GCE EXAMINERS' REPORTS

GCE
ECONOMICS
AS/Advanced

SUMMER 2022

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ECONOMICS

General Certificate of Education

Summer 2022

Advanced Subsidiary/Advanced

UNIT 1 - INTRODUCTION TO ECONOMIC PRINCIPLES

General Comments

Candidates were clearly well-prepared for the format of this paper, with almost all managing to finish within the available time.

The multiple-choice section did, on the whole, appear to contain the most accessible questions, with Question 17 being the most challenging. This said there was a good spread of marks across all elements of the paper, implying that it discriminated well between candidates.

Comments on individual questions/sections

SECTION A – Questions 1-15 (multiple choice)

The aim of this section is to test candidates' knowledge and application skills, with the latter including their quantitative skills. The questions did discriminate well between candidates, with a broad spread of marks achieved. The questions which proved to be most challenging were those focused on Assessment Objective 2 (application), where candidates had to interpret or otherwise do something with the data they were given, rather than those which were testing Assessment Objective 1 (knowledge/understanding).

Question 4 which asked candidates to calculate an index value for some given data proved to be more challenging, as did Questions 6 and 7, both of which required candidates to interpret data presented in a line chart and link this to their knowledge of economic theory. Question 9 was also poorly answered, as candidates appeared to be confused by the idea of looking at the change in AD only, and the fact that while both government spending and the trade deficit were increasing in value, one of these added to AD while the other reduced it. It would be useful for teachers to work this question through with students to check their understanding of these key concepts.

In response to Question 11, we were expecting candidates to annotate the aggregate demand and aggregate supply diagram they were given in order to reach an answer. Fewer did this than we would have liked. This question also required candidates to understand that an increase in the level of savings would, ceteris paribus, reduce the level of consumption and hence AD in the economy. Weaker candidates did not appear to follow this line of reasoning.

Question 14 also proved to be a good discriminator, as although candidates appeared to understand that substitute goods have a positive cross elasticity of demand, weaker candidates were not aware that strong substitutes would have a higher positive elasticity value than weak substitutes.

Conversely, Question 15 was well answered which was very pleasing, as this showed that, on the whole, candidates had a good understanding of the relationship between price elasticity of demand and total revenue when price changes, which can be a more complex area of the specification.

SECTION B

Q.16 (a) Definitions/knowledge of 'opportunity cost' were generally well done. Weaker candidates struggled to gain the available application mark here though, as they gave the result of a choice, rather than the option foregone as a result of that choice. For example, incorrectly writing that the opportunity cost of 'providing the same level of service' would be 'raising taxes', rather than 'providing fewer services' or 'not changing tax rates'. A minority of candidates ignored the instruction to use an example from the data and gave their own example, which was not rewarded.

(b) Candidates generally made good use of the data in their responses to this question. That said, they found it easier to argue that Wales's PPF would shift inward as a result of the given population changes, rather than outward, meaning that evaluation marks were often limited. A knowledge (AO1) mark was available for showing understanding of the PPF; this could be gained through the explicit use of a definition or diagram, or implicitly through candidates' analysis. A good number of candidates did attempt a PPF diagram in support of their response, and while this was not required, it was useful. However, when done, labelling of the axes of the PPF was poor in a majority of cases.

Q.17 (a) Strong candidates appeared to find this a very straightforward question. For others, errors came from either not knowing how to calculate the area of a right-angled triangle (many candidates gave an answer of £1.50 x 500,000 = £750,000, which was twice the correct answer), or not knowing which area represented consumer surplus.

(b) **(i) (ii)** The scale on the diagram did make an inwards shift of the supply curve by the required amount a little difficult, and hence (b) (i) was marked rather leniently in terms of the vertical distance between the two supply curves. Of the candidates who attempted this question, most understood that an inwards shift of supply was required, but a significant number of candidates did not offer any adaptation to the diagram. It would therefore be beneficial for teachers to ensure that students are comfortable both with working with 'to scale' supply and demand diagrams, and with how an increase in costs of production affect firms' supply. Candidates were not required to mark the new equilibrium created to gain the 2 marks available for this part, however doing so made it easier for them to go on to answer part (ii).

(ii) was poorly answered, with candidates shading a wide variety of different areas and shapes on their diagrams.

Q.17 (c) This was the most poorly answered question on the exam paper. In response to this question, we were looking for: an understanding of XED/complementary goods; candidates to use the data given previously to identify that an increase in the price of vanilla pods did lead to a reduction in the quantity of vanilla ice cream demanded; but recognition that just because this implies a negative XED, they are not necessarily complements. Candidates struggled with each of these three elements. Although the latter two were perhaps more difficult, it was disappointing to see a lack of understanding of complementary goods among many candidates: a good number were unable to go beyond giving an example from their own knowledge.

Q.18 (a) A good number of candidates showed understanding of market failure, but very few were able to link volatile prices to market failure successfully. It would therefore be beneficial for teachers to ensure that their students are secure with the reasons as to why volatile prices for a good or service may lead to market failure.

(b) Maximum-price diagrams were generally well drawn in response to this question, and candidates referred to their diagrams in their written analysis, often through an explanation of the excess demand/shortage of oil that the maximum-price would create, or by identifying the likely impact on consumer/producer surplus. In terms of the effects of the maximum-price on firms, we accepted a consideration of the effects on either oil-producing or oil-consuming firms, and both of these were well done by different candidates. Stronger candidates were able to use either the data in the chart and/or their understanding of PED and PES for oil to successfully evaluate the effects.

Q.19 While most candidates were able to draw a Laffer curve with the correct shape, weaker students struggled to accurately label the axes of the diagram. The logic behind the Laffer curve was generally understood, although candidates tended to lose marks for: writing only about income tax (and hence individuals' incentive to work) when the question was about corporation tax; and not referring to the data. Candidates should remember that 'explain' questions do not have any marks for evaluation (AO4), as a significant number of candidates did attempt to evaluate their responses.

Summary of key points

- Candidates should remember to identify the command word in questions to know whether they are being asked to include evaluation in their responses or not. In this paper, 'consider' in Question 16(b) was asking for evaluation, but 'explain' in Question 19 was not.
- When including diagrams in responses, candidates should remember to ensure that they have accurately labelled the axes: this can be as important as the shape of the curves themselves, particularly in showing detailed understanding of a concept.
- Cross elasticity of demand appears to be a concept which is less well understood by candidates (perhaps than PED and YED). Developing a more in-depth appreciation of this, both in terms of numerical values and XED as a concept, would therefore be beneficial.
- Some candidates struggled with questions which required the use of quantitative skills. It would therefore be useful to practise these in a variety of different forms.
- Candidates' use of data in their responses was of a variable standard. Particularly when explaining a well-understood concept like the Laffer curve, candidates must remember to integrate data from the context given into their responses.

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UNIT 2 - ECONOMICS IN ACTION

General Comments

As ever, there was a broad range of marks achieved on this paper, from single figures to scores in the 70s. This implies that the questions worked well as discriminators of candidate ability and knowledge, and spread candidates out to a good extent. Having said this, most questions appeared to be accessible on some level, with only some of the 2-mark calculations or perhaps the final question not attempted by candidates. Many candidates did seem to write far more in response to Question 1 than Question 2, and Question 2(e) was particularly poorly answered. This suggests that candidates would do well to watch their timing more closely to ensure that they have an opportunity to attempt all parts of the second question.

Comments on individual questions/sections

Q.1 **(a)** This initial two-mark question was reasonably well answered. In terms of an understanding of scarcity, we were hoping for candidates to recognise that this arises from the combination of finite resources and infinite wants (the fundamental economic problem). Very few candidates did this, and so we also awarded one knowledge mark for the idea of scarcity as a shortage of a good or service, i.e., where demand/quantity demanded is greater than supply/quantity supplied. A number of candidates only recognised half of this, and defined scarcity as the problem of finite or limited resources/supply. This did not earn a knowledge mark, as this alone is insufficient to cause scarcity in the economic sense. The vast majority of candidates were able to give the example of 'food' or 'protein' being scarce from the data.

(b) This two-mark question was very well answered with the vast majority of candidates earning full marks. Only a very small number of candidates confused the meaning of 'normal' and 'inferior' goods, or could not offer a satisfactory outline of what a normal good is.

(c) Most candidates were able to achieve at least 3 marks for this question, with the best students earning 5 or 6 marks. Almost all candidates were able to use the data to explain why demand for salmon had increased and to show the effect of this on a supply and demand diagram. The data gave three different reasons for this increase in demand. Candidates who made good use of this were able to achieve a Band 2 score for application (AO2) even if they only considered the change in demand. To achieve 5 marks overall, candidates also had to recognise that supply of salmon had increased, and for full marks, there needed to be explicit recognition that demand had increased by more than supply. The strongest candidates were able to do this in both their diagrams and their written analysis.

Candidates should be reminded to be alert to the possibility that both demand and supply may change, and to make full use of the data in questions which ask them to refer to it. Supply and demand diagrams were mostly very well drawn with clear and correct labelling. Consideration of the price inelastic nature of demand and supply was not required for full marks, but was awarded with analysis (AO3) marks where it was discussed in a relevant manner.

(d) A good proportion of candidates received 0 marks for this question because they wrote about the price elasticity of demand of salmon (rather than supply). This is a common error whenever a question focuses on PES and so candidates should be made aware of this tendency. It would have been useful to begin a response to this question by showing good knowledge of the meaning of PES and/or price inelastic supply, however relatively few candidates did this and instead began by quoting from the data. Although there was nothing inherently wrong with this approach, it did mean that examiners were then often looking for implicit understanding of these terms, and it also seemed to make it more likely that candidates would drift away from answering the question set and into a consideration of PED. Much of the answer to this question was included in the data, e.g., reference to a three-year production process, capacity constraints and increased productivity; however, for the AO3 and AO4 marks, we were looking for candidates to explain why these things meant that supply was likely to be price inelastic or elastic, rather than just to state that this was likely to be the case. Generally, candidates who focused their response on PES did make good use of the data.

(e) While there were many good answers to this question, too many of the others read more like newspaper articles which discussed the positives and negatives of salmon farming in a very general way, rather than focusing on evidence for and against this being a case of market failure. Responses which did not use any economic theory in terms of identifying likely causes of market failure (negative or positive externalities, merit goods, asymmetric information, an absence of private property rights etc.) were unlikely to achieve more than Band 1 for analysis (AO3). Similarly, candidates who solely considered the benefits of salmon farming, without relating their arguments to why this wasn't market failure, were unlikely to score highly for evaluation (AO4).

For candidates who did make an effort to answer the question, consideration of the negative externalities of salmon production, and the possibility for over-fishing leading to a 'tragedy of the commons' situation were the most common lines of argument. Most candidates who identified external costs in production attempted to draw a diagram to illustrate the situation, although these were of variable quality in terms of the labelling of the curves and equilibria, and the extent to which they were referred to in the accompanying written analysis. Candidates are reminded that they should explain what their diagram is showing, rather than simply presenting it in isolation.

In terms of evaluation, the most fruitful line of argument here was that the over-production caused by the external costs in production might be counter-balanced by the under-consumption caused by the external benefits in consumption of salmon, so that the free market equilibrium quantity was also the social optimum quantity of salmon. A good number of candidates suggested that salmon farming had external benefits in production due to the 12,000 jobs created in the industry. This was not given full credit as these are private benefits, as the employees of the salmon farms are involved in the transaction. Stronger candidates were instead able to point to a potential positive multiplier effect in the local communities and job creation outside of the salmon farming industry itself as external benefits.

Finally, candidates should remember that a 'to what extent' question is asking for an overall, reasoned judgement as to the extent to which the statement is the case. This was needed in order to access a Band 3 mark for evaluation (AO4).

(f) Candidates were able to use the data provided and their own knowledge of economy theory very well to explain a number of likely negative impacts of the closure of all salmon farms on the Scottish economy. However, even very strong candidates struggled to effectively evaluate their arguments. This could have been done either by considering possible benefits to the Scottish economy of the closure of salmon farms (more difficult to do), or by weighing up the significance of the negative effects identified, for example by discussing how the occupational mobility of labour/level of skills in the Scottish workforce might allow workers to find work in other industries. A small number of candidates did make use of their knowledge of current economic issues to, for example, suggest that a reduction in demand-pull inflationary pressures owing to the closure of Scottish salmon farms might help to return the inflation rate back towards its target at a time when it is significantly above 2% CPI inflation. While the data provided should be candidates' main source, it is pleasing that candidates are able to draw upon their own knowledge in this way.

Q.2 (a) (i) This question was relatively poorly answered, as candidates seemed to struggle to explain/show how they knew these two things were correct, and instead merely stated that they were. This was particularly the case for the fact that interest rates had risen by 0.25 percentage points. Even why attempting to explain the latter, candidates often did not use the correct terminology of percentage points, for example incorrectly writing 'the interest rate increased by 0.25% from 0.5% to 0.75%'. It would therefore be beneficial for teachers to ensure that students do understand the difference between a percentage and a percentage point change in a variable and are confident in using the correct terminology themselves.

Q.2 (a) (ii) This question was fairly well-answered. The mark scheme shows one possible way of calculating the value of £1.04 but candidates were inventive in presenting a variety of different methods. All mathematically correct calculations were given full credit. A number of students did struggle with calculating 0.25% of £5,000. It was common to see working showing '0.25 x £5,000' (rather than 0.0025 x £5,000) with a candidate then deciding to divide their answer by 100 as a final step. In an alternative question, where candidates were not given the final answer, they are unlikely to have realised that their response was a factor of 100 out, and so should practise similar calculations.

Q.2 (b) (i) The vast majority of candidates were able to state two valid pieces of information that the MPC is likely to take into account. The most common answers were:

- The GDP growth rate;
- The unemployment rate;
- Business/consumer confidence levels.

(ii) This question caused more difficulty for candidates than 2(b) (i), suggesting that it would be a useful part of the specification to revisit with pupils. A considerable number of candidates wrote that the Bank of England 'prints money' and/or 'controls the exchange rate'. Neither of which were not rewarded. Given that the question excluded setting the bank rate, we did not reward general mentions of 'deciding/implementing monetary policy', but did award marks for specific reference to quantitative easing, controlling the money supply, or providing forward guidance.

(c) Generally, candidates showed a good understanding of the monetary policy transmission mechanisms working through consumption and investment. The vast majority of candidates were able to explain how an increase in the cost of borrowing and in the reward for saving, would tend to incentivise saving overspending, and discourage investment. Such responses tended to gain Band 2 marks for analysis (AO3). To access Band 3, candidates tended to go beyond this, for example by considering how an increase in bank rate might lead to lower house prices and hence a negative wealth effect, or how a decrease in consumption might reduce business confidence and the likely return on investment, disincentivising that also.

Application/use of the data provided was poorly done, with a majority of candidates providing a purely theoretical response, despite the data giving monetary values for the additional cost of a mortgage or the additional return on saving when the interest rate rises. Candidates should take note that this question explicitly referred to 'in the UK', and hence we were looking for a response which was contextualised to the UK, either through use of the data provided or candidates' own knowledge.

Many candidates did suggest that investment would increase when the bank rate rose as this would attract hot money flows into the UK. While this was rewarded with AO4 marks where appropriate, as it is classed as portfolio investment, a good proportion of candidates incorrectly referred to this as foreign direct investment (FDI). This also perhaps highlighted a confusion between 'saving' and 'investing'.

Evaluation was, on the whole, less well done than analysis. Some candidates were able to consider the role of confidence in determining levels of consumption and investment, and others discussed how net savers might respond to an increase in their disposable income as the interest they earnt on their savings rose. While a discussion of how other factors (e.g., confidence) might mean that consumption and/or investment do not respond in the expected way when bank rate rises was certainly valid evaluation here, it should be noted that the question was not: 'To what extent is the bank rate the most important factor affecting the levels of consumption and investment in the UK'. Candidates who offered a consideration of how other factors apart from the bank rate might be more important determinants of consumption and investment were not, therefore, wholly answering the question, and tended to be limited to Band 1 or 2 for evaluation.

Candidates should note that, as with Question 1(e), this was a 'to what extent' question and therefore for a Band 3 score for evaluation, we were looking for candidates to make an overall reasoned judgement as to the extent to which increasing bank rate affects consumption and investment. Most candidates who attempted to do this simply summarised/repeated the arguments they had previously made, rather than coming to an overall judgement.

Q.2 (d) Diagrammatic and written analysis of how a change in the interest rate might affect the exchange rate was generally very well done in response to this question. The only points to note here were really the labelling of the exchange rate diagram's axes (particularly the y-axis, which ideally would have read 'exchange rate', 'price of £ in $' or similar, rather than simply 'P'), and the whether the primary change shown was a shift of the demand or supply curve for the pound. If a candidate was considering the likely effect of an increase in the interest rate, we were looking for either an increase in demand alone, or both an increase in demand and a decrease in supply. If a candidate was considering the likely effect of a decrease in the interest rate, we were looking for either an increase in supply alone, or both an increase in supply and a decrease in demand. It was also important that candidates referred to their diagram in their written analysis.

As with question 2(c), application was poorly done in response to this question. We were ideally looking for candidates to compare the Figures showing the UK's bank rate and the £/$ exchange rate to highlight periods they move together or not. Few candidates did this at all, and a good proportion of those who did make some use of the data were too imprecise in how they cited it, for example writing about increases or decreases without giving values from the y-axis to show how much the interest rate or exchange rate had changed by, and often not giving the date of any changes. As a general rule of thumb, candidates should give numbers/data from both axes when referring to a chart.

In terms of evaluation, most candidates were able to suggest one or two other factors which might affect the exchange rate, the trade balance and speculation being the two most commonly cited. Candidates varied as to how well they were able to explain how these variables influenced the exchange rate. Finally, as for question 2(c), for a Band 3 score for evaluation, we were looking for an overall judgement as to whether interest rates are the main factor affecting exchange rates.

Q.2 (e) This final question on the paper was the most poorly done of all. This suggests that a number of candidates did have issues with their timing.

This proved to be a challenging question as it required candidates to: identify demand-side policy; explain how implementing this would help the government/central bank to achieve one policy objective; and explain how another policy objective would not be achieved, therefore creating a conflict. Weaker candidates were only able to do two of these three things. For example, it was common to see responses which simply explained how an identified demand-side policy might or might not achieve an individual objective, without any conflict of objectives being identified (e.g., expansionary fiscal policy will increase AD, increasing the rate of inflation). Or alternatively, candidates explained how two policy objectives might be difficult to achieve at the same time, without including the use of a demand-side policy (e.g., decreased unemployment leads to increased average wages/incomes, increasing consumption and hence AD in the economy, adding to demand-pull inflationary pressures).

The most commonly identified conflicts were between low unemployment/full employment and a 2% CPI inflation rate; and between sustainable economic growth and a 2% CPI inflation rate. Only the best candidates seemed able to move beyond these.

In terms of exam technique, it would have been helpful if candidates had explicitly stated the policy objectives they were considering, as many just wrote very generally about the result of a policy being 'higher inflation', or 'lower unemployment' without making it clear that they understood what the objective was. As with previous questions, while AD/AS diagrams were generally well-done, too many candidates did not refer to these in their written analysis or evaluation.

Many candidates did not present any evaluation in their responses. Those that did most commonly suggested that some policies may achieve two objectives at the same time (e.g., lower unemployment and economic growth) so that statement is not always true, or considered how the size of the economy's negative output gap when using a Keynesian LRAS curve determines whether conflicts are present or not. Some candidates who took the latter approach wrote very clear explanations of why inflationary pressures rise as spare capacity in the economy is used up.

Summary of key points

- If candidates have drawn a diagram as part of their response, they must refer to/explain this in their written analysis.

- Remember to contextualise responses where this is required, either through the use of the data provided, or candidates' own knowledge. Very few questions on this exam paper will not have any application marks, even if they are focusing on a more theoretical aspect of the specification.

- Consider the command word(s) used in the question and remember that where these ask for an overall judgement (e.g., 'To what extent…') this is required to access a Band 3 score for evaluation (AO4).

- Candidates should be conscious of their timing and ensure that they split the time available equally across Questions 1 and 2. This will require not spending too long answering lower mark questions.

- Although not required, it is often helpful for candidates to begin their responses by explaining the key economic terms in the question. This helps to gain knowledge (AO1) marks but also ensures that the answer will be more closely focused on addressing the question asked.

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UNIT 3 - EXPLORING ECONOMIC BEHAVIOUR

General Comments

This appeared to be a very accessible paper for the vast majority of candidates, with very few candidates unable to finish, and indeed, significant use was made of the additional answer space. The questions were mostly quite broad in nature, allowing candidates to use a wide range of relevant theory and concepts to show what they have learned over the past two years of study. The examining team noted that throughout the paper, Section B especially, candidates typically made very good use of the data provided.

Comments on individual questions/sections

Section A

Q.1 For part (a) the majority of candidates were able to recognise that output level Q was determined by marginal costs equalling marginal revenue. However, very few candidates were able to explain why this was the profit-maximising level of output, suggesting that whilst they had good knowledge, their understanding was less strong.

In part (b), candidates needed to shift AC and MC upwards and identify the new profit-maximising level of output. Most candidates were able to shift at least one of the cost curves, but did not always go on to show a new level of output. Some candidates unfortunately decided to redraw the diagram in the space underneath the question rather than adapting the original diagram, and this often made it hard for examiners to work out what changes they had attempted to show i.e., it was unclear whether they had shifted revenue curves or cost curves, and in what direction.

Q.2 Whilst there were some excellent answers to this question, a significant proportion of candidates did not respond appropriately to the command word and therefore did not include any relevant evaluative comments. Some candidates did attempt evaluation but suggested rather generic evaluative points about the impact on consumers rather than evaluating the impact of the merger with IAG on Norwegian Airlines itself. The very best answers also made appropriate and effective use of the data and airline context. For example, if they chose to write about the potential for economies of scale, candidates who answered in context considered things such as greater purchasing power for fuel or maintenance engineers, rather than generic answers about economies of scale.

Q.3 For part (a) candidates did not need to refer to or use the data, and simply needed to consider the effectiveness of using the LFS to measure unemployment. Most candidates were able to give a reason in favour and a reason against; the best answers were those that developed each point.

For part (b), the majority of candidates wrote generic answers about supply-side policies that might reduce unemployment (rather than raise employment), rather than looking at the data and thinking about what that data might tell them in terms of why some people in the UK did not have a job, before then writing about an appropriately targeted supply side policy e.g., childcare subsidies to help get women back into the labour force.

Q.4 This was the most challenging question on the paper. Most candidates calculated the correct number for Net Errors and Omissions in part (a) but mostly included a minus sign rather than recognising that the number must be a positive number.

Part (b) caused problems for candidates typically on a centre-by-centre basis, suggesting that this was a straightforward question for candidates who had covered structural and cyclical deficits on the current account in lessons but inaccessible for those who had not. Many candidates confused deficits on the current account with fiscal deficits and so were unable to be awarded many, if any, marks. This has been a common error for many years, and it is worth centres reviewing this several times with their learners. Most candidates who were able to access this question recognised that structural deficits would be related to underlying problems in the economy and not related to the economic (trade) cycle. Understanding cyclical deficits proved more problematic, with candidates writing that we would see a rising current account deficit during recession and a falling deficit during a boom. The reality in the UK is the opposite; rising incomes plus increased demand for raw material tends to lead to an increase in imports, as there is a reasonably high marginal propensity to import in the UK.

Q.5 Many candidates were able to access marks across most of the Assessment Objectives on this question. The best candidates pinpointed key features of the data, rather than providing a date-by-date description of the data. They also recognised that the data referred to “an economy” rather than the UK – this was clearly not UK-specific data, and so candidates who tried to use their knowledge about the UK rather than using the data provided struggled to work out what was going on. Many candidates drew diagrams to illustrate demand pull and cost push inflation which were rewarded if accurate. However, there were many diagrams, and supporting analysis, that confused microeconomics with macroeconomics e.g., use of demand and supply diagrams, or AD/AS diagrams with price and quantity on the axes.

Section B

Q.6 For the calculations in part (a), it was usually the case that entire centres were either able to calculate index numbers or they were not. Centres are reminded that there is a list of quantitative skills in Appendix A of the specification; these skills are worth at least 20% of the overall A level, and so should be regarded as being as important as the theoretical content.

Candidates found part (b) quite accessible with the majority of candidates being able to find evidence of China’s monopoly power in the rare earth metal market. Candidates found the evaluation a little more challenging, although there was plenty of evidence against China’s monopoly power given in the case study. The strongest answers were those that combined the data with their arguments rather than listing the relevant elements of the data. For example, candidates that simply quoted China’s share of the market would have gained some AO2 credit, but for AO3 would have needed to connect that data with why that meant there was monopoly power.

Q.7 In part (a), many candidates confused 'free trade' with 'fair trade', although examiners were generally lenient with this particularly when candidates developed their point so that their meaning became clearer. Some candidates thought that the WTO was a type of competition authority with a focus on reducing monopoly power and this then limited their marks across the majority of Question 7, as this is not the WTO's role or aim.

In part (b), many candidates were able to give clear and succinct definitions of absolute and comparative advantage, and then able to give an example of absolute advantage, although found it harder to make a link to comparative advantage. As with some other questions, the divisions between candidates typically were between centres rather than within centres – there were numerous centres in which no candidate was able to define or explain absolute or comparative advantage.

In part (c), a significant minority of candidates spent time drawing a tariff diagram but then were unable to use it or integrate it into their answer which both limited their marks and made it more challenging for them to finish the paper; standalone diagrams are worth very little – they should be used as a tool to support analysis. As with part (a), many candidates wrote at length about the WTO intervening to reduce China's monopoly power and acting as a competition authority with consumer interests at heart, which is not really the aim of the WTO. The best answers were those that analysed the likely impact of China's introduction of trade restrictions and then evaluated by using the information in the case study relating to the market response effectively undermining China's restrictions.

Q.8 On the whole, this question was answered well by the majority of candidates, who appeared to find it accessible. The best answers were those that really considered the meaning of 'global development' rather than just 'economic growth in China' and linked their answers to aspects of living standards such as health, education, income, the environment and inequality. Some candidates relied very heavily on the data, outlining the pros and cons of mining rare earth metals that were detailed in the data, rather than then developing those pieces of evidence to explore development. That said, it was pleasing to see the case study data being used to the very end of the exam.

Summary of key points

Key concerns

Handwriting was a significant issue for the examiners this year, with numerous scripts escalated for review. The team supposed that this was due to the increased use of digital / online learning in recent years, and would like to encourage centres to request that candidates practise handwriting answers where possible. A similar issue cropped up with diagrams that were often inaccurately drawn and badly labelled, with confusion between micro and macro labelling. Again, the team supposed that this may be due to students having used 'cut and paste' for diagrams when submitting work online, and would like to encourage centres to be 'picky' about accurate hand-drawn diagrams.

Key strengths

Many candidates used a wide of range of economic concepts and theories, making connections between topics and integrating theory with the evidence provided. This suggests that feedback from previous exams regarding strong use of data in the classroom has really been taken on board and acted on.

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UNIT 4 - EVALUATING ECONOMIC MODELS AND POLICIES

General Comments

From the perspective of the examining team, this appeared to be a highly accessible paper with candidates able to use a wide range of knowledge. There were very few examples of unfinished papers. In Sections A and B, responses were split fairly evenly between the two question choices. In Section C, candidates were much more likely to select Question 6 rather than 5. Some centres were incredibly well prepared for this paper, with candidates understanding the rubric, taking the time to write brief plans, and ensuring that their answers were targeted carefully at the question. In other cases, there were centres in which no candidate could draw accurate diagrams or use very much appropriate theory especially in part (a) questions. Poorly labelled and poorly used/integrated diagrams were a significant feature across the board.

Comments on individual questions/sections

Section A

Q.1 Part (a) There were some excellent, detailed answers that gave precise explanations of the long run equilibrium position for firms in perfect competition, with carefully and accurately labelled diagrams. Such candidates gave clear explanations of the long run position by referring to the profit maximising objective combined with the free entry of firms. Candidates with 'middling marks' typically made significant errors on the diagram, for example using macro labels rather than micro labels, or showing shifts in cost curves rather than shifts in revenue curves as a result of a change in market supply, or, most surprisingly, drawing monopoly diagrams.

Part (b) The majority of candidates answering this question focused on the general 'pros and cons' of monopoly; these answers were typically awarded Band 2 marks. Those candidates who were awarded Band 3 marks focused on answering the precise question, about the impact of a reduction in monopoly power. The very best candidates recognised that monopoly power is not necessarily the same as monopoly i.e., firms in an oligopoly may be large enough to have monopoly power, and also connected their answers with contestability.

Q.2 Part (a) As with part (a) in Question 1, there were some excellent answers that focused on all of the demands of the question, including and embedding examples and accurate diagrams. The majority of candidates attempting this question were able to describe monopolistic competition using mostly appropriate diagrams, but many only paid lip-service to the question's demand to incorporate examples, and there were many inaccurate diagrams. As with Question 1, a proportion of candidates used macro labels for their micro diagrams, and muddled the labels on the different curves. Sadly, a number of candidates confused monopolistic competition with monopoly, or more unexpectedly, oligopoly, which made it challenging to award them any marks at all.

Part (b) Candidates who had written about the wrong market structure in part (a) typically carried that mistake forward. However, if they wrote accurately about different types of efficiency and considered those in relation to different market structures, then they could be awarded Band 1 / low Band 2 marks. Typical candidates awarded 'middling marks' wrote briefly about the 3 main efficiencies (productive, allocative, dynamic) and then related those to 2 market structures other than monopolistic competition (typically monopoly and perfect competition). However, they often used assertions rather than detailed analysis, and stayed very much in the realms of theory. The best answers also considered the difference between theory and practice e.g., a lack of allocative efficiency in monopolistic competition in theory but significant differentiation allowing improved consumer choice and welfare in practice, as well as thinking about how structures could change over time.

Section B

Q.3 Part (a) The best candidates were those that considered and answered every part of the question. Candidates were requested to use PPF diagrams to illustrate both actual and potential growth; whilst many were able to do this, there was a noticeable proportion of candidates who considered either actual or potential growth rather than both, and others that used AD/AS diagrams rather than PPFs. Many candidates provided lists of factors that would cause actual / potential growth, rather than selecting a small number and carefully analysing them. Some candidates achieved full marks by writing around half a page by being efficient and doing everything that the question asked of them without wasting time on aspects that were irrelevant.

Part (b) The majority of candidates were able to write about some of the conflicts (e.g., demand-pull inflationary pressure and trade deficits) and the non-conflicts (e.g., falling unemployment) associated with growth. Writing about both conflicts and non-conflicts allowed candidates to be awarded high marks for both AO1 and AO3. Many candidates seemed to think that they could be awarded AO4 marks for writing about conflicts and non-conflicts, but this confidence was misplaced. Band 2 and 3 AO4 marks were awarded to those candidates that evaluated their points, whether they were conflicts or non-conflicts, for example by considering the likelihood of their point or the extent to which it would occur. These candidates were often also able to apply their theory to practice, making reference to real world examples. Some candidates wandered a bit off track and wrote about how, say, inflation could be reduced or further impacts of the conflicts, rather than staying focused on growth. Many candidates used diagrams to help support their points – these were highly credited provided candidates actually integrated them into their written analysis and provided they were accurate i.e., using macro labels rather than micro.

Q.4 Part (a) Many candidates picked up strong AO1 marks but few AO3 marks with this question. AO1 marks were awarded for knowledge of how the data for calculating the weighted price index would be collected e.g., Family Expenditure Survey, basket of goods etc. The best candidates were those who could further explain how this data would be used to calculate a weighted index. Some candidates chose to do this via the use of calculations and numbers, and this was awarded highly by the examiners. Weaker candidates were simply able to define inflation and give the names of a few indices e.g., CPI and RPI.

Part (b) As with part (b) of Question 3, the majority of candidates were able to write about costs and benefits of inflation, although often weren't able to evaluate each of those costs and benefits by, say, thinking about their likelihood or the extent to which inflation was different to expectations or off-target. A good proportion of candidates considered the different costs and benefits associated with both demand-pull and cost-push inflation, which allowed good marks to be achieved across all the AOs. A small number of excellent answers considered the nature of inflation in different economies, especially those at different stages of development and in economies with different inflationary expectations and monetary authorities with a range of responsibilities. Some candidates veered wildly off track and lost sight of what the question was asking them to do; for example, spending the majority of the essay writing about the impact of using contractionary monetary policy to reduce inflation. Some candidates seemed to muddle the money markets and foreign exchange markets, and wrote some quite confused analysis relating to inflation causing a currency appreciation. It is more likely that inflation causes a reduction in demand for the country's exports leading to a currency depreciation, which might offset the increase in domestic prices.

Section C

Q.5 Part (a) There were very few good answers to this question, mostly because the majority of candidates did not know what is meant by the 'terms of trade' i.e., the index price of exports divided by the index price of imports (x 100). Most candidates assumed it meant things such as the degree of protectionism, or the bargaining power of different countries, which is incorrect. Some candidates used the word 'value' or 'quantity' when writing out the formula and did not understand the importance of price. Some of the few candidates that did correctly show knowledge of the terms of trade then didn't understand what an improvement (or worsening) of the terms of trade might mean and how that would then impact on the trade balance.

Part (b) Many candidates were able to identify and analyse a range of policies that could be used to reduce a current account deficit, typically writing about protectionism (especially tariffs), supply side policies to boost competitiveness, and expenditure reducing policies such as tighter fiscal policy to reduce the value of imports as incomes fall. A smaller number wrote about manipulation of the exchange rate. Candidates in Band 2 included very good theoretically analysis of how these policies would work, often using diagrams to underpin their answers (although again, issues with accurate labelling crept in). The best answers, in Band 3, carefully considered the policies that might be more likely or reasonable in LEDCs and MEDCs, recognising that different economies have different needs and approaches, and linking the policies to the likely cause of a current account deficit. As is often the case with these questions, there was a small number of candidates that confused a current account deficit with a fiscal (budget) deficit, and so unfortunately, they could not be awarded many, if any, marks.

Q.6 Part (a) There were some excellent answers to this question, with candidates carefully outlining what is meant by industrialisation and linking it carefully with the LEDC context, before identifying and analysing positive and negative impacts of industrialisation. Some candidates were awarded high AO1 but low AO3 marks, because they identified many impacts but didn't go into much depth of analysis with any of them.

Part (b) There were many very good answers relating to the general impact of high public sector debt, but very few really considered the LEDC context. As with the confusion in question 5 part (b), some candidates also confused public sector debt with a current account deficit, which rather limited their marks. Some candidates spent too long considering possible policies to reduce public sector debt.

Summary of key points

- The best answers focused carefully on every single aspect of the question – every word in the question matters

- Diagrams are an essential part of the economist's toolkit, and are often specifically requested in part (a) questions – they must be drawn clearly enough for examiners to be able to interpret them, be accurately and comprehensively labelled using appropriate micro/macro labels, and integrated into the written analysis

- Excellent use of theory alone is unlikely to allow candidates to reach the very highest marks; effective evaluation in economics often comes from considering theory in a real-world context

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