Elasticity, welfare and policy

Pearson Edexcel · International GCSE · Economics

Supported transfer: Elasticity, welfare and policy

Scope and prerequisite teaching

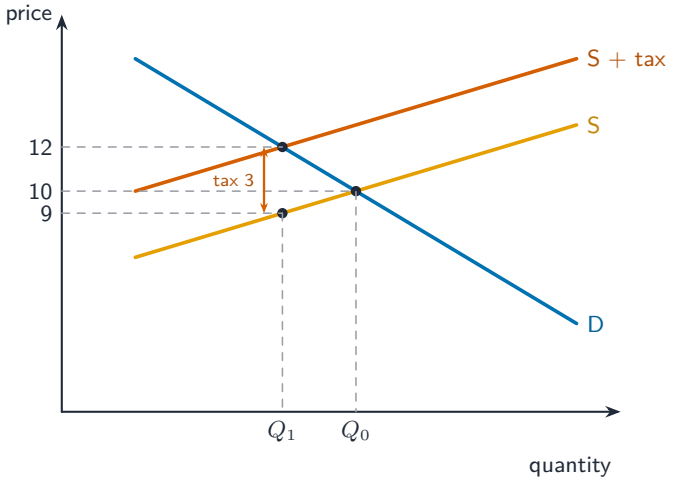
Issue 3, February 2026. Supported mapped specification objectives; qualification rubric reviewed June 2025.

This focused rehearsal adopts the linked native explanations; it does not replace them or certify a whole qualification. Supported objective IDs: 1.1.5a, 1.1.5b, 1.1.5c, 1.1.5d, 1.1.5e, 1.1.5f, 1.1.5g, 1.1.5h, 1.1.5i, 1.1.5j, 1.1.5k, 1.1.6a, 1.1.6b, 1.1.6c, 1.1.6d, 1.1.6e, 1.2.6a, 1.2.6b.

Native prerequisites: 0302, 0303, 0304.

Key terms

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



consumers pay $12 - 10 = 2$ more
producers receive $10 - 9 = 1$ less
wedge $= 12 - 9 = 3$ per item

revenue needs Q_1, which the case does not give

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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 mechanisms.

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■ 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.

Extended-response rehearsal

Lesson 0305 uses original Harbour Lane figures: night journeys 420 to 310, noise complaints 36 to 22, fee 4.20 GBP to 5.40 GBP, and a firm surcharge of 1.50 GBP per night journey. Customers pay 1.20 GBP more, so the firm absorbs 0.30 GBP on each journey that remains. 64 of 120 surveyed late workers missed a delivery. That fraction is not a share of all residents.

Analyse links those effects and stops before a verdict. Assess weighs the surcharge against a ban after 22:00. Evaluate ends with a judgement and the finding that would reverse it. Sheet questions 3.2 to 3.4 are the printable form. This one data set does not fill the same tariff for every other topic.

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Evidence and assessment limits

The tasks and marking points here are original, not official questions or mark schemes. The exam format follows the Issue 3 specification and the June 2025 4EC1/01 and 4EC1/02 papers and mark schemes: two 90-minute 80-mark papers, each four compulsory 20-mark questions mixing 1-mark multiple choice, 1–2-mark define/state/calculate, 6-mark analyse, 9-mark assess and 12-mark evaluate items that require reference to the supplied data; extended answers are level-marked (6-mark: 1–2/3–4/5–6; 12-mark: 1–4/5–8/9–12 with an AO4 judgement at the top). Assessment objectives weigh AO2 application at about half of the qualification.

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