Elasticity, welfare and policy

Pearson Edexcel · International A-Level · Economics

Supported transfer: Elasticity, welfare and policy

Scope and prerequisite teaching

Issue 2, June 2018. All four units have a complete lettered objective map; IAS and IA2 target teaching authored; qualification rubric certified from recent WEC11–WEC14 schemes.

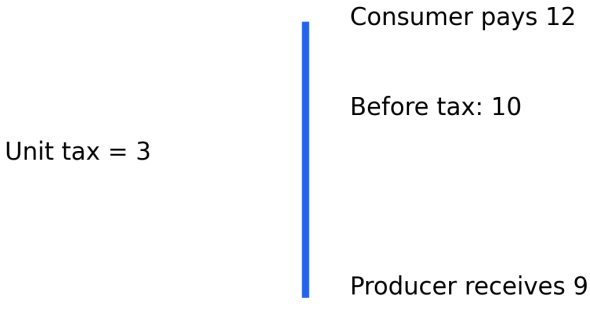
This focused rehearsal adopts the linked native explanations; it does not replace them or certify a whole qualification. Supported objective IDs: 1.3.5.1a, 1.3.5.1b, 1.3.5.2a, 1.3.5.2b, 1.3.5.2c, 1.3.5.2d, 1.3.5.2e, 1.3.5.3a, 1.3.5.3b, 1.3.5.4a, 1.3.5.4b, 1.3.5.4c, 1.3.5.5a, 1.3.5.5b, 1.3.5.6a, 1.3.5.6b, 1.3.6.1a, 1.3.6.1b, 1.3.6.1c, 1.3.6.2a, 1.3.6.2b.

Native prerequisites: 0114, 0115, 0202, 0203, 0204, 0205, 0206, 0207, 0208, 0209, 0210, 0211, 0212.

Key terms

elasticity ; **tax incidence** ; **external cost** ; **welfare** .

Original tax wedge: prices, not a welfare-area diagram



Per-item burden: consumer 2; producer 1. Quantity not supplied.

Elasticity, welfare and policy

Percentage changes need a stated convention. PED uses quantity demanded and own price on the same demand relation; PES uses quantity supplied. YED and cross-price elasticity compare different determinants. A unit tax creates a price wedge; relative responsiveness shapes burden. An externality concerns third-party costs/benefits, not merely an expensive transaction. Public goods and information failure have different

exercises.lol exercises.com.cn

mechanisms.

Worked case

An original market's pre-tax price is 10. After a unit tax, consumers pay 12 and producers receive 9. Calculate the wedge and burden, then qualify a welfare claim. Tax per item=consumer price−producer receipt=12−9=3 currency units/item. Consumer burden=12−10=2 units/item; producer burden=10−9=1 unit/item. The stated burden split concerns this equilibrium, not a universal tax rule. Tax revenue=tax per item×post-tax quantity; that quantity must be known. Revenue is a transfer, while welfare effects require changes in surplus, resource use and any external harm. A corrective tax can reduce inefficient overproduction, but only with the relevant external-cost model and evidence. Collection cost, evasion and access matter.

Independent transfer

A subsidy expands a product with an unpriced external cost. Is greater output necessarily a welfare gain? Compare a better-targeted policy.

Checked original model

Greater output can increase external harm even if consumers and producers gain privately. Identify marginal social/private costs and the efficient versus market quantity before judging. A targeted charge or standard may address the harm more directly, subject to measurement, enforcement and distribution. A subsidy for a cleaner alternative might help through a different mechanism; its fiscal and behavioural effects still need evaluation. IGCSE pupils use the supported private/external/social distinction; detailed marginal welfare geometry belongs only where the course's mapped outcomes authorize it.

Evidence and assessment limits

The tasks and marking points here are original, not official questions or mark schemes. The essay rubric follows the actual WEC11–WEC14 schemes (20-mark essays: 12 KAA + 8 evaluation, with Level-3 caps for missing diagram or context).

exercises.lol exercises.com.cn