Pearson

Mark Scheme (Results)

Summer 2026

Pearson Edexcel GCE AS Level in Economics
Introduction to Markets and Market Failure
8EC0_01

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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.

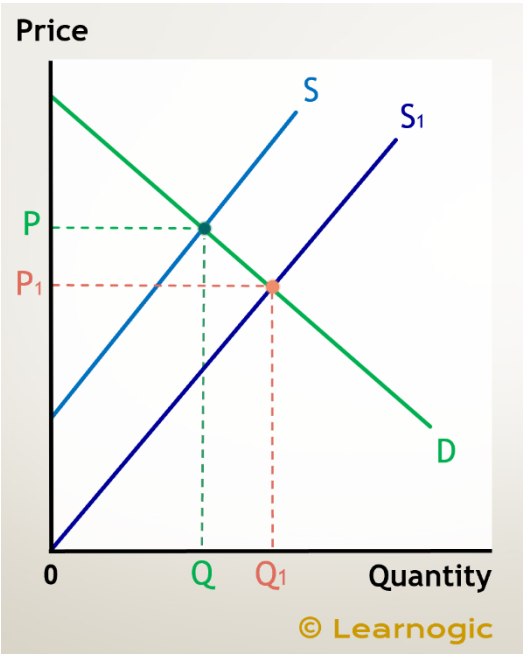
Question Number	Answer	Mark
1(a)	**Knowledge 1 Application 1 Analysis 1** **Knowledge and Analysis** **1+1** 1 mark for linked development of the role of the state e.g. - Regulation (1 K) to reduce negative externalities (1 AN) - Provision of public goods(1 K) to prevent market failure (1 AN) - Use taxation to pay benefits (1 K) to support those on low incomes (1 AN) and redistribute - Reallocation of resources (1 K) - Increased economic welfare (1K) **Application** 1 mark for a relevant example e.g. 36.8% of GDP (1) Healthcare (1) Defence (1) Education (1)	**(3)**

Question Number	Answer	Mark
1(b)	**The only correct answer is C** *A is not correct because not all goods would be produced at the socially optimum position* *B is not correct because there is no central planning* *D is not correct because this is not an advantage but a disadvantage of a free market economy*	**(1)**

Question Number	Answer	Mark
2 (a)	**The only correct answer is B** *A not correct as prices do not rise with a shortage* *C is not correct because the effect of rationing is not a surplus* **D** *is not correct because the effect of rationing is not a surplus*	**(1)**

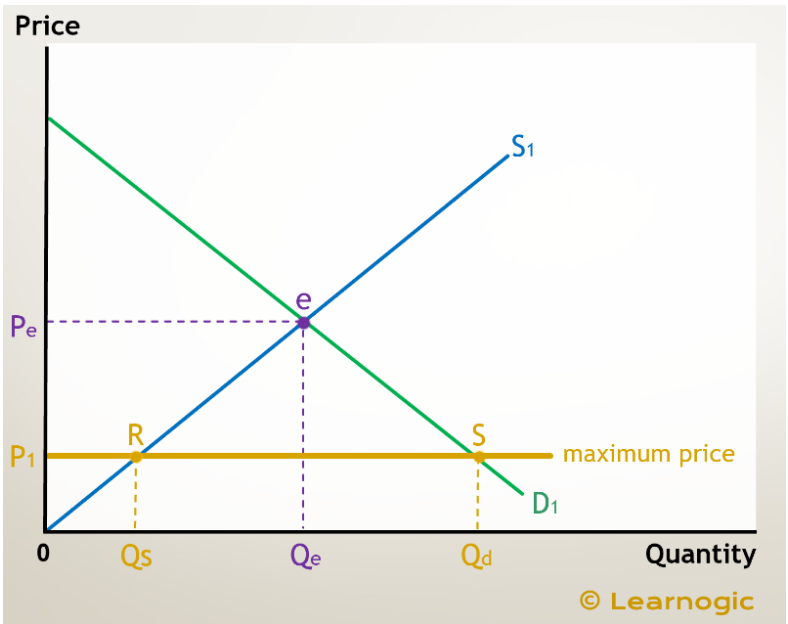
Question Number	Answer	Mark
2(b)	**Knowledge 1, Application 1, Analysis 1** **Knowledge/understanding** 1 mark for correct understanding that demand will be likely to be price inelastic **Application** 1 mark for; Reference to/ and that it is a 'necessity' (1) Global demand of 3m **Analysis** 1 mark for linked development e.g. Reference to the inelastic nature of the good meaning that irrelevant of price increases (1), demand will be insensitive to such changes, such is the nature of the demand for olive oil within Italy (1) Allow 1 AN mark for inelastic demand curve illustrated	**(3)**

Question Number	Answer	Mark
3(a)	**Knowledge 1** **Knowledge/understanding** 1 mark for definition, e.g. Subsidies are payments from the government to a producer to encourage production/ consumption (1)	**(1)**

Question Number	Answer	Mark
3(b)	**Application 2** • 1 mark for correct shift in supply (right/outwards) 1 mark to demonstrate the increase in QD and fall in price as a result  	**(2)**

Question Number	Answer	Mark
3(c)	**The only correct answer is B** *A is incorrect but testable* *C is testable and therefore a positive statement* *D is testable and therefore a positive statement*	**(1)**

Question Number	Answer	Mark
4(a)	**Knowledge 1** **The only correct answer is D** *A incorrect as is calculated via peso to pence* *B incorrect as pesos as a % of the combined total* *C incorrect as pence as a % of the combined total*	**(1)**

Question Number	Answer	Mark
4(b)	**Knowledge 1 Application 1 Analysis 1** **Knowledge/ Understanding** 1 mark for understanding of a maximum price (legal floor)/ or shortage where demand>supply (excess demand). Allow implied understanding **Application** 41 pesos (57p), the introduced maximum price per kg **Analysis** 1 mark for further explanation of how this can lead to shortages, as at the lower price, firms may reduce production of exit the market altogether Alternatively, 1 mark for how this will result in a contraction in supply as is less profitable to produce If correct diagram, illustrating the maximum price with reference to the Qs Qd excess demand/ shortage award 1 AN mark  	(3)

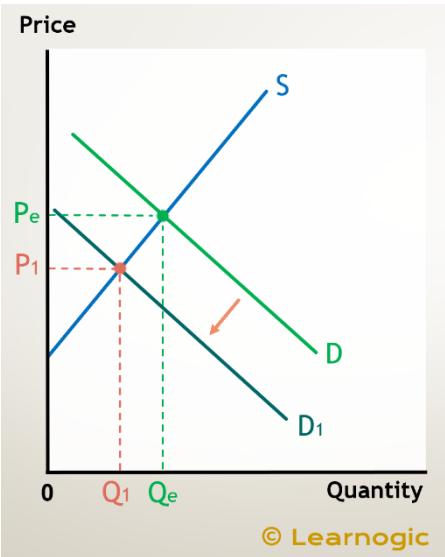
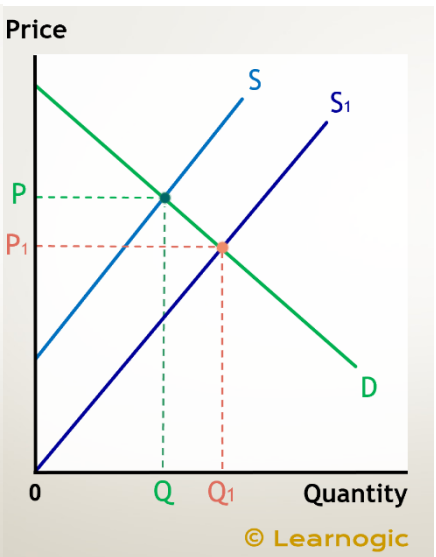
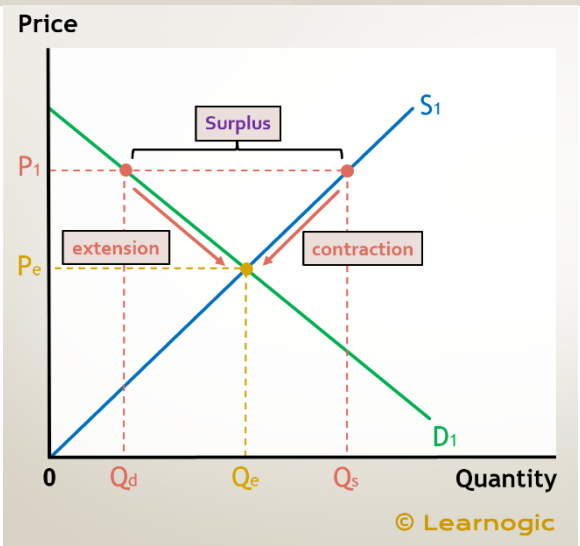
Question Number	Answer	Mark
5(a)	**Knowledge 1 Application 1 Analysis 1** **Knowledge/understanding** 1 mark for implied understanding - Income Elasticity of demand (or YED) measures the relationship between a change in the quality demanded for a particular good and a change in real income - Reference to normal goods Also allow formula; ***% change in demand / % change in income*** **Application** *More likely to buy smaller more affordable luxuries* - *Reference to lipsticks, small cosmetics and speciality teas (1 APP)* **Analysis** As incomes rise, demand rises for goods and services less proportionately (1 K) , with a YED coefficient of between 0 & 1 (1 AN) Alternatively can reference income inelastic – explaining that a change in income will have a less than proportionate change in demand (1 AN)	**(3)**

Question Number	Answer	Mark
5(b)	**The only correct answer is C** *A is incorrect as perfectly elastic would be a very high number* *B is incorrect because relatively price elastic would be greater than 1* *D is incorrect because the PED coefficient would be 1*	**(1)**

Question Number	Answer	Mark
6(a)	**Knowledge 2, Application 2** • 1 mark for identifying the formula e.g. (new-original)/original*100 (1 mark) • 1 mark for performing 68100 and 46000 • 1 mark for substituting figures correctly e.g. 68100-46000 = 22100 22100/68000 *100 = 32.5% fall in the price of lithium carbonate **NB If the answer given is 32.5% (-) award 4 marks** **Also award 4 marks is answer between 32.5** **Award up to 3 marks for correct working but overall correct answer missing** **If no % sign - 3 marks awarded**	**(4)**

Question Number	Answer	Mark
6(b)	**Knowledge 1, Application 2, Analysis 2** **Knowledge** 1 mark for infinite wants and scarce resources / scarcity (1) Unlimited wants/ finite resources (1) Choice of resource allocation (1) Opportunity cost (1) **Application** 2 marks for using source data e.g. 1 mark each for any one of the following: • Global rush to find new sources of metals and minerals (1) • Expected lithium shortage by 2025 (1) • Demand for lithium to increase (1) • 5 years to build (1) **Analysis** Further explanation including reference to; - As demand for lithium increases, the limited supply will not match this (1 AN) and lead to scarcity of the resource (1 AN) - the lack of available supply to match this increase in demand will lead to a shortage (1 AN) and illustrates the basic economic problem (1 AN) In addition Allow demand and supply diagram illustrating demand > supply (1 APP & 1 AN)	**(5)**

Question Number	Answer	Mark
6(c)	**Knowledge 2, Application2, Analysis 2** **Knowledge/understanding** Identification of factors affecting the price elasticity of supply of lithium e.g. Level of stock (1)/ Time period (1)/ Ease of substitution of labour to capital (1) / Level of spare capacity (1) **Application** 'the process to plan and construct a mine is difficult' (1) 'can take up to five years' (1) 'excessive levels of supply hit the market (1) **Analysis** Up to 2 marks for any one of the following in linked development OR two limited examples of analysis (1+1): e.g. The level of stock a business has affects its price elasticity of supply (1 K) due to its ability to increase production quickly as the price rises (1 AN) Allow diagram (1 K & 1 APP – up to 2 marks) for an inelastic supply curve and market equilibrium	**(6)**

Question Number	Answer	Mark
6(d)	**Knowledge 3, Application 3, Analysis 3** - Excessive levels of supply hitting the market since 2022 - Surplus of 200 000 tonnes of lithium carbonate - EV demand slowing from within China - Possible slowing of switching of production between the two vehicle types - May discuss demand shifting right more slowly - Allow at least one diagram e.g. inward shift in demand/ outward - shift in supply/excess supply or disequilibrium **NB If only one reason given, maximum of Level 2 should be awarded** **NB If no valid diagram, then the maximum of Level 2 should be awarded**   	

		(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	Answer	Mark
6(d) continued	**Evaluation 6** <u>Reasons why supply or demand may not react as previously explained</u> • Electric vehicle demand rising more slowly • Battery demand increasing • Combination of factors • Inelastic PES for lithium • Higher expected demand in the future • Relative significance of other factors e.g. Impact of future government legislation/ intervention	**(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. Evaluative comments with supporting evidence/reference to context and a partially developed chain of reasoning.
Level 3	5–6	Evaluative comments supported by relevant chain of reasoning and appropriate reference to context. Evaluation is balanced and considers the broad elements of the question.

Question Number	Answer	Mark
6(e)	**Knowledge 2, Application 2, Analysis 2** • Application – increased cost of driving into cities such as the £15 SUV parking charge • Data on PED suggests some relatively limited response to price change e.g. 10% rise causes 0.4% fall in demand (Extract B) • Charging drivers prompts them to make 'fewer trips' • Switch to public transport or alternative modes • Change of vehicles • Working from home/ flexible options/ remote working • Move house <u>Reasons rational</u> • Drivers computationally aware of the impact upon the environment in their cities • Drivers aware and benefit from using alternative transport with lower congestion / commutes being shorter **NB Reasons for/against being rational may be presented as either KAA or EV**	**(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(e) continued	**Evaluation 4** Reasons why drivers may not act rationally e.g. <u>Reasons irrational</u> • Drivers lack information and computational skills to assess the benefits of not driving and using alternatives. May underestimate long term gains of switching (bounded rationality) • Alternatives may be difficult – and as a result of inertia, individuals are less likely to change their behaviour PED of -0.4 is inelastic and therefore only a small number are changing their behaviour and acting rationally as a result of the increase in cost/ price • Other relevant points including; inertia, habitual behaviour and herding where appropriate Other evaluation points may include; • Time taken to change behaviour – switch of vehicles/ job role • Magnitude of the charges to drivers • Not enough information to isolate the change • Large variations with respect to consumer behaviour • Other factors have caused changes in driver behaviour e.g. legislation	**(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	Answer	Mark
6(f)	**Knowledge 4, Application 4, Analysis 6** Evaluate the use of taxation and regulation to improve air quality in cities Allow reference to schemes such as congestion charges/ legislation passed in the UK and elsewhere. • Congestion charges – how an increase in the price has led to a lower number of drivers in particular, targeted areas • Regulation – laws passed by government to prohibit vehicle usage with higher emissions such as 2035 ban on purchases of new diesel and petrol vehicles • Road taxes – Allow use of road taxes to dis-incentivise car/ vehicle usages and also other forms of road taxes based on miles/ kilometres travelled • Fuel taxes – increased cost of transport due to the taxes applied to the purchase of fuel for petrol/ diesel vehicles **NB KAA can be treated as Evaluation and vice versa** **NB If taxation or regulation only included, maximum Level 3 to be awarded**	**(14)**

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	Answer	Mark
6(f) continued	**Evaluation 6** Reasons why these policies will not be effective in reducing the vehicle usage; - Regressive effect on the poorest quintiles of the population(s) and therefore not affecting all economic agents equally - Lack of substitute transport options in different areas/ capacity - Reducing/ falling back of regulation – to limit its impact - Inelastic nature of - High cost of electric vehicles - Lack of complementary charging pods/ areas/ sites to support growth in numbers - Increased taxes on electric vehicles will limit the increases in demand	**(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	Answer	Mark
6(g)	**Knowledge 4, Application 4, Analysis 6** Taxation of lithium – indirect tax applied to incorporate the external costs associated with the mining of lithium Subsidies on alternatives – such as sodium, to limit the negative costs/ externalities upon the environment Minimum price for lithium – reflective of its negative impact upon the environment, reference to extract and negative concerns on impact on water supply etc. Reduction/ slowing of legislation to ban or prohibit the sale of petrol/ diesel engines Increased information provision on the market failure caused by the supply of lithium for electric batteries – market failure caused by asymmetric information Government failure of implementing the taxes compounding initial market failure Difficulties of assessing and quantifying the market failure can make intervention methods difficult to implement effectively **NB KAA can be treated as Evaluation and vice versa** **NB If only one method of government intervention included, maximum of Level 3 to be awarded.**	**(14)**

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	Answer	Mark
6(g) continued	**Evaluation 6** Reasons why these methods of intervention will not be effective in reducing the market failure; - Unintended consequences – taxation is regressive and has a negative impact/ and increases cost of switching to wider battery use - Distortion of price signals due to increase in price of the commodity may lead to inefficient resource allocation - Information gaps – difficulty in estimating / understanding the level of market failure associated with the supply of lithium	**(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.