Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | Candidate Number

Pearson Edexcel Level 3 GCE

Monday 13 May 2024

Morning (Time: 1 hour 30 minutes)

Paper reference **8EC0/01**

Economics A

Advanced Subsidiary

PAPER 1: Introduction to Markets and Market Failure

You do not need any other materials.

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.
- There are two sections in this question paper.
- Answer **all** questions in Section A.
- In Section B, answer **all** of questions 6(a) to 6(e) and **one** question from 6(f) or 6(g).
- 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.

Turn over ▶

P72055A

©2024 Pearson Education Ltd.
F:1/1/1/1/1/1/

P 7 2 0 5 5 A 0 1 3 2

Pearson

BLANK PAGE

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

SECTION A

Answer ALL questions. Write your answers in the spaces provided.

Some 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 ☒.

You are advised to spend 25 minutes on this section.

Use the data to support your answers where relevant. You may annotate and include diagrams in your answers.

1 Scarcity of non-renewable resources, such as oil, is a key reason why alternative resources have been developed by economies. In recent years, within the energy market there has been a large increase in the production of wind power.

(a) With reference to the information provided, explain the distinction between renewable and non-renewable resources.

(3)

(b) Which **one** of the following best describes 'scarcity'?

(1)

☒ **A** An extension of the demand curve

☒ **B** Excess supply

☒ **C** Insufficient resources to satisfy wants

☒ **D** The misallocation of resources

(Total for Question 1 = 4 marks)

2 Vanilla bean prices increased to a record $600 a kilogramme in 2018 after a cyclone hit the tropical island of Madagascar, damaging crops. Madagascar supplies 75% to 80% of the world vanilla bean market.

(a) Define the term 'supply.'

(1)

.....

.....

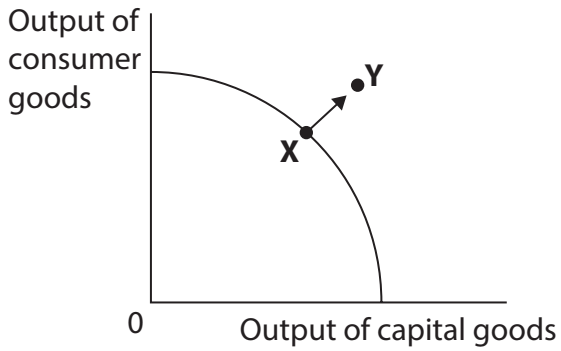
.....

.....

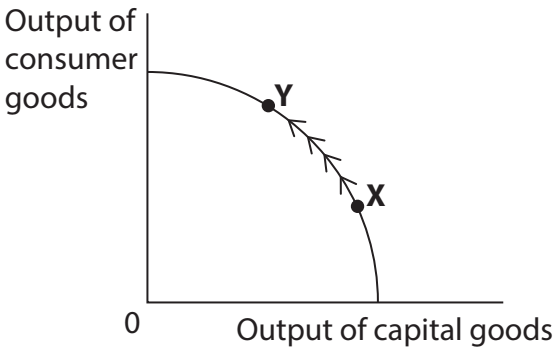
(b) The diagrams below show movements from position X to Y on production possibility frontiers. In which **one** of the diagrams does the movement from X to Y illustrate the most likely impact on Madagascar's economy of a natural disaster such as a cyclone?

(1)

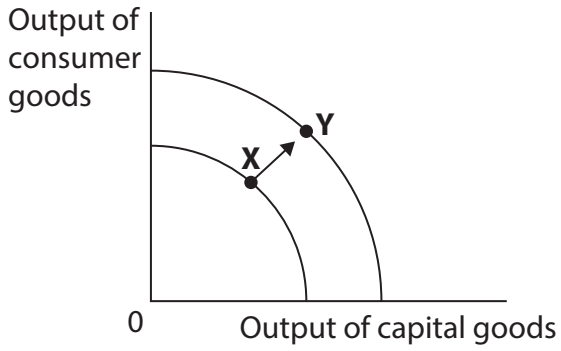
☒ **A**



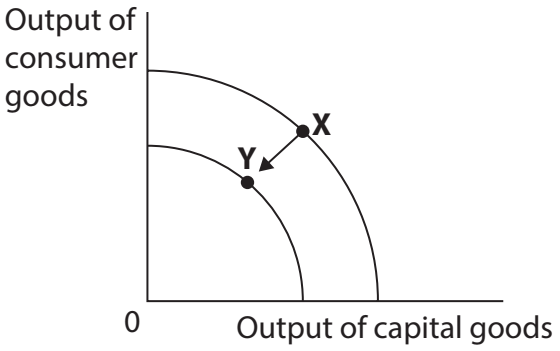
☒ **B**



☒ **C**



☒ **D**



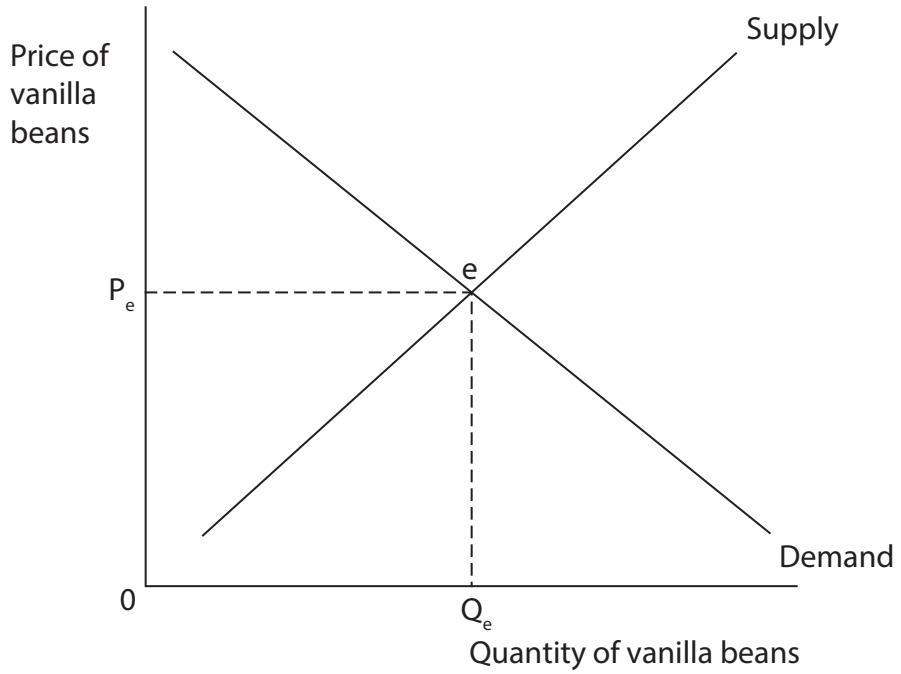
DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(c) Annotate the diagram below to show the effect of the cyclone on the price of vanilla beans.

(2)



(Total for Question 2 = 4 marks)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

3 Singapore is mainly a free market economy.

(a) Which **one** of the following statements about a free market economy is true?

(1)

- ☒ **A** It was supported by Karl Marx
- ☒ **B** The price mechanism allocates all resources
- ☒ **C** There are no externalities
- ☒ **D** The state owns all the resources

The education system in Singapore produces some of the highest achieving students in international education rankings, with its teenagers coming top in tests in mathematics, reading and science.

(b) Singapore's education system is provided by the state. With reference to the information above, explain why education is normally provided by the state.

(3)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(Total for Question 3 = 4 marks)

4 Statement 1

Finland has schools with an average class size of 19.6

Statement 2

Other countries ought to set school class sizes similar to Finland.

(Source adapted from: https://www.oph.fi/en/news/2019)

(a) Which **one** of the following best describes the two statements above?

(1)

		Statement 1	Statement 2
☒	**A**	Normative	Normative
☒	**B**	Normative	Positive
☒	**C**	Positive	Normative
☒	**D**	Positive	Positive

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

5% of total government spending in Finland is on education and therefore other areas of the economy have reduced funding as a result, including the military despite an increase in recent global conflicts.

(b) With reference to the information above, explain what is meant by 'opportunity cost'.

(3)

(Total for Question 4 = 4 marks)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

5 Chief Executive Elon Musk said "affordability" was the biggest barrier to Tesla reaching a far larger market. Before recent price cuts for its electric vehicles, he said, "We weren't sure about what the price elasticity of demand was for Tesla. We found that even small changes in price have a big impact on demand."

(Source adapted from: https://www.ft.com/)

(a) In June 2023, Tesla further reduced the price of its Model 3 vehicle by £4 200 from £42 990. It has been forecast that the price cut will lead to a 15% increase in demand. *Ceteris paribus*, calculate the price elasticity of demand for the Model 3. You are advised to show your working.

(2)

(b) Define the term '*ceteris paribus*'.

(1)

(c) Which **one** of the following is most likely to be a determinant of price elasticity of demand for the Model 3 electric vehicle?

(1)

- ☒ **A** Availability of substitute electric vehicles
- ☒ **B** Change in population size
- ☒ **C** Increase in the cost of steel
- ☒ **D** Number of unsold Model 3 electric vehicles

(Total for Question 5 = 4 marks)

TOTAL FOR SECTION A = 20 MARKS

DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

BLANK PAGE

QUESTION 6 BEGINS ON THE NEXT PAGE.

SECTION B

Read Figure 1 and the following extracts (A, B and C) before answering Question 6.

Answer ALL Questions 6(a) to 6(e) and EITHER Question 6(f) OR Question 6(g).

You are advised to spend 1 hour 5 minutes on this section.

Question 6

The market for plastic in the UK

Figure 1: Trend in the purchase of single-use plastic bags in millions, UK, 2014 to 2021

2014	2015	2016	2017	2018	2019	2020	2021
7 500	2 120	1 750	1 130	1 040	627	496	197

Extract A

10p charge continues to reduce use of plastic carrier bags

The 5p charge on single-use carrier bags was introduced in supermarkets in 2015. The charge was increased to 10p in 2021 and extended to all businesses.

The UK Environment Minister said that the plastic bag charge has ended the irrational purchase of billions of single-use carrier bags, thereby protecting our landscapes and ensuring millions of pounds are redistributed to worthy causes. This was needed as without this legislation, the market is not able to effectively manage the situation. Consumers are now in the habit of bringing reusable carrier bags when shopping.

In addition to single-use carrier bag charges, major retailers have offered bottle deposit return schemes and refillable food and cleaning product options. These provide incentives to consumers to reuse their plastic containers.

However, retailers have suggested that most customers do not wish to pay more for cleaning products in reusable packaging. 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.

(Source adapted from: https://www.circularonline.co.uk/news/)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

Extract B

Plastic packaging tax

Food manufacturers have criticised the implementation of a new UK environmental tax, warning it will force them to increase prices for consumers.

The 2018 tax was designed to provide incentives to businesses to use recycled plastic in packaging. Businesses manufacturing or importing 10 tonnes or more a year of plastic packaging that contains less than 30% recycled plastic are taxed at £200 a tonne. Plastic packaging containing more than this will be exempt from the tax.

Helene Roberts, Chief Executive of Robinson Packaging, said increased prices for the consumer would be an unintended consequence of the tax. "It will just create inflationary pressures within the supply chain and firms may need to pass this on." A wide range of businesses are affected by the new tax, including retailers importing items such as bin liners, drink bottles and carrier bags. Food manufacturers are particularly impacted as the industry uses 40% of packaging in the UK.

(Source adapted from: https://www.ft.com)

Extract C

Single-use cups

An estimated 2.5 billion single-use cups are used in the UK every year by consumers buying coffee from chains and cafes, creating approximately 25 000 tonnes of waste. Research has found that while a 25p charge on single-use cups increases the use of reusable coffee cups in coffee shops, a discount on reusable coffee cups has no impact at all on their use.

A 25p charge on single-use cups increases the use of reusable coffee cups by 3.4%. Environmental messaging in cafes, for example posters about litter, increases the use of reusable coffee cups by 2.3%. The availability of reusable cups leads to an increase of 2.5% whereas the distribution of free reusable cups leads to a further increase of 4.3%.

"While the increases for individual measures were modest, the greatest behavioural change was when the measures were combined," said Wouter Poortinga of Cardiff University.

(Source adapted from: https://www.theguardian.com/environment/2017/mar/30/)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

6 (a) Explain what is meant by the 'unintended consequence' (Extract B, line 9) of the plastic tax.

(5)

(b) With reference to Extract A and your own knowledge, assess the view that it is irrational to buy plastic carrier bags when shopping.

(10)

(c) With reference to Extract A, explain the likely numerical value for the income elasticity of demand for reusable cleaning products.

(4)

(d) With reference to Extract C, explain how incentives to use reusable coffee cups may lead to a fall in demand for single-use cups.

(6)

(e) Discuss the likely private costs and external costs of the production of plastic.

(15)

EITHER

(f) Evaluate the likely impact of a tax on plastic food-packaging. Use a diagram to support your answer.

(20)

OR

(g) Evaluate methods of government intervention which could be used to reduce the market failure associated with plastic waste. Use a diagram to support your answer.

(20)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

6 (a) Explain what is meant by the 'unintended consequence' (Extract B, line 9) of the plastic tax.

(5)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(b) With reference to Extract A and your own knowledge, assess the view that it is irrational to buy plastic carrier bags when shopping.

(10)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(c) With reference to Extract A, explain the likely numerical value for the income elasticity of demand for reusable cleaning products.

(4)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(d) With reference to Extract C, explain how incentives to use reusable coffee cups may lead to a fall in demand for single-use cups.

(6)

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

(e) Discuss the likely private costs and external costs of the production of plastic.

(15)

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

EITHER

(f) Evaluate the likely impact of a tax on plastic food-packaging. Use a diagram to support your answer.

(20)

OR

(g) Evaluate methods of government intervention which could be used to reduce the market failure associated with plastic waste. Use a diagram to support your answer.

(20)

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 6(f)** ☒ **Question 6(g)** ☒

Write your answer here:

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

(Total for Question 6 = 60 marks)

TOTAL FOR SECTION B = 60 MARKS
TOTAL FOR PAPER = 80 MARKS

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA

BLANK PAGE

BLANK PAGE

DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA
DO NOT WRITE IN THIS AREA