

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 .

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 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

Scope is traced to specification_objectives.yaml, with source page and every native lesson recorded per row. Tasks and formative marking points are original, not official questions or schemes. The qualification rubric is certified from 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. Authentic past-paper set curation remains partial; no official question is reproduced here.