analysis is clear and coherent, although it may lack balance. Chains of reasoning are developed but the answer may lack balance.
Level 4	11–14	Demonstrates precise knowledge and understanding of the concepts, principles and models. Ability to link knowledge and understanding in context using appropriate examples. Analysis is relevant and focused with evidence fully and reliably 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
6(g) continued	**Evaluation 6** Why the interventions given may or may not be successful in reducing market failure e.g. • Incidence of the tax/ Price elasticity of demand of the product associated with the plastic waste • Distortion of price signals – i.e. through minimum price implementation • Unintended consequences, other implications • Excessive administrative costs • Information gaps – not estimating the market failure/ external costs effectively enough • Government failure to provide sufficient subsidies – or to set too high/ low and may not lead to an optimal allocation of resources • Relative benefits/costs of government intervention versus market based solutions or other comparisons or interventions. • Opportunity cost of spending on solutions	**(6)**

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	Evidence of evaluation of alternative approaches which is unbalanced leading to unsubstantiated judgements. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question, leading to a substantiated judgement.