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 11 May 2026

Morning (Time: 2 hours)

Paper reference **9EC0/01**

Economics A

Advanced

PAPER 1: Markets and Business Behaviour

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 three sections in this question paper. Answer **all** questions from Section A and Section B. Answer **one** question from Section C.
- Answer the questions in the spaces provided
  – *there may be more space than you need.*

Information

- The total mark for this paper is 100.
- 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 30 minutes on this section.

Use the data to support your answers where relevant.

You may annotate and include diagrams in your answers.

1 More than 50% of the Netherlands is below sea level. Protective walls along the coastline and many Dutch rivers have been constructed by the government to protect the country against the consistent threats of flooding.

(Source: adapted from https://www.preventionweb.net/news/netherlands-flood-management-climate-adaption-model-world)

(a) With reference to the data, explain **one** reason for the under-provision of sea and river defences by the free market.

(4)

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(b) Which **one** of the following is an example of government failure?

(1)

- ☒ **A** Collusive behaviour between firms
- ☒ **B** Excessive administrative costs of environmental regulation
- ☒ **C** Government intervention leads to a net welfare gain
- ☒ **D** Positive externalities in consumption

(Total for Question 1 = 5 marks)

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2 In 2024, the UK stamp duty, a tax on the purchase of houses, was charged at the following rates. There is no stamp duty charged on the first £250 000, regardless of property value.

Stamp duty (%)	Value of houses (£)
0	Up to 250 000
5	250 000 to 925 000

(Source adapted from: https://www.gov.uk/stamp-duty-land-tax/residential-property-rates)

(a) Calculate the payment received by the UK government on a property sold for £489 000 in 2024. You are advised to show your working.

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(b) Which **one** of the following is a reason why the supply of new houses is likely to be price inelastic in the short run?

(1)

- ☒ **A** Homebuyers struggle to obtain mortgage offers
- ☒ **B** House building firms find it difficult to hire bricklayers
- ☒ **C** House building firms own a large amount of land
- ☒ **D** There is spare capacity in the house building industry

(Total for Question 2 = 5 marks)

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3 In March 2024, Nationwide Building Society, one of the UK's largest mortgage lenders, reached a preliminary agreement to buy Virgin Money, another mortgage lender, for £2.9 billion. This deal would create a more powerful challenger to the UK's biggest mortgage lenders, such as Lloyds Banking Group.

(Source: adapted from https://www.ft.com/content/db451d29-f911-4695-802a-0aeb09a362f5)

(a) This type of integration is an example of which **one** of the following?

(1)

- ☒ **A** Backward vertical
- ☒ **B** Conglomerate
- ☒ **C** Forward vertical
- ☒ **D** Horizontal

(b) With reference to the data, explain **one** advantage of growth through integration.

(4)

(Total for Question 3 = 5 marks)

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4 In early 2024, thousands of patient appointments in the National Health Service were cancelled when junior doctors engaged in industrial action (strikes) to try to achieve higher pay. 98% of doctors in the UK work in the public sector.

(Source: adapted from https://www.theguardian.com/society/2024/jan/03/tens-of-thousands-face-nhs-cancellations-six-day-junior-doctors-strike-england)

(a) With reference to the data, explain how wages in the public sector are likely to be set.

(4)

(b) Which **one** of the following best describes a positive statement in Economics?
It is always:

(1)

- ☒ **A** based on an opinion
- ☒ **B** based on numerical data
- ☒ **C** capable of being tested
- ☒ **D** correct

(Total for Question 4 = 5 marks)

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5 In March 2023, the Competition and Markets Authority fined several construction firms for colluding to fix prices for projects including Bow Street magistrates court and Selfridges department store.

(Source adapted from https://www.theguardian.com/business/2023/mar/23/ten-construction-firms-fined-cma-contract-bids-cartel)

(a) Draw a simple two firm/two outcome model diagram to show the likely impact of the collusive behaviour on the market for construction projects.

(4)

(b) Which **one** of the following is the most likely reason for collusive behaviour? To:

(1)

- ☒ **A** increase competition between firms
- ☒ **B** increase supernormal profit
- ☒ **C** reduce price stability
- ☒ **D** reduce sales revenue

(Total for Question 5 = 5 marks)

TOTAL FOR SECTION A = 25 MARKS

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SECTION B

Read Figure 1 and Extracts A and B in the Source Booklet before answering Question 6.

Write your answers in the spaces provided.

You are advised to spend 1 hour on this section.

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

(5)

(b) With reference to Figure 1 and Extract B, discuss the negative production externalities caused by manufacturing in the UK. Use an externalities diagram in your answer.

(12)

(c) With reference to Extract A, assess the benefits of 'trade pollution permit schemes' (line 10) in reducing carbon emissions in the UK.

(10)

(d) With reference to the information provided, examine **two** likely microeconomic effects of the rising demand for electric vehicles.

(8)

(e) With reference to Extract B, discuss the likely methods of price **and** non-price competition used by electric vehicle manufacturers to increase sales.

(15)

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(b) With reference to Figure 1 and Extract B, discuss the negative production externalities caused by manufacturing in the UK. Use an externalities diagram in your answer.

(12)

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(c) With reference to Extract A, assess the benefits of 'trade pollution permit schemes' (line 10) in reducing carbon emissions in the UK.

(10)

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(d) With reference to the information provided, examine **two** likely microeconomic effects of the rising demand for electric vehicles.

(8)

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(e) With reference to Extract B, discuss the likely methods of price **and** non-price competition used by electric vehicle manufacturers to increase sales.

(15)

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(Total for Question 6 = 50 marks)

TOTAL FOR SECTION B = 50 MARKS

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SECTION C

Answer ONE question from this section.

Write your answer in the space provided.

You are advised to spend 30 minutes on this section.

EITHER

7 In March 2024, Apple was fined £1.6 billion by the European Commission for taking advantage of its monopoly power over rival firms and consumers. These actions include preventing developers such as Spotify from telling Apple customers about cheaper music subscriptions that are available outside its own App Store. Spotify argues that this benefits Apple Music, owned by Apple, which performs many of the same functions as Spotify.

(Source adapted from: https://www.theguardian.com/technology/2024/feb/19/why-is-apple-facing-a-500m-fine-from-eu-over-music-streaming)

With reference to an industry of your choice, evaluate the microeconomic effects of a monopoly on firms **and** consumers.

(Total for Question 7 = 25 marks)

OR

8 In March 2024, leading UK supermarkets such as Tesco, Morrisons and Sainsbury's were accused of selling vegetables below cost. These supermarkets were selling basic vegetables for 15p per kilogram. This raised concerns that suppliers and smaller supermarkets were being disadvantaged by the monopsony power of the larger firms.

(Source adapted from: https://www.telegraph.co.uk/food-and-drink/news/easter-sunday-farmers-state-of-britain-lamb-eggs-hot-cross/)

With reference to an industry of your choice, evaluate the microeconomic effects of a monopsony on firms **and** consumers.

(Total for Question 8 = 25 marks)

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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 7** ☒ **Question 8** ☒

Write your answer here:

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TOTAL FOR SECTION C = 25 MARKS
TOTAL FOR PAPER = 100 MARKS

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Monday 11 May 2026

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Economics A

Advanced

PAPER 1: Markets and Business Behaviour

Source Booklet

Do not return this Booklet with the question paper.

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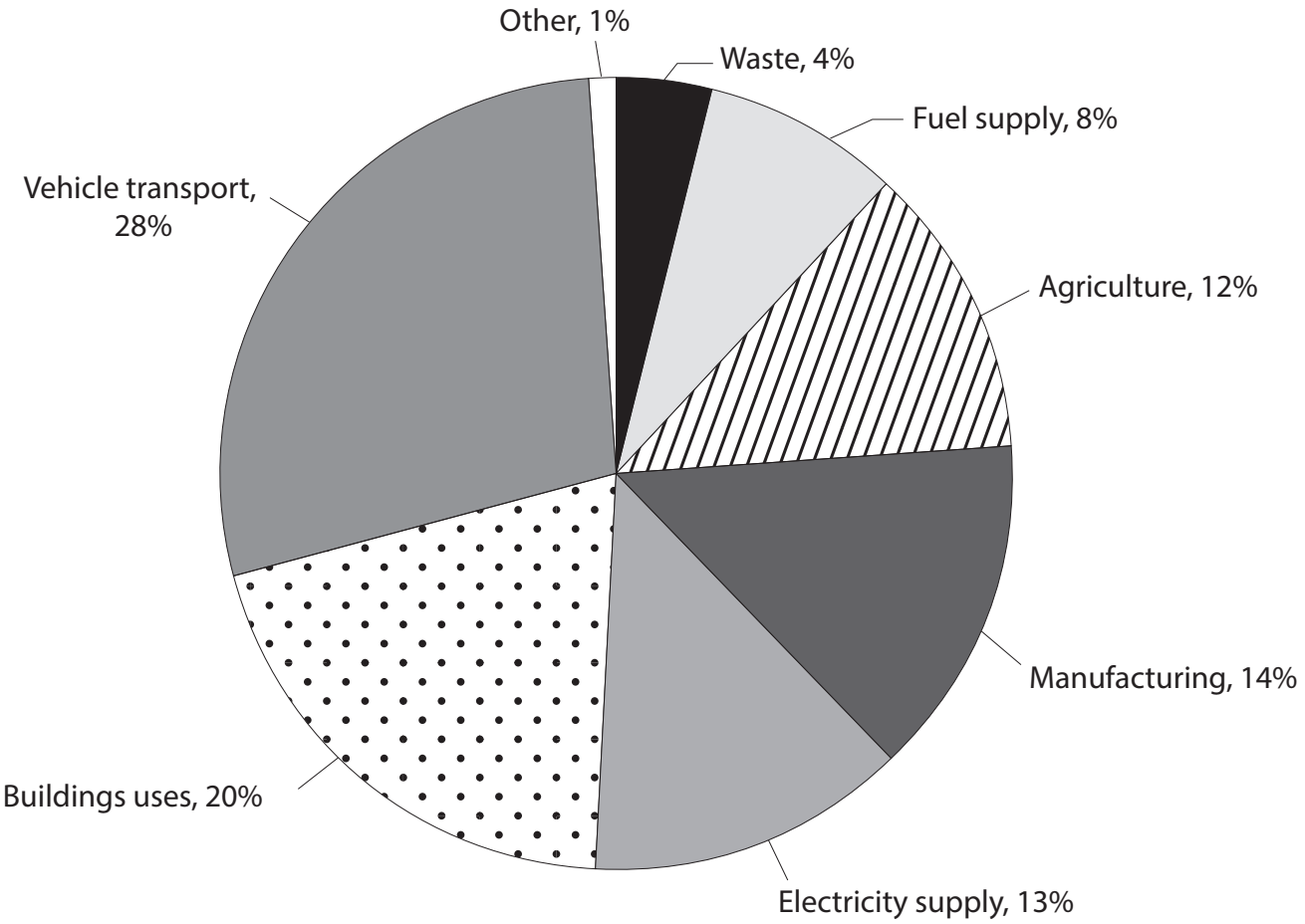
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Sources for use with SECTION B

Read Figure 1 and Extracts A and B before answering Question 6.

Reducing carbon emissions

Figure 1: Distribution of carbon dioxide emissions in the UK, 2022, by sector



(Source: adapted from statista.com study_id117023_global-carbon-pricing)

Extract A

The many prices of carbon

To most people the cost of emitting a tonne of carbon dioxide appears to be nothing. They have to pay for fuel, they have to pay for whatever burns it, but once it is an exhaust gas they can just let it go.

But though the emissions may not cost the polluter anything, economists insist that they still have a value, and that it is a negative one. This is because the carbon dioxide does harm to the environment, almost all of which is felt by people other than the polluter. To take into account those externalities means taking into account everything from the loss of seafront property and farm productivity to illnesses caused by heatwaves.

The costs charged in carbon-pricing schemes are significant. Trade pollution permit schemes typically place a cap on emissions from a certain sector, and then distribute (often by auction) permits to emit that are equal to that cap. Firms then trade permits in a "compliance market". In the UK, firms are legally obliged to participate in the system and meet specific carbon reduction targets which are enforced by the government.

Economists like these market-based "cap and trade" schemes because they discover the firms most willing to make cuts. That spreads the burden in an efficient way and lowers the total cost of keeping emissions below the cap. But even when efficiently spread, the total cost is something which most of the governments experimenting with such schemes have wanted to keep low: the average price charged in the world's emissions-trading systems is about £16. Permits represent the right to release one metric tonne of greenhouse emissions. Economists argue that the price per permit would have to reach £220 on all emissions by 2050 to meet targets.

(Source: adapted from https://www.economist.com/special-report/2023/11/20/the-many-prices-of-carbon-dioxide)

Extract B

The future lies with electric vehicles

Long-term concerns about the limited supply of non-renewable energy sources have led to an increase in electric vehicles (EVs), which can be charged using clean energy where this is available. Clean energy is generated from renewable sources, such as wind or solar power. This will eventually lead to a reduction of the negative externalities caused by vehicles burning fossil fuels. These reduced carbon dioxide emissions will affect not just consumers but also manufacturers in the UK. For example, Nissan has made a commitment to produce only EVs by 2030.

It was not until Tesla's entry into the market in 2003 that the EV revolution began. This, in turn, raised efforts to decarbonise road transport, increasing EV sales from 0.2% of new-car sales to 13% in 2022. By 2025 EVs will account for nearly a quarter of sales, and closer to 40% in Europe and China. Economists predict that by 2040 around three-quarters of new-car sales worldwide will be fully electric.

Sales of Chinese EV manufacturer BYD were higher than Tesla's in the fourth quarter of 2023, selling 530 000 in comparison to Tesla's 485 000.

Europe is likely to become a much more competitive market for Chinese EVs, given the 30% price advantage the likes of China's BYD, Geely and SAIC have. The BYD Dolphin (a model of car) costs around £26 000 in Britain, almost a third less than its claimed equivalent, the Volkswagen (the German car manufacturer) ID.3. No other manufacturer can match BYD's EVs for price. The company is comfortable making lower profits to increase market share, and this concerns rival firms in the USA, Europe, and Japan.

BYD now produces arguably the world's most advanced battery, called the Blade. The battery delivers maximum performance, safety and efficiency. Most of the gains are from the battery pack design and inventive manufacturing processes. Other car manufacturers such as Mercedes, Ford and Kia have already decided to source some of their batteries from BYD.

Analysts believe Tesla is not concerned by BYD just yet. Tesla has significant global brand loyalty over BYD. Tesla is still a premium manufacturer while BYD serves mostly mass markets.

(Source: adapted from https:// https://www.forbes.com/sites/neilwinton/2024/01/03/byd-overtakes-tesla-with-other-chinese-ev-makers-close-behind/?sh=3d1c3d9e6772 https://www.economist.com/special-report/2023/04/14/an-electric-shock)