Please check the examination details below before entering your candidate information

Candidate surname	Other names

Centre Number | | | | | |

Candidate Number | | | | |

Pearson Edexcel Level 3 GCE

Tuesday 13 May 2025

Morning (Time: 1 hour 30 minutes)

Paper reference **8EC0/01**

Economics A

Advanced Subsidiary

PAPER 1: Introduction to Markets and Market Failure

You must have:
Source Booklet (enclosed)

Total Marks

Instructions

- Use **black** ink or ball-point pen.
- **Fill in the boxes** at the top of this page with your name, centre number and candidate number.
- 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 **either** 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 ▶

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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 (a) Spending on capital goods in the UK rose by 4.8% in Quarter 4, 2022.

Which **one** of the following is an example of a capital good?

(1)

☒ **A** A computer

☒ **B** Savings in the bank

☒ **C** Shares in a company

☒ **D** Underground reserves of oil

(b) Using an example from your own knowledge, explain the distinction between renewable and non-renewable resources.

(3)

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(Total for Question 1 = 4 marks)

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2 (a) In 2021, a bakery sold 2.5 million sausage rolls per week at the price of £1.00 each. In 2022 the price increased to £1.20. The price elasticity of demand was estimated to be –0.2.

Calculate the new quantity of sausage rolls sold per week in 2022 after the price increased, ceteris paribus.

(3)

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(b) Which **one** of the following is the most appropriate description of the price elasticity of demand of –0.2?

(1)

☒ **A** Perfectly inelastic

☒ **B** Relatively elastic

☒ **C** Relatively inelastic

☒ **D** Unitary elastic

(Total for Question 2 = 4 marks)

3 (a) The economy of Singapore is a highly developed free market economy with some elements of government intervention.

Define the term 'free market'.

(1)

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(b) Which **one** of the following is the most likely reason why a free market fails to achieve the social optimum position?

(1)

- ☒ **A** Public goods are provided free of charge to users
- ☒ **B** There is overproduction of goods with external benefits
- ☒ **C** There is underconsumption of goods with external benefits
- ☒ **D** There is underproduction of goods with external costs

(c) Explain why public goods may not be provided by the private sector.

(2)

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(Total for Question 3 = 4 marks)

4 (a) During the period from October to December 2022, production of coffee beans in the Philippines increased by 2.7% from the same quarter in 2021.

Which **one** of the following is most likely to cause a shift to the right of the supply curve?

(1)

☒ **A** A decrease in the demand for coffee

☒ **B** A subsidy to coffee bean producers

☒ **C** A tax on coffee bean production

☒ **D** The cost of production rises

(b) Explain how the operation of market forces will eliminate an excess supply of coffee.

(3)

(Total for Question 4 = 4 marks)

5 In March 2019, 458 054 new car registrations were made, which subsequently fell by 44% in March 2020 due to the impact of the global health crisis. Demand for new vehicles can change quickly and can be caused by a variety of factors.

(Source: adapted from https://fleetworld.co.uk/uk-new-car-registrations-slump-44-in-march/)

(a) Which **one** of the following factors may cause a shift in demand for new cars?

(1)

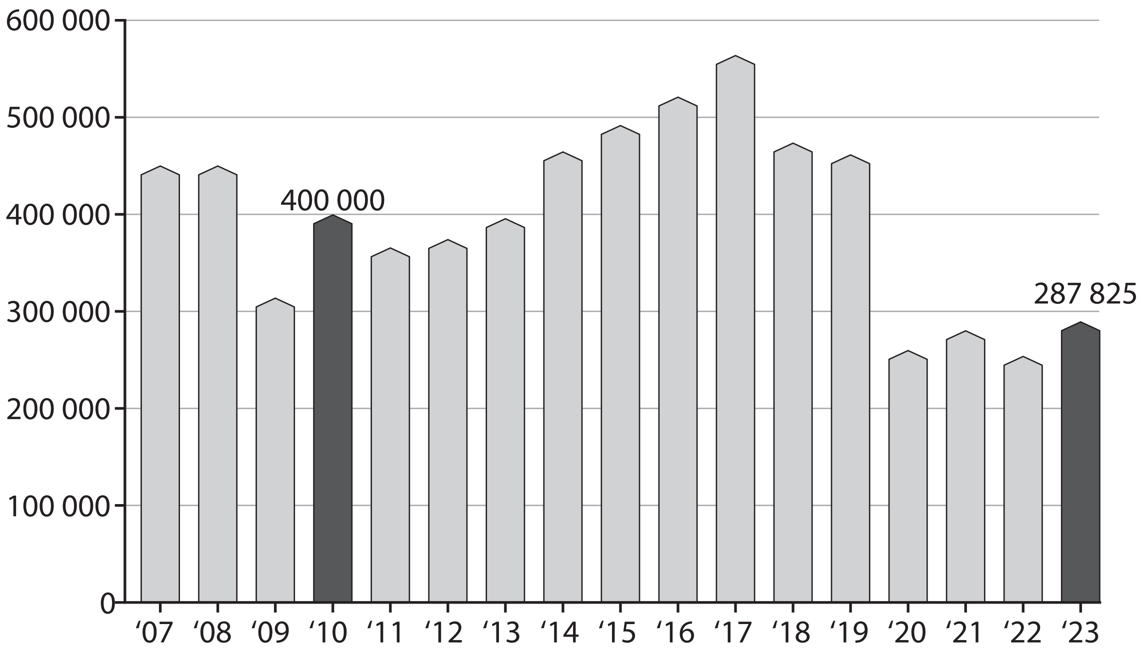
☒ **A** Advertising

☒ **B** Cost of production

☒ **C** Indirect taxes

☒ **D** Subsidy to producers

March new car registrations 2007 to 2023



(Source: adapted from https://www.smmt.co.uk/vehicle-data/car-registrations/)

(b) The diagram on the previous page shows new car registrations in March from 2007 to 2023. Using 2010 as the base year, calculate the index number for 2023.

(3)

(Total for Question 5 = 4 marks)

TOTAL FOR SECTION A = 20 MARKS

SECTION B

Read the figures (1 and 2) and extracts (A and B) in the Source Booklet 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 and 5 minutes on this section.

6 (a) With reference to Extract B, explain why the change to meat-substitute products may result in an increase in the revenue of food companies. Refer to the concept of price elasticity of demand in your answer.

(5)

(b) With reference to the information provided and your own knowledge, assess the view that consumers switching to meat-substitute products is an example of rational behaviour.

(10)

(c) With reference to the last paragraph of Extract B, explain **two** factors which are likely to influence price elasticity of supply.

(6)

(d) Using examples from **either** Extract A or Extract B, explain what is meant by positive and normative economic statements.

(4)

(e) With reference to Extract A, discuss the likely private costs and external costs caused by meat farming. Use an appropriate diagram in your answer.

(15)

EITHER

(f) Evaluate the likely microeconomic effects of a **reduction** in subsidies to farmers of animal products (Figure 1 and Extract B, line 14). Use a relevant diagram to support your answer.

(20)

OR

(g) Evaluate the likely microeconomic effects of an **increase** in indirect tax on animal products (Figure 2 and Extract A, line 17). Use a relevant diagram to support your answer.

(20)

6 (a) With reference to Extract B, explain why the change to meat-substitute products may result in an increase in the revenue of food companies. Refer to the concept of price elasticity of demand in your answer.

(5)

(b) With reference to the information provided and your own knowledge, assess the view that consumers switching to meat-substitute products is an example of rational behaviour.

(10)

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(c) With reference to the last paragraph of Extract B, explain **two** factors which are likely to influence price elasticity of supply.

(6)

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(d) Using examples from **either** Extract A or Extract B, explain what is meant by positive and normative economic statements.

(4)

(e) With reference to Extract A, discuss the likely private costs and external costs caused by meat farming. Use an appropriate diagram in your answer.

(15)

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EITHER

(f) Evaluate the likely microeconomic effects of a **reduction** in subsidies to farmers of animal products (Figure 1 and Extract B, line 14). Use a relevant diagram to support your answer.

(20)

OR

(g) Evaluate the likely microeconomic effects of an **increase** in indirect tax on animal products (Figure 2 and Extract A, line 17). Use a relevant 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:

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(Total for Question 6 = 60 marks)

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

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Economics A

Advanced Subsidiary

PAPER 1: Introduction to Markets and Market Failure

Source Booklet

Do not return this Booklet with the question paper.

Turn over

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Pearson

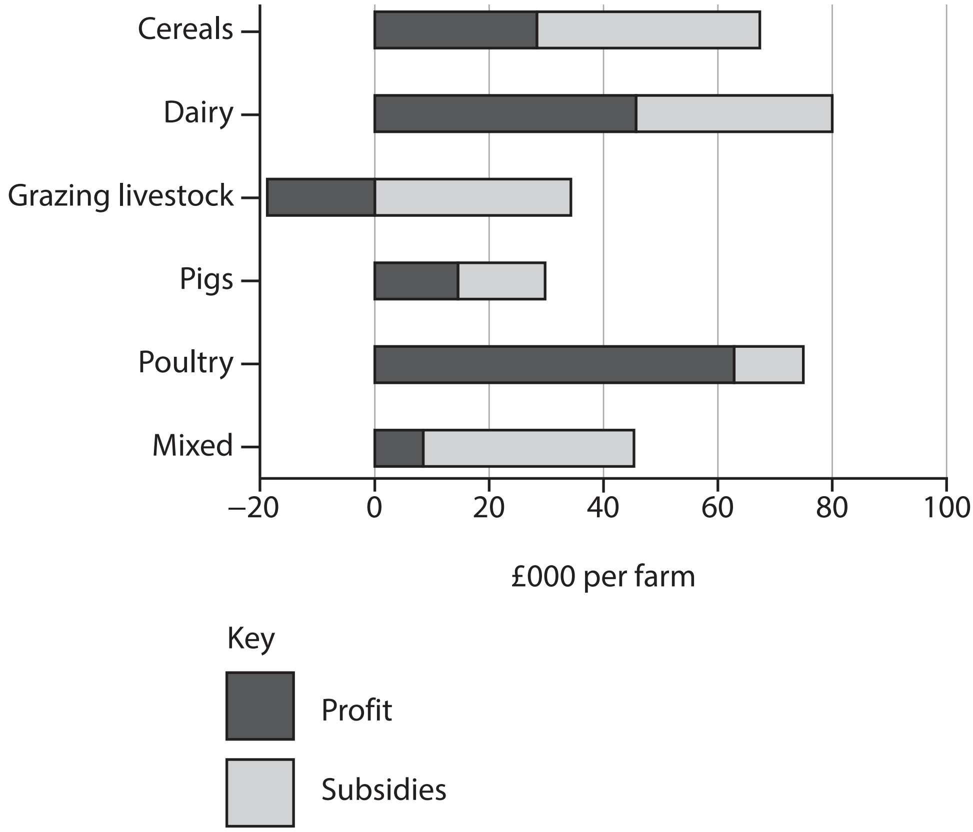
Sources for use with SECTION B

Read the following figures (1 and 2) and extracts (A and B) before answering Question 6.

The market for meat and the growth of vegetarianism

Figure 1

The impact of subsidies on farmer income, in England, 2018–2019 (£000 per farm)



(Source: adapted from www.FT.com)

Figure 2

Potential impact of indirect tax rises on meat prices per kg, 2023–2030

Type of Meat	Before indirect tax increases	After indirect tax increases
Beef/Veal	£24.24	£29.50
Chicken	£7.60	£8.63

(Source: adapted from Tax beef, pork and chicken to help climate and health, EU urged – CGTN)

Extract A

The case for cutting out meat

Around a third of Britons are reducing the amount of meat they eat or are cutting it out altogether. Are these consumers right to be cutting out meat? For a start, there are the greenhouse gases released as a result of producing food. The evidence is clear that switching to a plant-based diet would lower emissions. A UK study found that eating a diet high in meat costs 7.2 kg carbon dioxide emissions per day, compared with 3.8 kg for vegetarians. It would also free up land for other uses. Nearly 80% of the world's farmland is dedicated to rearing animals; a plant-based diet would cut the use of land for agriculture by 76%. The land currently used by grazing livestock could be used for "rewilding", allowing the environment and animal species destroyed by meat farming to recover.

Our health and wealth would be better too. A study published in 2016 modelled what would happen to our health and the global economy if we all switched to vegetarian diets. The economic benefits of switching to plant-based diets could be as much as £700 billion to £1 trillion per year in terms of savings on healthcare costs and lost working days due to ill health.

Some economists recommend an increased indirect tax on animal products so that their prices reflect the cost of externalities.

This could impact on European farmers, if adopted by the European Union. The tax could bring £35 billion to the EU, with around £15 billion of that going directly to farmers. The rest would be used to bring down VAT on fruit and vegetables, and fund other policies to encourage healthy-eating diets both in and outside the EU.

(Source: adapted from https://moneyweek.com/499842/the-economic-consequences-of-veganism December-28-2018)

Extract B

Businesses benefitting from meat-substitute products

There is one group for whom the trend towards meat-substitute products is definitely a good thing: processed food manufacturers and retailers.

Finest British beef burgers are priced at £6.61 per kg. The 'fake burger' (which is made mostly of pea protein) is priced at £21.81 per kg even though the ingredients used to make them, such as mushrooms, peas and palm oil, are cheaper ingredients than meat. Despite high prices, demand continues to rise for these products. This might benefit shareholders, but is it doing any real good for the rest of us?

A large food producer bought meat-substitute product maker Vegetarian Butcher in December 2018 and is moving towards a range with more meat-substitute products. In 2017, Nestlé bought Sweet Earth, a California-based maker of vegetarian foods, and it is launching its own meat-substitute 'Incredible Burger'. It expects its meat-substitute revenues to reach $1 billion by 2029.

As subsidies are being cut in every area of farming, consumers ought to be willing to pay higher prices for all food products. If farmers are to stay in business, they need to find additional sources of revenue such as oyster mushrooms, goji berries and basil.

(Source: adapted from http://www.financialtimes.com/the-veganism-boom-does-more-for-food-company-profits-than-the-planet February-22-2019)